

**ABBAY NATIONAL TREASURY SERVICES
(TRANSPORT HOLDINGS) LIMITED**

**Registered in England and Wales
No. 4188464**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2011**



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ABBEY NATIONAL TREASURY SERVICES (TRANSPORT HOLDINGS) LIMITED – COMPANY NUMBER: 4188464

REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended 31 December 2011

This Directors' report has been prepared in accordance with the special provisions relating to small companies under Sections 415(A)(1) & (2) of the Companies Act 2006

Principal activity and review of the year

The principal activity of Abbey National Treasury Services (Transport Holdings) Limited (the "Company") is to act as an investment company. The Directors do not expect any significant change in the level of business in the foreseeable future.

Results and dividends

The result for the year on ordinary activities after taxation amounted to US\$nil (2010 US\$4,895,855)

The Directors do not recommend the payment of a final dividend (2010 US\$nil)

Directors

The Directors who served throughout the year and to the date of this report (except as noted) were as follows

M C Jackson	
R C Truelove	
A T Rougier	(resigned on 18 July 2011)
M Ellwood	(appointed on 18 August 2011)

Statement of Directors' responsibilities

The Directors are responsible for preparing the report and the financial statements in accordance with applicable laws and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

- 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 IFRSs are 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
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ABBEY NATIONAL TREASURY SERVICES (TRANSPORT HOLDINGS) LIMITED – COMPANY
NUMBER: 4188464**

REPORT OF THE DIRECTORS (continued)

Statement of Going Concern

The Company's business activities, together with the factors likely to affect its future developments, performance and position are set out above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 10 and 3 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposures to credit risk.

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

Third party indemnities

Enhanced indemnities are provided to the Directors of the Company by Santander UK plc against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities remain in force as at the date of this Report and Accounts. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

Auditors

Each of the Directors as at the date of approval of this report has confirmed that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Sections 485 and 487 of the Companies Act 2006, Deloitte 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 Nominees Limited, Secretary

19 March 2012

Registered Office Address
2 Triton Square
Regent's Place
London
NW1 3AN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBEY NATIONAL TREASURY SERVICES (TRANSPORT HOLDINGS) LIMITED

We have audited the financial statements of Abbey National Treasury Services (Transport Holdings) Limited ("the Company") for the year ended 31 December 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, the Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its result for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Report of the Directors.



Matthew Perkins (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
19 March 2012

ABBEY NATIONAL TREASURY SERVICES (TRANSPORT HOLDINGS) LIMITED
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FINANCIAL STATEMENTS
For the year ended 31 December 2011

Income Statement

For the year ended 31 December 2011

	Note	2011 US \$	2010 US \$
Reversal of impairment of investment in subsidiary	-	-	4,831,102
Foreign exchange gain	-	-	64,753
Profit before tax	-	-	4,895,855
Tax	4	-	-
Net profit attributable to equity holders of the Company	-	-	4,895,855

The accompanying notes form an integral part of the financial statements

All activities of the Company are classified as continuing

Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 US \$	2010 US \$
Result for the year	-	4,895,855
Other comprehensive income – foreign currency translation	-	4,895,855
Attributable to equity holders of the Company	-	4,895,855

Statement of Changes in Equity

For the year ended 31 December 2011

	Share Capital US \$	Capital Contribution Reserve US \$	Retained Losses US \$	Total US \$
Balance at 1 January 2010	15,000,000	147,608,125	(163,011,581)	(403,456)
Total comprehensive income - profit for the year	-	-	4,895,855	4,895,855
Balance at 31 December 2010	15,000,000	147,608,125	(158,115,726)	4,492,399
Balance at 1 January 2011	15,000,000	147,608,125	(158,115,726)	4,492,399
Total comprehensive income - foreign currency translation	-	-	-	-
Balance at 31 December 2011	15,000,000	147,608,125	(158,115,726)	4,492,399

Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 US \$	2010 US \$
Net cash used in operating activities	8	-	(4,831,102)
Investing activities			
Proceeds from capital repayment	-	-	4,831,102
Net cash flows generated from investing activities	-	-	4,831,102
Change in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	-	-	-

The accompanying notes form an integral part of the financial statements

ABBEY NATIONAL TREASURY SERVICES (TRANSPORT HOLDINGS) LIMITED
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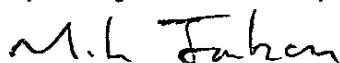
FINANCIAL STATEMENTS
For the year ended 31 December 2011

Balance Sheet
At 31 December 2011

	Notes	2011 US \$	2010 US \$
Non-current assets			
Investments in subsidiary undertakings	5	-	-
Current assets			
Receivables	6	4,492,399	4,492,399
Total assets		4,492,399	4,492,399
Net assets		4,492,399	4,492,399
Equity			
Share capital	7	15,000,000	15,000,000
Capital contribution reserve		147,608,125	147,608,125
Retained losses		(158,115,726)	(158,115,726)
Total equity/(deficit) attributable to equity holders of the Company		4,492,399	4,492,399

The accompanying notes form an integral part of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 19 March 2012
They were signed on its behalf by



Mark Jackson
Director

ABBEY NATIONAL TREASURY SERVICES (TRANSPORT HOLDINGS) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in 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 for use in 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 and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of Section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Recent accounting developments

- (a) IAS 24 'Related Party Transactions' – In November 2009, the IASB issued amendments to IAS 24, which clarified the definition of a related party, introduced a partial exemption from some disclosure requirements for government-related entities and included an explicit requirement to disclose commitments involving related parties. IAS 24(2009) was adopted from 1 January 2011. Retrospective application is required. The adoption of IAS 24 (2009) by the Company did not affect the Company's disclosures.
- (b) There are a number of other changes to IFRS that were effective from 1 January 2011. Those changes did not have a significant impact on the Company's financial statements.

Future accounting developments

The Company has not yet adopted the following significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective for the Company.

- (a) IFRS 9 'Financial Instruments' – In November 2009, the IASB issued IFRS 9 and in October 2010, issued an amendment to IFRS 9 which introduce new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. In November 2011, the Board reached a tentative agreement to change the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 rather than being required to apply them for annual periods beginning on or after 1 January 2013 as is currently the case. Early application would continue to be permitted.
 - IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 'Financial Instruments: Recognition and Measurement' to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
 - The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The Company anticipates that IFRS 9 will be adopted in the Company's financial statements for the annual period beginning on or after 1 January 2015 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

1 Accounting policies (continued)

Future accounting developments (continued)

- (b) There are a number of other standards which have been issued or amended that are expected to be effective in future periods. However, it is not practicable to provide a reasonable estimate of their effects on the Company's financial statements until a detailed review has been completed.

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 functional currency"). The functional and presentation currency is US Dollars.

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.

Investments in subsidiaries

Investments are measured at initial recognition at fair value, and are subsequently measured at amortised cost less impairment. 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.

Receivables

Receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method.

Impairment of financial assets

Impairment losses are assessed individually for the financial assets that are individually significant.

For individually assessed assets, the Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of the estimated future cash flows from the asset or group of assets discounted at the original effective interest rate of the asset.

Impairment losses are recognised in profit and loss and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

A write-off is made when all collection procedures have been completed and is charged against previously established provisions for impairment.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

1 Accounting policies (continued)

Financial liabilities

Financial liabilities are initially recognised when the entity becomes contractually bound to transfer economic benefits in the future and are measured at amortised cost. Financial liabilities are only derecognised once the liability has been extinguished. A liability is only extinguished when either the liability is discharged by payment, or there is a legal release (by law or by the creditor).

The Company classifies its financial liabilities, including intercompany financial liabilities, as deposits and payables which are held at amortised cost unless designated as held at fair value through profit and loss. The carrying value of financial liabilities is a fair approximation of their fair values.

Financial liabilities are initially recognised at fair value net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method.

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.

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 Profit before tax

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the ultimate UK parent company, Santander UK plc ("Santander UK"). No emoluments were paid by the Company to the Directors during the year (2010: £nil).

The Company had no employees in the current or previous financial year.

The statutory audit fee for the current and prior year has been paid on the Company's behalf by the ultimate UK parent Company, Santander UK, in accordance with Company policy, for which no recharge has been made. The statutory audit fee for the current year is £5,100 (2010: £2,300).

3 Financial risk management

The Company's risk management focuses on the major area of credit risk. Risk management is carried out by the central risk management function of the Santander UK Group. Authority flows from the Santander UK Board to the Chief Executive Officer and from her to her 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 losing the principal amount lent, the interest accrued and any unrealised gains, less any security held. It occurs in intercompany assets held by the Company.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in note 6 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

4 Tax

	2011 US \$	2010 US \$
Current tax		
UK corporation tax on profit of the year	-	-
Tax charge for the year	-	-

UK corporation tax is calculated at 26.5% (2010: 28%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 28% to 26% with effect from 1 April 2011.

The Finance Act 2011, which provides for a reduction in the main rate of UK corporation tax to 25% effective from 1 April 2012, was enacted on 19 July 2011.

The UK Government has also indicated that it intends to enact further reductions in the main tax rate of 1% each year down to 23% by 1 April 2014. These changes to the main tax rate have not been substantively enacted at the Balance Sheet date, and therefore, are not included in these financial statements. The estimated financial effect of these changes is insignificant.

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2011 US \$	2010 US \$
Profit before tax	-	4,895,855
Tax calculated at a tax rate of 26.50% (2010: 28%)	-	1,370,839
Non-taxable income	-	(1,370,839)
Tax charge for the year	-	-

5 Interests in subsidiary undertakings

	2011 US \$	2010 US \$
Cost	-	39,081,274
Less: Provision for impairment	-	(34,250,172)
Less: Capital repayment	-	(4,831,102)
Balance at 31 December	-	-

On 31 October 2010, IEM Airfinance B.V. was liquidated and a capital repayment of US \$4,831,102 was paid to the Company.

The list of the subsidiary undertakings of the Company up to 30 October 2010 were:

Name of subsidiaries	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment
Directly held				
IEM Airfinance B.V.	Netherlands	100	100	Cost less provision for impairment
Indirectly held				
IEM Lease Aircraft B.V.	Netherlands	100	100	Cost less provision for impairment
IEM 757 Leasing 1 B.V.	Netherlands	100	100	Cost less provision for impairment
IEM (Holland) Aircraft Lease B.V.	Netherlands	100	100	Cost less provision for impairment

Investments in subsidiary companies were shown at cost less provision for impairment. The Company exercised the exemption under Section 400 of the Companies Act 2006, which dispensed with the requirement to prepare group accounts. This was also in line with the exemption in IAS 27 'Consolidated and Separate Financial Statements'.

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NOTES TO THE FINANCIAL STATEMENTS
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6 Receivables

	2011 US \$	2010 US \$
Amounts due by group company	4,492,399	4,492,399

The Directors consider that the carrying amount of receivables approximates to their fair value

Amounts due by group company are non interest bearing and repayable on demand

7 Share capital

	2011 US \$	2010 US \$
Issued and fully paid		
15,000,000 ordinary shares of US \$1 each	15,000,000	15,000,000

8 Notes to the cash flow statements

	2011 US \$	2010 US \$
Profit from operations	-	4,895,855
Adjustment for		-
Reversal of impairment	-	(4,831,102)
Operating cash flows before movements in working capital	-	64,753
Increase in receivables	-	(4,492,399)
Decrease in payables	-	(403,456)
		(4,895,855)
Tax paid	-	-
Net cash flow used in operating activities	-	(4,831,102)

9 Related party transactions

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	
	2011 US \$	2010 US \$	2011 US \$	2010 US \$	2011 US \$	2010 US \$	2011 US \$	2010 US \$
Immediate UK parent	-	64,753	-	-	4,492,399	4,492,399	-	-

No Director or management personnel received any remuneration (2010 £nil)

There were no related party transactions during the year with the Company's or parent company's key management personnel

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NOTES TO THE FINANCIAL STATEMENTS
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10 Capital management and resources

The Company's parent, Santander UK, adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Santander UK Group. The Company has no non-centralised process for managing its own capital. Disclosures relating to the Santander UK Group's capital management can be found in the Santander UK Annual Report and Accounts.

Capital held by the Company and managed centrally as part of the Santander UK Group, comprises share capital and reserves which can be found in the Balance Sheet on page 5.

11 Parent undertaking and controlling party

The Company's immediate parent company is Abbey National Treasury Services plc, a company registered in England and Wales.

The Company's ultimate parent undertaking and controlling party is Banco Santander, S.A., a company registered in Spain. Banco Santander, 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 Secretariat, Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN.