

**ABBAY NATIONAL BUSINESS
CASHFLOW FINANCE LIMITED**

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2007

**Registered in England and Wales
No. 1360153**

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ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Report of the Directors

The Directors submit their report together with the financial statements for the year ended 31 December 2007

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

Principal activity and review of the year

The principal activity of the Company is the provision of debt factoring services. The Directors do not expect to write any new business for the foreseeable future.

Results and dividends

The profit for the year after taxation amounted to £229,098 (2006 profit £234,544)

The Company paid an interim dividend of £nil for the year (2006 £2,700,000). The Company received an interim dividend from its subsidiary undertaking amounting to £nil (2006 £nil).

Directors

The Directors who served throughout the year were

M C Jackson
A T Rougier

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law 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. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

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 IFRSs. However, 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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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 BUSINESS CASHFLOW FINANCE LIMITED

Report of the Directors (continued)

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 & Accounts. A copy of each of the indemnities is kept at the registered office address of Abbey National plc.

Auditors

Each of the persons who are directors at the date of approval of this annual report confirms that

- so far as each of the directors is 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.

In accordance with Sections 485 and 487 of the Companies Act 2006, 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

8 February 2008

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

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Independent auditors' report to the members of Abbey National Business Cashflow Finance Limited

We have audited the financial statements of Abbey National Business Cashflow Finance Limited for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Changes in Equity, 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 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We 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 Annual 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 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 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 IFRSs

As explained in Note 1 to the financial statements, the company in addition to complying 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 2007 and of its profit for the year then ended.

Deloitte Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

8 February 2008

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

8 February 2008

Income Statement

For the year ended 31 December 2007

			Year ended 31 December 2007	Year ended 31 December 2006
Discontinued Operations	Notes		£	£
Other operating income	2	"	41,181	6,228
Administrative expenses			(3)	(5)
Profit from operations	3	"	41,178	6,223
Interest income	6	"	289,829	371,409
Loss on disposal of subsidiary			-	(29,798)
Profit before tax			331,007	347,834
Tax	7	"	(101,909)	(113,290)
Profit attributable to equity holders of the company	15		229,098	234,544

The accompanying notes form an integral part of the accounts

Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital	Retained earnings	Total
	£	£	£
At 1 January 2006	3,688,137	2,684,012	6,372,149
Dividends paid	-	(2,700,000)	(2,700,000)
Profit for the year	-	234,544	234,544
At 31 December 2006 and 1 January 2007	3,688,137	218,556	3,906,693
Profit for the year	-	229,098	229,098
At 31 December 2007	3,688,137	447,654	4,135,791

The accompanying notes form an integral part of the accounts

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Balance Sheet

As at 31 December 2007

	Notes	2007 £	2006 £
Non-current assets			
Deferred tax assets	9	38,089	48,772
Total non-current assets		38,089	48,772
Current assets			
Trade and other receivables	10	321,714	6,228
Cash and cash equivalents		4,670,835	7,355,315
Total current assets		4,992,549	7,361,543
Current liabilities			
Trade and other payables	11	(103,621)	(2,751,811)
Current tax liabilities		(91,226)	(51,811)
Total current liabilities		(194,847)	(2,803,622)
Net current assets		4,797,702	4,557,921
Non-current liabilities			
Other borrowings	12	(700,000)	(700,000)
Net assets		4,135,791	3,906,693
Equity			
Share capital	13	3,688,137	3,688,137
Retained earnings	14	447,654	218,556
Total equity attributable to equity holders of the company		4,135,791	3,906,693

The accompanying notes form an integral part of the accounts

The financial statements were approved by the board of directors and authorised for issue on 8 February 2008. They were signed on its behalf by *Mark Jackson*

M. L. Jackson

Director

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Cash Flow Statement

For the year ended 31 December 2007

	Note	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Net cash from operating activities	15	(2,684,480)	7,280,907
Net (decrease)/increase in cash and cash equivalents		(2,684,480)	7,280,907
Cash and cash equivalents at beginning of year		7,355,315	74,408
Cash and cash equivalents at end of year		4,670,835	7,355,315

The accompanying notes from an integral part of the accounts

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the financial statements for the year ended 31 December 2007

1 Accounting Policies

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all 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.

In 2007, the Company adopted the following new or revised IFRS:

The amendments to IAS 1 "Capital Management" which requires that certain disclosures are made regarding the entity's objectives, policies and processes for managing capital. The Company's capital management disclosures may be found in note 18 to the accounts.

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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred and 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

For the purposes of the cash flow statement, 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.

Financial Instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other 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.

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the financial statements for the year ended 31 December 2007

Impairment of financial assets

At each balance sheet date, the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets classified as available for sale or loans and receivables have become impaired. Evidence of impairment may include indications that the borrower or group of borrowers have defaulted or are experiencing significant financial difficulty.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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.

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.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2 Other operating income

An analysis of the company's other operating income is as follows:

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Other operating income - bad debt recovered	41,181	6,228

3 Profit from operations

The audit fee for the current and prior year has been paid on the Company's behalf by its ultimate UK parent undertaking, Abbey National plc, in accordance with company policy, for which no recharge has been made. The audit fee for the current year is £6,500 (2006: £6,500).

4 Staff

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

5 Directors' emoluments

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the ultimate UK parent company, Abbey National plc. No emoluments were paid by the Company to Directors during the year (2006: £nil).

6 Interest income

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Interest on bank deposits	-	1,309
Interest on deposit with group companies	289,829	370,100
	289,829	371,409

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the financial statements for the year ended 31 December 2007

7 Tax

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Current tax		
UK corporation tax		
Current year	91,227	103,622
Adjustments in respect of prior periods	(1)	-
	91,226	103,622
Deferred tax (note 9)		
Current year	10,683	9,668
Tax charge on profit for the year	101,909	113,290

Corporation tax is calculated at 30% (2006 30%) 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 31 December 2007 £	Year ended 31 December 2006 £
Profit before tax		
Discontinued operations	331,007	347,834
Tax at the UK corporation tax rate of 30% (2006 30%)	99,302	104,350
Loss on disposal of subsidiary company	-	8,940
Effect of change in tax rate on deferred tax provision	2,608	-
Adjustments to tax charge in respect of prior periods	(1)	-
Tax expense for the year	101,909	113,290

8 Dividends

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December of £nil (2006 73 208p) per share	-	2,700,000

9 Deferred tax

Deferred income taxes are calculated on temporary differences, under the liability method, using the tax rates expected to apply when the asset is realised. The effective rate for 2007 is 28.1% (2006 30%)

The following are the major deferred tax liabilities and assets recognised by the company and the movements thereon during the current and prior year

	Accelerated tax depreciation £	Other timing difference £	Total £
At 1 January 2006	25,497	32,943	58,440
Charge to income	(6,374)	(3,294)	(9,668)
At 31 December 2006 and 1 January 2007	19,123	29,649	48,772
Charge to income	(5,687)	(4,996)	(10,683)
At 31 December 2007	13,436	24,653	38,089

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the financial statements for the year ended 31 December 2007

10 Trade and other receivables

	2007 £	2006 £
Amounts due from group companies	321,714	6,228

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

11 Trade and other payables

	2007 £	2006 £
Amounts due to group companies	103,621	2,700,000
Amounts due to group companies – in respect of group payment arrangements	-	51,811
	103,621	2,751,811

The directors consider that the carrying amount of trade and other payables approximates to their fair value

12 Other borrowings

	2007 £	2006 £
Authorised		
700 000 "A" 13% Redeemable preference shares of £1 00 each	700 000	700 000
Issued and fully paid		
700 000 "A" 13% Redeemable preference shares	700,000	700,000

The directors estimate the fair value of the liability component of the redeemable preference shares at 31 December 2007 to be approximately £700,000 (2006 £700,000). This fair value has been calculated by discounting the future cash flows at the market rate.

13 Share capital

	2007 £	2006 £
Authorised		
3,688 137 ordinary shares of £1 00 each	3,688,137	3,688,137
Issued and fully paid		
3,688,137 ordinary shares	3,688,137	3,688,137

14 Retained earnings

	£
Balance at 1 January 2006	2,684,012
Dividends paid (note 8)	(2,700,000)
Profit for the year	234,544
Balance at 31 December 2006 and 1 January 2007	218,556
Profit for the year	229,098
Balance at 31 December 2007	447,654

ABBEEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the financial statements for the year ended 31 December 2007

15 Notes to the cash flow statement

	2007 £	2006 £
Profit before tax	331,007	347,834
Operating cash flows before movements in working capital	331,007	347,834
Decrease in investment in subsidiary undertaking	-	2,138,137
(Increase)/decrease in trade and other receivables	(315,486)	7,928,687
(Decrease) in trade and other payables	(2,596,379)	(2,108,339)
Cash generated by operations	(2,580,858)	8,306,319
Tax paid	(103,622)	(1,025,412)
Net cash flow from operating activities	(2,684,480)	7,280,907

16 Financial Risk Management

The Company's risk management focuses on the major areas of credit risk and liquidity risk. Risk management is carried out by the central risk management function of the Abbey Group. Abbey's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Abbey Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Abbey Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Abbey Group's strategic objectives. 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.

The Abbey Group has three tiers of risk governance.

The first is provided by the Abbey Board which approves Abbey's Risk Appetite for each of the risks below, in consultation with Santander as appropriate, and approves the strategy for managing risk and is responsible for the Abbey Group's system of internal control. Within this tier, there is a process for transaction review and approval within certain thresholds, discharged by the Risk Approval Committee. Transactions reviewed which exceed the threshold limits set are subject to prior review by Santander Risk before final approval by the Risk Approval Committee.

The second comprises the Abbey Board and is supported by the Risk Division. The role of the Chief Risk Officers and Risk Division include development of risk measurement methodologies, risk approval, risk monitoring, risk reporting and escalation of risk issues in line with the relevant risk policies for all risks in the Abbey Group. The Abbey Group's central risk function provides services to the Company, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which ensure compliance with Group policies and limits, including risk policies, limits and parameters, an approval process relating to transactions that exceed local limits and the systematic review of exposures to large clients, sectors, geographical areas and different risk types.

The third tier comprises Risk Assurance, who provide independent objective assurance on the effectiveness of the management and control of risk across all of the Abbey Group. This is provided through the Non-Executive Directors, Internal Audit function and the Audit and Risk Committee.

(a) 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 17 to the accounts.

(b) 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.

The Company manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet its obligations as they fall due.

ABBNEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the financial statements for the year ended 31 December 2007

16 Financial Risk Management (continued)

(b) Liquidity risk (continued)

The Company manages liquidity risk with the support of its parent company, ensuring that the Company will have sufficient liquid resources to ensure it can meet its obligations as they fall due

Maturities of financial liabilities

At 31 December 2007	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Intercompany liabilities	103,621	-	-	-	-	103,621
Tax liabilities	-	45,613	45,613	-	-	91,226
Redeemable preference shares	700,000	-	-	-	-	700,000
Total financial liabilities	894,847	-	-	-	-	894,847

At 31 December 2006	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Intercompany liabilities	2,751,811	-	-	-	-	2,751,811
Redeemable preference shares	700,000	-	-	-	-	700,000
Total financial liabilities	3,451,811	-	-	-	-	3,451,811

17. Related party transactions

The following were the balances with related parties as at 31 December 2007 and 31 December 2006

	2007 £	2006 £
Amounts due from group companies		
Abbey National plc – Trade receivables	321,714	6,228
Abbey National plc – Bank deposits	4,670,835	7,355,315
Amounts due to group companies		
Abbey National plc – Trade payables	103,621	2,751,811
Abbey National plc – Redeemable preference shares	700,000	700,000
Investment income		
Abbey National plc	289,829	370,100

Other than transactions disclosed in the accounts, transactions with related parties also included the settlement of group relief balances with the Company's immediate UK parent company

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

18 Capital management and resources

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

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

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the financial statements for the year ended 31 December 2007

19 Parent undertaking and controlling party

The company's immediate parent company is Abbey National plc

The company's ultimate parent undertaking and controlling party is Banco Santander, S A , a company incorporated 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 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.