COMPANY REGISTRATION NUMBER 3657463

PORTERBROOK MAINTENANCE LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2006

CONTENTS

Directors' Report

The directors submit their report together with the financial statements and auditors report for the year ended 31 December 2006

1 Principal activity and enhanced business review

The purpose of this report is to provide information to the members of the company and as such it is only addressed to those members The report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the company By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements Members should consider this when relying on any forward-looking statements The forward-looking statements reflect knowledge and information available at the date of preparation of this report and the company undertakes no obligation to update any forward-looking statement during the year Nothing in this report should be construed as a profit forecast

Principal Activity
The principal activity of the company during the year was the provision of contracted heavy maintenance services within the United Kingdom, primarily to fellow group undertakings During the year the company has successfully managed the contracts undertaken The directors are not aware, at the date of this report, of any likely changes in the company's activities in the next year

Principal risks and uncertainties
A review of the company's risks is included in note 2 to the financial statements

Business review
During the year the company successfully managed its heavy maintenance contracts, as shown in the income statement The directors consider the state of the company's affairs to be satisfactory, as shown in the balance sheet The directors do not expect any significant change in the level of the business in the foreseeable future

The Abbey National plc group manages its operations on a divisional basis For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business The performance of the divisions of Abbey National plc, which include the company, are discussed in the group's Annual Report which does not form part of this report

2. Dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements

The directors approved non-cumulative dividends on its irredeemable preference shares of £46 94 on 15 December 2005 which was paid on 3 January 2006, £54 16 on 24 March 2006 which was paid on 31 March 2006, £54 76 on 8 June 2006 which was paid on 30 June 2006, £55 36 on 13 September 2006 which was paid on 2 October 2006, and £55 36 on 13 December 2006 which was paid on 2 January 2007

The directors' have not recommended a dividend on the equity shares of the company (2005 £nil)

3 Directors and their interests

The directors who served throughout the year were

Mr P A Francis	
Mr S McCormick	(resigned 18 May 2006)
Mr M C Jackson	
Mr K R Howard	(appointed 12 June 2006)
Mr W J Day	(appointed 28 September 2006)

Non-Executive Director

Mr C S Heaps	(appointed 31 July 2006, resigned 19 February 2007)

No director of the company has any interests in the shares of the company, or of other group companies incorporated in Great Britain

4 Financial Instruments

The company's risks are managed on a group level by the ultimate UK parent company, Abbey National plc

The financial risk management objectives of and policies of the company, the policy for hedging each major type of forecasted transaction, and the exposure of the company to credit risk, market risk, liquidity risk and residual value risk are outlined in note 2 to the financial statements

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

The directors are responsible for preparing their report and financial statements The directors have chosen to prepare accounts for the company in accordance with International Financial Reporting Standards (IFRSs) Company law requires the directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards Directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions

6 Third party indemnities

During 2006, Abbey National plc applied the provisions of the Companies (Audit, Investigations and Community Enterprise) Act 2004 to provide enhanced indemnities to the directors of the company against liabilities and associated costs which they could incur in the course of their duties to the company The indemnities remain in force as at the date of this Annual Report and Accounts A copy of each of the indemnities is kept at the registered office address of Abbey National plc

7. Payment policy

It is the company's policy to ensure payments are made in accordance with the terms and conditions agreed, except where the supplier fails to comply with those terms and conditions

The company's practice on payment of creditors has been quantified under the terms of the Companies Act 1985 (Directors' Report) (Statement Payment Practice) Regulations 1997 The number of days supplier invoices which are included in trade creditors at 31 December 2006 is 32 days (2005 30 days)

8 Environment

The Abbey National plc group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities The company operates in accordance with group policies, which are described in the group's Annual Report which does not form part of this report Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption

9. 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 therefore deemed to have been re-appointed as auditors of the company

In the case of each of the persons who are directors of the company at the date when this report was approved

- so far as each of the directors are aware, there is no relevant audit information (as defined in s234ZA of the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all steps that he ought to have taken as director to make himself aware of any relevant audit information (as defined in s234ZA of the Companies Act 1985) and to establish that the company's auditors are aware of that information

By Order of the Board

For and on behalf of
Abbey National Secretariat Services Limited, Secretary

22 February 2007

Abbey National House
2, Triton Square
Regents Place
London
NW1 3AN

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PORTERBROOK MAINTENANCE LIMITED

We have audited the financial statements of Porterbrook Maintenance Limited for the year ended 31 December 2006 which comprise the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement, and the related notes 1 to 19 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
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Directors' Report

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 circumstances of the company, 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, in accordance with those IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Separate opinion in relation to IFRS
As explained in Note 1, the company, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended

Deloitte & Touche LLP
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
22 February 2007

Income Statement
For the year ended 31 December 2006

	NOTES	Year ended 2006 £000	Year ended 2005 £000
Revenue	3	69,317	80,871
Cost of sales		(68,944)	(78,502)
Gross profit		373	2,369
Administrative expenses		(301)	(2,203)
Profit from operations	4	72	166
Investment income	7	4,769	3,989
Finance costs	8	-	(51)
Profit before tax		4,841	4,104
Tax	9	(1,455)	(4,165)
Net profit (loss) attributable to equity holders of the parent	15	3,386	(61)

Statement of recognised income and expense
For the year ended 31 December 2006

	Year ended 2006 £000	Year ended 2005 £000
Net income recognised directly in equity	-	-
Profit (loss) for the year	3,386	(61)
Total recognised income and expense for the year	3,386	(61)
Attributable to		
Equity holders of the parent	3,386	(61)

Balance Sheet
At 31 December 2006

	NOTES	2006 £000	2005 £000
Current Assets			
Trade and other receivables	10	119,860	119,038
Cash and cash equivalents		1,479	1,669
Total assets		121,339	120,707
Current liabilities			
Trade and other payables	12	8,354	11,836
Current tax liabilities		728	-
		9,082	11,836
Net current assets		112,257	108,871
Non-current liabilities			
Preference shares	11	4	4
Total liabilities		9,086	11,840
Net assets		112,253	108,867
Equity			
Capital and Reserves			
Share capital	13	50	50
Other reserves	14	43,926	43,926
Retained earnings	15	68,277	64,891
Equity attributable to equity holders of the parent		112,253	108,867
Total equity		112,253	108,867

The financial statements were approved by the board of directors and authorised for issue on 22 February 2007 They were signed on its behalf by

M C Jackson

Director

M C JACKSON

Cash Flow Statement
For the year ended 31 December 2006

	NOTE	Year ended 2006 £000	Year ended 2005 £000
Net cash (outflow) inflow from operating activities	16	(4,959)	6,719
Investing activities			
Interest received		4,769	3,989
Net cash used in investing activities		4,769	3,989
Financing activities			
Preference shares dividends paid		-	(43,977)
Preference shares issued		-	43,930
Net cash from financing activities		-	(47)
Net (decrease) increase in cash and cash equivalents		(190)	10,661
Cash and cash equivalents at beginning of year		1,669	(8,992)
Cash and cash equivalents at end of year		1,479	1,669

1 Accounting policies

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union that are effective or available for early adoption at the company's reporting date The company, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board The financial statements have been prepared under the historical cost convention

In addition, the company has decided to early adopt IFRS 7 'Financial Instruments Disclosure' and the related amendments to IAS 1 'Presentation of Financial statements'

Foreign currency translation
Items included in the financial statements of the entity are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that company ("the measurement currency") The financial statements are presented in Pounds Sterling, which is the measurement currency of the immediate parent

Foreign currency transactions are translated into the measurement currency at the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes
Sales of goods are recognised when goods are delivered and title has passed

Trade receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

Investment income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable

Pensions and other post retirement benefits
The company participates in three pension schemes

- Abbey National Group Defined Benefits scheme

  This is a multi employer scheme The company accounts for this scheme as if it were a defined contribution scheme as it is not possible to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis The amounts charged to the profit and loss account in respect of this scheme are the contributions payable in the year

- Abbey National Staff Stakeholder scheme

  The company participates in an Abbey National Staff Stakeholder scheme The amount charged to the profit and loss account is the contributions payable in the year

- Railways Pension Scheme

  This is a multi employer defined benefit scheme The company is part of the Porterbrook section of the Scheme The company accounts for this scheme as if it were a defined contribution scheme as it is not possible to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis The amounts charged to the profit and loss account in respect of this scheme are the contributions payable in the year

Income taxes, including deferred income taxes
Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised

Current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously

Cash and cash equivalents
Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short term investments in securities Intercompany balances are not treated as cash equivalents, and are shown as movements in payables and receivables

Financial liabilities
Financial liabilities are measured at amortised cost, except for trading liabilities, which are held at fair value through profit or loss

Borrowings
Borrowings are recognised initially at fair value, being the proceeds (fair value of consideration received) net of transaction costs incurred Borrowings are subsequently stated at amortised cost, any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Preference shares, which carry a mandatory coupon, or are redeemable on a specified date or at the option of the shareholder, are classified as financial liabilities and are presented in other borrowed funds The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method

Dividends on Ordinary shares
Dividends on Ordinary shares are recognised in equity in the period in which they are authorised

Share capital
Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes

2 Risk

Financial risk management
The company's risk management focuses on the major areas of credit risk, market risk and liquidity risk Risk management is carried out by the central risk management function of the Abbey group Authority flows from the Abbey National plc Board to the Chief Executive Officer and from him to his direct reports Delegation of authority is to individuals Formal standing committees are maintained for effective management of oversight

Credit risk
Credit risk is the risk that counterparties will not meet their financial obligations and may result in the company failing to recover debts due

Credit risk occurs in relation to outstanding sales ledger balances Credit risk in this area is managed through regular contact with customers, and monitoring of overdue balances

Credit risk also occurs in relation to intercompany loan receivables The company manages this risk by reviewing the balance sheet position of all group counterparties on a monthly basis

Maximum exposure to credit risk without taking into account collateral or credit enhancements is £119,860,000 This is equivalent to the outstanding intercompany debtors and sales ledger balances at 31 December 2006

Financial assets past due but not impaired

	31 December 2006 £000	31 December 2005 £000
Up to 6 months in arrears	70	426
6 to 12 months in arrears	-	-
Over 12 months in arrears	-	-

There are no impaired financial assets

The company holds no collateral or other credit enhancements to mitigate credit risk

Liquidity risk
Liquidity risk is the potential that, although remaining solvent, the company does not have sufficient liquid financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost

Maturities of financial liabilities

At 31 December 2006	On Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Trade and other payables	8,354	-	-	-	-	8,354
Preference shares	-	-	-	-	4	4
Total financial liabilities	8,354	-	-	-	4	8,358

At 31 December 2005	On Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Trade and other payables	11,836	-	-	-	-	11,836
Preference shares	-	-	-	-	4	4
Total financial liabilities	11,836	-	-	-	4	11,840

Market risk

Market risk is the potential for increase in costs or decrease in the value of net assets caused by movements in the levels and prices of financial instruments The majority of market risk arises as a result of interest rates and foreign exchange rates

The company has no material exposure to foreign exchange rate risk, as it has no significant transactions with overseas customers or suppliers

The company is exposed to interest rate risk on its intercompany borrowings, on which interest is charged at floating LIBOR rates This interest rate risk is managed at Porterbrook group level through the use of derivative financial instruments, on which interest is paid at fixed rates and received at floating rates The group reviews its exposure to interest rate risk at Board level on a quarterly basis, or more frequently if there are material changes to contracted forecast cash flows If interest rate exposure is above trigger levels, further cover is sought through new derivative contracts As such the group is not materially exposed to changes in interest rates, although net exposures will arise in individual companies

A 100 basis point increase in interest rates would result in an increase in operating profit of £1,170,000 (2005 £885,000) and an increase in net assets of £819,000 (2005 £620,000)

3 Revenue

An analysis of the company's revenue is as follows

	Year ended 2006 £000	Year ended 2005 £000
Rendering of maintenance services	69,317	80,871

4 Profit from operations

Profit from operations has been arrived at after charging

	Year ended 2006 £000	Year ended 2005 £000
Staff costs (see note 5)	2,904	2,677
Auditors remuneration for audit services (see below)	-	-

Fees payable to the company's auditors for the audit of the company's annual accounts for the current year are £15,000 (2005 £15,000) and have been borne by the company's ultimate UK parent undertaking Abbey National plc, for which no recharge has been made in the current or prior year Fees payable to Deloitte & Touche LLP and their associates for non-audit services to the company are not required to be disclosed because the Abbey National plc consolidated financial statements are required to disclose such fees on a consolidated basis

5 Staff costs

The average monthly number of employees (including executive directors) was

	Year ended 2006 No	Year ended 2005 No
Maintenance management staff	57	60

Their aggregate remuneration comprised

	Year ended 2006 £000	Year ended 2005 £000
Wages and salaries	2,356	2,175
Social security costs	265	241
Other pension costs (see note 17)	283	261
	2,904	2,677

6. Directors emoluments

The company paid no directors emoluments during the year (2005 £nil)

The total emoluments exclude remuneration received by directors in respect of their primary duties as directors of Abbey National Treasury Services plc and Porterbrook Leasing Company Limited

7 Investment income

	Year ended 2006 £000	Year ended 2005 £000
Interest on bank deposits	1	66
Interest receivable from group undertakings	4,768	3,923
	4,769	3,989

8. Finance costs

	Year ended 2006 £000	Year ended 2005 £000
Other borrowing costs	-	51

Further details in respect of other borrowing costs are shown in note 11

9 Tax

	Year ended 2006 £000	Year ended 2005 £000
Current tax		
UK corporation tax	1,455	4,165
	1,455	4,165

Corporation tax is calculated at 30% (2005 100%) of the estimated assessable profit for the year

The charge for the year can be reconciled to the profit per the income statement as follows

	Year ended 2006 £000	Year ended 2005 £000
Profit before taxation	4,841	4,104
Tax at the UK corporation tax rate of 30% (2005 30%)	1,452	1,231
Tax effect of expenses that are non-deductible in determining taxable profit	3	18
Group relief paid for at higher rate of 100%	-	2,916
Tax expense for the year	1,455	4,165

10. Trade and other receivables

	2006 £000	2005 £000
Trade receivables	24	1,198
Amounts due from group companies	116,311	112,862
Other receivables	3,525	4,978
	119,860	119,038

11 Preference shares

	2006 £000	2005 £000
Preference shares	4	4
	4	4
These borrowings are repayable as follows		
On demand or within one year	-	-
In the second year	-	-
In the third to fifth years inclusive	-	-
After five years	4	4
	4	4
Less Amount due for settlement within 12 months (shown under current liabilities)	-	-
Amount due for settlement after 12 months	4	4

Preference shares are denominated in Sterling The weighted average interest rates paid were as follows

	Year ended 2006 %	Year ended 2005 %
Preference shares	5 0	5 0

The directors estimate the fair value of the company's preference shares as follows

	2006 £000	2005 £000
Preference shares	4	4

Preference shares

On 14 October 2005 439,300 irredeemable preference shares were issued at a nominal value of £0 01 each and a share premium of £99 99 each Under the terms of the preference shares, the holder is entitled to special dividends and to a 5% annualised non-cumulative dividend which accrues on a daily basis Non-cumulative dividends of £211 22 have been paid in the year

On winding up, the preference shareholders have a preferential right to paid up capital together with any dividend payable and accrued up to and including the date of winding up

Preference shareholders are entitled to attend and vote at a General Meeting of the company where a resolution to abrogate or vary any of the rights and privileges attaching to the preference shares is proposed

The directors estimate the fair value of the liability component of the preference shares at 31 December 2006 to equate to their book value shown above This fair value has been estimated by discounting the future cash flows at the market rate

12. Trade and other payables

	2006 £000	2005 £000
Trade payables	7,042	7,920
Amounts due to group companies	160	178
Accruals	1,152	3,738
	8,354	11,836

The directors consider that the carrying amounts of payables approximates to their fair value

13. Share capital

	2006 £000	2005 £000
Authorised·		
100,000 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50	50

There was an issue of irredeemable preference shares during 2005 These have been classified as financial liabilities in accordance with IFRS and are disclosed in note 10

14 Other reserves

	Other Non-Distributable Reserve £000	Total £000
Balance at 31 December 2005 and 31 December 2006	43,926	43,926

The Other Non-Distributable Reserve relates to transfer from retained earnings in respect of Special Dividends paid on the irredeemable preference shares in 2005

15. Retained earnings

	£000
Balance at 1 January 2005	108,878
Dividends paid	-
Transfer to Other Non-Distributable Reserve (Note 14)	(43,926)
Net loss attributable to the parent	(61)
Balance at 31 December 2005	64,891
Balance at 1 January 2006	64,891
Dividends paid	-
Net profit attributable to the parent	3,386
Balance at 31 December 2006	68,277

The amount of retained earnings as at 31 December 2005 available for distribution was reduced by £43,925,607 following the payment of special dividends on the irredeemable preference shares issued during the year

16 Notes to the cash flow statement

	Year ended 2006 £000	Year ended 2005 £000
Profit from operations	72	166
Operating cash flows before movements in working capital	72	166
(Increase) decrease in receivables	(822)	14,940
Decrease in payables	(3,482)	(4,222)
Cash (utilised) generated by operations	(4,232)	10,884
Income tax paid	(727)	(4,165)
Net cash flow from operating activities	**(4,959)**	**6,719**

17 Retirement benefit schemes

The company participates in three schemes

(i) Abbey National Group Defined Benefit Schemes

The company is unable to identify its share of the underlying assets and liabilities of the Abbey National Group Defined Benefit Scheme and has, therefore, accounted for its contributions to the pension scheme as if it were a defined contribution scheme Details of the scheme and any associated deficit or surplus appear in the accounts of Abbey National plc

(ii) Abbey National Staff Stakeholder Scheme

The amount charged to the profit and loss account is the contributions payable in the year

(iii) Railways Pension Scheme

The company is part of the Porterbrook section within the main Railways Pension Scheme The scheme, administered by Railtrust (Holdings) Limited, provides defined benefits to members based on final pensionable salaries In accordance with IAS 19 'Employee Benefits', the scheme is classified as a defined benefit plan that shares risks between entities under common control The sponsoring employer of the scheme is the parent company, Porterbrook Leasing Company Limited As there is no contractual agreement for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual group entities, the defined benefit cost is recognised in the accounts of the sponsoring employer of the scheme In accordance with IAS 19, Porterbrook Maintenance Limited recognises a cost in 2006 of £273,000 (2005 £250,000) equal to the contribution payable for the period

An actuarial review of the Railway Pension Scheme was carried out by independent qualified actuaries, Watson Wyatt LLP, as at 31 December 2004, using the projected unit method The main assumptions used were that the rate of investment return net of price inflation on future contributions would be 4 0 per cent per annum, the rate of investment return net of price inflation on existing contributions would be 4 0 per cent per annum for non-pensioners and 2 0 per cent per annum for pensioners, inflation and the rate of increase of pensions in payment would be 2 8 per cent per annum and that future pensionable pay awards would exceed price inflation by 1 5 per cent per annum The assets in the Porterbrook section had a market value of £11 787m at 31 December 2004

After taking into account the expected allocation of assets to the various sections of the Railways Pension Scheme, the actuarial value of the assets attributable to the Porterbrook section, based on the above review, was estimated to be less than the projected accrued liabilities by approximately 10% at 31 December 2004, before allowing for agreed future contribution increases

The ongoing regular service cost of the scheme to be met by both the employees and the employer was estimated by the actuary at 22 5 per cent of scheme pay, defined as pensionable pay less 150 per cent of the basic state pension The scheme is currently receiving contributions from employees of 11 3 per cent of scheme pay and the company's contribution is 18 56 per cent

The members of the scheme and the company have agreed that the members will contribute 11 3 per cent of their section pay until 30 June 2008, 10 55 per cent of their section pay between 1 July 2008 and 30 June 2015, and 9 per cent of their section pay from 1 July 2015 The company will contribute 18 56 per cent of section pay until 30 June 2006, 23 26 per cent of section pay between 1 July 2006 and 30 June 2008, 16 66 per cent of section pay between 1 July 2008 and 30 June 2015 and 13 5 per cent of section pay from 1 July 2015

18 Related party transactions

The related party disclosures in this note apply to related parties, which comprise the following entities and individuals

- Parent company
- Subsidiaries and fellow subsidiaries
- Parties that have an interest in the company that gives them a significant influence
- Parties that have joint control over the entity
- Associates
- Joint ventures
- The parent company's key management personnel
- Close family members of the above

Trading transactions

During the year, the company entered into the following transactions with related parties

	Income		Expenditure		Amounts owed by related parties		Amounts owed to related parties	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Parent company	74,085	119,050	66,039	115,790	116,311	112,862	-	-
Subsidiaries and fellow subsidiaries	-	-	-	-	-	-	167	177
Parent or company key management personnel	-	-	-	-	-	-	-	-
Other related parties	-	51	-	-	-	-	4	4

On 14 October 2005 439,300 irredeemable Preference shares were allotted to and paid for by a related party, Abbey National Treasury Investments Limited On 17 October 2005 Abbey National Treasury Investments Limited sold the Preference shares to Carfax Insurance Limited, another related party Special dividends of £43,976,838 were paid to Carfax Insurance Limited in October 2005 The amount owed to Carfax Insurance Limited was £4,448 at 31 December 2006 (2005 £4,440)

Transactions with the parent company and fellow subsidiaries disclosed above relate to recharges of specific items of expenditure, along with a management fee, and interest on outstanding intercompany balances A trading account is maintained between the companies

Key management personnel

There were no related party transactions during the year, or existing at the balance sheet, with the company's or parent company's key management personnel

Remuneration of key management personnel

No remuneration was paid to any director by the company during the year (2005 £nil) The total emoluments exclude remuneration received by directors in respect of their primary duties as directors of Abbey National Treasury Services plc and Porterbrook Leasing Company Limited

19. Parent undertaking and controlling party

The company's immediate parent company is Porterbrook Leasing Company Limited

The company's ultimate parent undertaking and controlling party is 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 Abbey National Treasury Services plc is the immediate parent undertaking of the smallest group of undertakings for which the group accounts are drawn up and of which the company is a member

Copies of all sets of group accounts, which include the results of the company, are available from Abbey Secretariat, Abbey National House, 2 Triton Square, Regents Place, London, NW1 3AN