

ABBAY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

REPORT AND ACCOUNTS

For the year ended 31 December 2004

Registered in England and Wales No. 3406902



ABBEY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

The Directors submit their annual report and financial statements of Abbey National Treasury Services Investments Limited (the Company) for the year ended 31 December 2004.

1. Principal activity and review of the year

The principal activity of the Company is to act as an investment company. The Directors foresee no change in its activities in the future.

2. Results and dividends

The profit for the year on ordinary activities after tax amounted to £7,454,416 (2003: £34,295,532). The Directors propose to pay a dividend of £4,750,000 (2003: £76,000,000). The retained profit after the dividend of £2,704,416 (2003: loss of £41,704,468) has been transferred to reserves.

3. Directors and their interests

The Directors who served throughout the year, except as noted, were:

| | |
|-------------|-------------------------------|
| D J Ellis | (resigned 30 September 2004) |
| D M Green | |
| M C Jackson | (appointed 29 September 2004) |
| W N Lowe | |
| A G S Tyler | (resigned 13 August 2004) |

No Director of the Company has any interests in the shares of the Company, or of other Group Companies incorporated in Great Britain.

4. Directors' responsibility in respect of the preparation of accounts

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2004. The Directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's system of internal control and for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ABBHEY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

REPORT OF THE DIRECTORS (continued)

5. Auditors

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Deloitte & Touche LLP are deemed to have been re-appointed as auditors of the Company.

By Order of the Board



For and on behalf of
Abbey National Secretariat Services Limited
Secretary

9 June 2005

Registered Office:
Abbey National House
2 Triton Square
Regent's Place
London
NW1 3AN

ABBEY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF ABBEY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

We have audited the financial statements of Abbey National Treasury Services Investments Limited for the year ended 31 December 2004, which comprise the profit and loss account, balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

18 June 2005

ABBEEY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

| | Notes | 2004 £ | 2003 £ |
|---|-------|------------------|---------------------|
| Investment income | 2 | - | 9,053,471 |
| Interest receivable from parent undertaking | | 11,682,989 | 38,467,228 |
| Administrative expenses | | - | (102,014) |
| Interest payable and similar charges | | (1,113,153) | (2,261,597) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | 3 | 10,569,836 | 45,157,088 |
| Tax on profit on ordinary activities | 4 | (3,115,420) | (10,861,556) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation | | 7,454,416 | 34,295,532 |
| Dividends proposed and paid | 5 | (4,750,000) | (76,000,000) |
| | | <hr/> | <hr/> |
| Retained profit / (loss) for the year | 11 | <u>2,704,416</u> | <u>(41,704,468)</u> |

All activities of the Company are regarded as continuing. The Company has no material recognised gains or losses in the current or prior year, other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

The Company's results as reported are on an historical cost basis. Accordingly, no statement of historical cost profits and losses has been presented.


ABBEY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

BALANCE SHEET **at 31 December 2004**

| | Notes | 2004 £ | 2003 £ |
|--|-------|---------------------------|---------------------------|
| Fixed assets | | | |
| Investments | 6 | 334,553,421 | - |
| Current assets | | | |
| Debtors | 7 | 250,932,295 | 262,029,133 |
| Creditors: amounts falling due within one year | 8 | (81,613,723) | (10,861,556) |
| Net current assets | | <u>169,318,572</u> | <u>251,167,577</u> |
| Creditors: amounts falling due after more than one year | 9 | (250,000,000) | - |
| Total assets less liabilities | | <u><u>253,871,993</u></u> | <u><u>251,167,577</u></u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 250,060,000 | 250,060,000 |
| Profit and loss account | 11 | 3,811,993 | 1,107,577 |
| Shareholders' Funds | 12 | <u><u>253,871,993</u></u> | <u><u>251,167,577</u></u> |

The notes on pages 6 to 9 form part of these accounts

The accounts on pages 4 to 9 were approved
by the Board of Directors on 9 June 2005
and signed on its behalf by: **M. JACKSON**

 Director

ABBAY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The order of the profit and loss account has been varied from the standard requirements set out in Schedule 4 of the Companies Act 1985. In the opinion of the Directors, this is necessary in order to show a more appropriate view of the Company's results.

Investments

Investments are shown at cost less provision for any impairment. Securities held for investment purposes are stated at cost adjusted for any amortisation of premium or discount on an appropriate basis over their estimated lives.

Investments in subsidiary undertakings

The Company's investments in subsidiary undertakings are stated at cost less provisions for impairment. Dividend income is recognised upon receipt.

Investment income

Investment income is recognised on an accruals basis. Dividends received from subsidiary undertakings are recognised when declared.

Interest rate swap contracts

Derivatives are undertaken to hedge the company's activities. Hedging transactions are accounted for on an accruals basis. Income and expenses are recognised as they accrue over the life of the instruments as an adjustment to interest receivable or interest payable.

Current tax

Current tax, including UK corporation tax, is provided at amounts expected to be recovered (or paid) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Related party disclosures

The Company has taken advantage of the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8 'Related Party Disclosures', not to disclose transactions with entities that are part of the Abbey National group or the Banco Santander Central Hispano, S.A. group.

Cash flow statement

The cash flows of the Company are included in the cash flow statement of Abbey National plc. Accordingly, the group has taken advantage of the exemption in paragraph 5(a) of Financial Reporting Standard 1, (Revised 1996) "Cash Flow Statements", and not published its own cash flow statement.

2. INVESTMENT INCOME

| | 2004 £ | 2003 £ |
|---|-----------|-----------|
| Income receivable from subsidiary undertaking | - | 9,053,471 |

ABBAY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The Directors did not receive any emoluments for their services to the Company in the current or preceding year and no apportionment of Directors' remuneration has been made by the UK parent company, Abbey National plc, (2003: £nil).

The Company did not enter into any loans, quasi loans or credit transactions with persons who are or were Directors, connected persons or officers of the Company during the year (2003: none).

The audit fee for the current and prior year has been paid on the Company's behalf by its UK parent company, Abbey National plc, in accordance with company policy, for which no recharge has been made.

The Company had no directly employed staff during the year (2003: nil).

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2004 | 2003 |
|--------------------------------------|-------------------------|--------------------------|
| | £ | £ |
| Group relief payable | 3,170,951 | 10,861,556 |
| Adjustment in respect of prior years | <u>(55,531)</u> | <u>-</u> |
| Tax on profit on ordinary activities | <u><u>3,115,420</u></u> | <u><u>10,861,556</u></u> |

Factors affecting the current tax charge for the year:

| | | |
|---|-------------------------|--------------------------|
| Profit on ordinary activities before tax | <u>10,569,836</u> | <u>45,157,088</u> |
| Profit on ordinary activities multiplied by the standard rate of UK corporation tax 30% (2003: 30%) | 3,170,951 | 13,547,126 |
| Effects of: | | |
| Non-taxable UK dividends | - | (2,716,041) |
| Expenses not deductible for tax purposes | - | 30,471 |
| Adjustment in respect of prior years | <u>(55,531)</u> | <u>-</u> |
| Current tax charge | <u><u>3,115,420</u></u> | <u><u>10,861,556</u></u> |

5. DIVIDEND PROPOSED AND PAID

| | 2004 | 2003 |
|--|-------------------------|--------------------------|
| | £ | £ |
| Dividend proposed and paid | | |
| 1.90 pence per share (2003: 30.39 pence) | <u><u>4,750,000</u></u> | <u><u>76,000,000</u></u> |

ABBEY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

6. INVESTMENTS

| | 2004 £ | 2003 £ |
|--|--------------------|-----------|
| Investments in: | | |
| Abbey National Financial Investments 3 B.V. class B preference shares | 84,553,421 | - |
| Abbey National Financial Investments 4 B.V. class B shares | <u>250,000,000</u> | <u>-</u> |
| | <u>334,553,421</u> | <u>-</u> |

The Company has investments in the issued share capital of the subsidiary companies noted above, both of which act as investment companies incorporated in the Netherlands, with an accounting reference date of 31 December.

7. DEBTORS

| | 2004 £ | 2003 £ |
|-------------------------------------|--------------------|--------------------|
| Amounts due from parent undertaking | 250,932,295 | 262,001,045 |
| Accrued interest | <u>-</u> | <u>28,088</u> |
| | <u>250,932,295</u> | <u>262,029,133</u> |

8. CREDITORS: amounts falling due within one year

| | 2004 £ | 2003 £ |
|---|-------------------|-------------------|
| Amounts due to parent undertaking | 77,623,543 | - |
| Amounts due to fellow subsidiary undertakings in respect of group relief | 3,115,420 | 10,861,556 |
| Accrued interest due on secured loan | <u>874,760</u> | <u>-</u> |
| | <u>81,613,723</u> | <u>10,861,556</u> |

9. CREDITORS: amounts falling due after more than one year

| | 2004 £ | 2003 £ |
|--------------------------|--------------------|-----------|
| Secured loans from Banks | <u>250,000,000</u> | <u>-</u> |

10. SHARE CAPITAL

| | 2004 £ | 2003 £ |
|---|----------------------|----------------------|
| Authorised: | | |
| 1,250,060,000 ordinary shares of £1 each | <u>1,250,060,000</u> | <u>1,250,060,000</u> |
| Allotted, called up and fully paid: | | |
| 250,060,000 (2003: 250,060,000) ordinary shares of £1 each | <u>250,060,000</u> | <u>250,060,000</u> |

ABBEY NATIONAL TREASURY SERVICES INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

11. PROFIT AND LOSS ACCOUNT

| | 2004 £ | 2003 £ |
|---------------------------------------|-------------------------|-------------------------|
| At 1 January | 1,107,577 | 42,812,045 |
| Retained profit / (loss) for the year | <u>2,704,416</u> | <u>(41,704,468)</u> |
| At 31 December | <u><u>3,811,993</u></u> | <u><u>1,107,577</u></u> |

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2004 £ | 2003 £ |
|---------------------------------------|---------------------------|---------------------------|
| Shareholders' Funds at 1 January | 251,167,577 | 1,292,872,045 |
| Retained profit / (loss) for the year | 2,704,416 | (41,704,468) |
| Reduction in share capital | <u>-</u> | <u>(1,000,000,000)</u> |
| Shareholders' Funds at 31 December | <u><u>253,871,993</u></u> | <u><u>251,167,577</u></u> |

13. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Abbey National Treasury Services plc, a company incorporated in the United Kingdom.

The Company's results are included in the group accounts of Abbey National Treasury Services plc, which continues to head the smallest group into which the results of the company are consolidated.

Up to 12 November 2004, the ultimate parent undertaking and controlling party was Abbey National plc. From this date, the company's ultimate parent undertaking and controlling party became Banco Santander Central Hispano, S.A., a company incorporated in Spain. Banco Santander Central Hispano, S.A. is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member.

Copies of all group accounts, which include the results of the Company, are available from Abbey Secretariat, Abbey National House, 2 Triton Square, Regent's Place, London, NW1 3AN.