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**ABBHEY NATIONAL BUSINESS  
CASHFLOW FINANCE LIMITED**

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

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2009**

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COMPANIES HOUSE

# **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 2009

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

## **Principal activity and business review**

The principal activity of Abbey National Business Cashflow Finance, Company Number 1360153 (the "Company") is the provision of debt factoring services. The Directors decided not to write any new business in 2004 and for the foreseeable future.

## **Results and dividends**

The profit for the year on ordinary activities after taxation amounted to £38,862 (2008 profit £183,353)

No interim dividend has been paid in the current or prior year. The Directors do not recommend the payment of a final dividend in 2009 (2008: £nil).

During 2009, the Company identified that the preference shares had been misclassified as debt when they should have been classified as equity under IAS 32 upon initial recognition. Accordingly the preference shares have been reclassified as equity rather than debt in the current year and in comparative years as required by IAS 8. The restatement of preference share capital, which is explained in note 1 to the financial statements, has had no impact on the financial performance of the Company in the comparative years.

## **Directors**

The Directors who served throughout the year and to the date of this report were as follows:

M C Jackson  
A T Rougier  
D M Green (appointed on 20 July 2009)

## **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. 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 2006.

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. 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 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 BUSINESS CASHFLOW FINANCE LIMITED

## Report of the Directors (continued)

### Statement of Going Concern

The Company's business activities, together with the factors likely to affect its future development, 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 2 and 17, 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 and liquidity 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

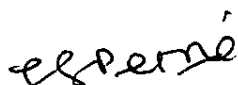
Each of the Directors as at the date of approval of this report confirms that

- 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 s418 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

6 April 2010

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

## **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 2009 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 18. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, 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 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 (APB'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 2009 and of its profit 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.

### **Separate opinion in relation to IFRSs as issued by the IASB**

As explained in Note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

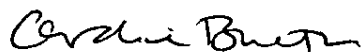
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report 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
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report.



Caroline Britton (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
6 April 2010

# **ABBAY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED**

## **Statement of Comprehensive Income** **For the year ended 31 December 2009**

Continuing Operations	Notes	Year ended	Year ended
		31 December 2009	31 December 2008
		£	£
Other operating income		-	-
Administrative expenses		-	-
Profit from operations	3	-	-
Interest income	6	53,183	256,429
Profit before tax		53,183	256,429
Tax	7	(14,321)	(73,076)
<b>Profit for the year</b>	<b>13</b>	<b>38,862</b>	<b>183,353</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year attributable to the equity holders of the Company</b>		<b>38,862</b>	<b>183,353</b>

The accompanying notes form an integral part of the accounts

## **Statement of Changes in Equity** **For the year ended 31 December 2009**

	Share capital £	Restated "A" 13% Redeemable preference Shares £	Retained earnings £	Total £
At 1 January 2007	3,688,137	700,000	218,556	4,606,693
Profit for the year	-	-	229,098	229,098
At 31 December 2007 and 1 January 2008	3,688,137	700,000	447,654	4,835,791
Profit for the year	-	-	183,353	183,353
At 31 December 2008 and 1 January 2009	3,688,137	700,000	631,007	5,019,144
Profit for the year	-	-	38,862	38,862
<b>At 31 December 2009</b>	<b>3,688,137</b>	<b>700,000</b>	<b>669,869</b>	<b>5,058,006</b>

# ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

## Balance Sheet

As at 31 December 2009

	Notes	2009 £	Restated 2008 £	Restated 2007 £
<b>Non-current assets</b>				
Deferred tax assets	8	-	32,065	38,089
<b>Total non-current assets</b>		-	32,065	38,089
<b>Current assets</b>				
Trade and other receivables	9	11,000	13,507	321,714
Cash and cash equivalents	15	5,096,314	5,040,624	4,670,835
<b>Total current assets</b>		5,107,314	5,054,131	4,992,549
<b>Current liabilities</b>				
Trade and other payables	10	(49,308)	-	(103,621)
Current tax liabilities		-	(67,052)	(91,226)
<b>Total current liabilities</b>		(49,308)	(67,052)	(194,847)
<b>Net current assets</b>		5,058,006	4,987,079	4,797,702
<b>Net assets</b>		<b>5,058,006</b>	<b>5,019,144</b>	<b>4,835,791</b>
<b>Equity</b>				
Share capital	11	3,688,137	3,688,137	3,688,137
"A" 13% redeemable preference shares	12	700,000	700,000	700,000
Retained earnings	13	669,869	631,007	447,654
<b>Total equity attributable to equity holders of the Company</b>		<b>5,058,006</b>	<b>5,019,144</b>	<b>4,835,791</b>

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 6 April 2010. They were signed on its behalf by

*Mark Jackson*

Director

MARK JACKSON

# **ABBEEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED**

## **Cash Flow Statement** **For the year ended 31 December 2009**

	<b>Note</b>	<b>Year ended 31 December 2009 £</b>	<b>Year ended 31 December 2008 £</b>
Net cash from operating activities	14	55,690	369,789
Net increase in cash and cash equivalents		55,690	369,789
Cash and cash equivalents at beginning of year		5,040,624	4,670,835
<b>Cash and cash equivalents at end of year</b>	16	<b>5,096,314</b>	<b>5,040,624</b>

The accompanying notes form an integral part of the accounts

# **ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED**

## **Notes to the financial statements for the year ended 31 December 2009**

### **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 and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

#### **Restatement**

During 2009, the Company identified that the preference shares had been misclassified as debt when they should have been classified as equity under IAS 32 upon initial recognition, as there is no contractual obligation for the Company to pay cash in the form of dividends to the holders of the preference shares. Accordingly, the preference shares have been reclassified as equity rather than debt in the current year and in comparative years as required by IAS 8.

#### **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.

#### **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 2009**

### **1 Accounting Policies (continued)**

#### **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 Statement of Comprehensive Income over the period of the borrowings 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.

#### **Recent developments**

In 2009 the Company adopted the following new or revised IFRS:

- IAS 1 'Presentation of Financial Statements' – On 6 September 2007, the IASB issued an amendment to IAS 1 'Presentation of Financial Statements' which changes the way in which non-owner changes in equity are required to be presented. As a result, a 'Statement of Changes in Equity' has been included as a separate primary financial statement showing changes in equity during the periods presented. In addition, the Statement of Recognised Income and Expenses has been replaced with a 'Statement of Comprehensive Income'. The adoption of the amendment to IAS 1 did not have any impact on the Company's profit or loss or financial position.
- IFRS 7 'Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments' – On 5 March 2009, the IASB issued an amendment to IFRS 7 'Financial Instruments: Disclosures' which requires enhanced disclosures about fair value measurements and liquidity risk. Among other things, the amendment (1) requires disclosure of any change in the method for determining fair value and the reasons for the change, (2) establishes a three-level hierarchy for making fair value measurements, (3) requires disclosure for each fair value measurement in the balance sheet of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever level 3 of the hierarchy is used including a measure of sensitivity to a change in input data, (4) clarifies that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts, and (5) requires disclosure of a maturity analysis for derivative financial liabilities. The disclosures required by the amendment to IFRS 7 may be found on page 10.

# ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

## Notes to the financial statements for the year ended 31 December 2009

### 1. Accounting Policies (continued)

#### Future developments

The Group has not yet adopted the following new or revised IFRS or IFRIC interpretations, which have been issued but which are not yet effective for the Group

- IFRS 9 'Financial Instruments' - On November 12, 2009, the IASB issued IFRS 9 'Financial Instruments' which significantly overhauls the accounting requirements for financial instruments under IFRS. IFRS 9 is mandatory for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 9 requires that a financial asset be classified into one of three categories for measurement and income recognition: (1) Amortised cost, (2) Fair value through profit or loss (FVTPL) and (3) Fair value through other comprehensive income. The standard requires reclassification between amortised cost and FVTPL (or vice versa) if a financial asset no longer meets the criteria for its original classification. IFRS 9 replaces the existing classification and measurement requirements in IAS 39 for financial assets. It changes the manner in which entities classify and measure investments in debt and equity securities, loan assets, trade receivables, and derivative financial assets by requiring entities to classify financial assets as being measured at either amortised cost or fair value depending on the entity's business model and the contractual cash flow characteristics of the asset. The Company is currently evaluating the requirements of IFRS 9.

### 2. 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 Santander UK plc Group. Santander UK plc's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK plc Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Santander UK plc 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 Santander UK plc Group's strategic objectives. Authority flows from the Santander UK 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 Santander UK plc Group has three tiers of risk governance:

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

The second comprises the Santander UK plc Board and is supported by the Risk Division. The role of the Chief Risk Officer 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 Santander UK plc Group. The Santander UK plc 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 provides independent objective assurance on the effectiveness of the management and control of risk across all of the Santander UK plc 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 9 and 14 to the accounts.

# ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

## Notes to the financial statements for the year ended 31 December 2009

### 2 Financial risk management (continued)

#### (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

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 2009	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
InterCompany liabilities	-	49,308	-	-	49,308
Tax liabilities	-	-	-	-	-
<b>Total financial liabilities</b>	-	<b>49,308</b>	-	-	<b>49,308</b>

At 31 December 2008	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
InterCompany liabilities	-	-	-	-	-
Tax liabilities	-	67,052	-	-	67,052
<b>Total financial liabilities</b>	-	<b>67,052</b>	-	-	<b>67,052</b>

At 31 December 2007	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
<b>Total financial liabilities</b>	<b>149,234</b>	<b>45,613</b>	-	-	<b>194,847</b>

### 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, Santander UK plc, in accordance with Company policy, for which no recharge has been made. The audit fee payable to the auditors of the Company for the audit of the annual accounts for the current year is £5,000 (2008 £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, Santander UK plc. No emoluments were paid by the Company to Directors during the year (2008 £nil)

### 6. Interest income

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Interest on deposit with group companies	53,183	256,429
	<b>53,183</b>	<b>256,429</b>

**ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED**

**Notes to the financial statements for the year ended 31 December 2009**

# ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

## Notes to the financial statements for the year ended 31 December 2009

### 7 Tax

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Current tax		
UK corporation tax		
Current year	14,891	67,052
Adjustments in respect of prior periods	(32,635)	-
Total current tax	(17,744)	67,052
Deferred tax (note 8)		
Current year		6,024
Adjustment in respect of prior periods	32,065	-
Total deferred tax	32,065	6,024
<b>Tax expense on profit for the year</b>	<b>14,321</b>	<b>73,076</b>

Corporation tax is calculated at 28% (2008 28.5%) of the estimated assessable profit for the year

The expense for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Profit before tax		
Continuing operations	53,183	256,429
Tax at the UK corporation tax rate of 28% (2008 28.5%)	14,891	73,076
Adjustments in respect of prior periods	(570)	-
<b>Tax expense for the year</b>	<b>14,321</b>	<b>73,076</b>

### 8 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 2009 is 28% (2008 28%, 2007 28.1%)

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 £
<b>At 1 January 2007</b>	19,123	29,649	48,772
Charge to income	(5,687)	(4,996)	(10,683)
<b>At 31 December 2007 and 1 January 2008</b>	13,436	24,653	38,089
Charge to income	(2,895)	(3,129)	(6,024)
<b>At 31 December 2008 and 1 January 2009</b>	10,541	21,524	32,065
Charge to income	(10,541)	(21,524)	(32,065)
<b>At 31 December 2009</b>	-	-	-

### 9 Trade and other receivables

	2009 £	2008 £	2007 £
<b>Amounts due from group companies</b>	<b>11,000</b>	<b>13,507</b>	<b>321,714</b>

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

# ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

## Notes to the financial statements for the year ended 31 December 2009

### 10 Trade and other payables

	2009 £	2008 £	2007 £
Amounts due to group companies – group relief payable	49,308	-	103,621

### 11 Share capital

	2009 £	2008 £	2007 £
Issued and fully paid			
3,688,137 ordinary shares	3,688,137	3,688,137	3,688,137

### 12 "A" 13% Redeemable preference shares

	2009 £	2008 £	2007 £
Issued and fully paid			
700,000 "A" 13% redeemable preference shares	700,000	700,000	700,000

The historical cost of the equity component of the redeemable preference shares at 31 December 2009 is £700,000 (2008 £700,000, 2007 £700,000)

Redeemable non-cumulative preference shares of £700,000 were issued on 31 March 1994 at an issued price of £1 per share. The shares carry 13% interest and are redeemable not earlier than 31 December 1996 and giving one month's notice to redeem at £1 per share.

The restatement of preference share capital, which is explained in note 1, has decreased non-current liabilities and increased net assets and equity by £700,000 at both 31 December 2008 and 2007 but has had no impact on the financial performance of the Company in the comparative years.

### 13 Retained earnings

	£
Balance at 1 January 2007	218,556
Profit for the year	229,098
Balance at 31 December 2007 and 1 January 2008	447,654
Profit for the year	183,353
Balance at 31 December 2008 and 1 January 2009	631,007
Profit for the year	38,862
Balance at 31 December 2009	669,869

### 14. Notes to the cash flow statement

	2009 £	2008 £
Profit before tax	53,183	256,429
Operating cash flows before movements in working capital	53,183	256,429
Decrease in trade and other receivables	2,507	308,207
(Decrease)/increase in trade and other payables	-	(103,621)
Cash generated by operations	55,690	461,015
Tax paid	-	(91,226)
Net cash flow from/(used in) operating activities	55,690	369,789

# ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

## Notes to the financial statements for the year ended 31 December 2009

### 15 Cash and cash equivalents

	2009 £	2008 £	2007 £
Due from banks	5,096,314	5,040,624	4,670,835
<b>Total cash and cash equivalents</b>	<b>5,096,314</b>	<b>5,040,624</b>	<b>4,670,835</b>

### 16 Related party transactions

The following were the balances with related parties as at 31 December 2009, 31 December 2008 and 31 December 2007

Amounts due from group companies	2009 £	2008 £	2007 £
Santander UK plc – Trade receivables	11,000	13,507	321,714
Santander UK plc – Bank deposits	5,096,314	5,040,624	4,670,835

Amounts due to group companies	2009 £	2008 £	2007 £
Group Relief payable	49,308	-	103,621

Interest income	2009 £	2008 £	2007 £
Santander UK plc	53,183	256,429	289,829

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 the Company's or parent Company's key management personnel

### 17 Capital management and resources

The Company's parent, Santander UK plc 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 plc Group. Disclosures relating to the Company's capital management can be found in Santander UK plc Annual Report and Accounts

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

### 18. Parent undertaking and controlling party

The Company's immediate parent Company is Santander UK 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. Santander UK plc is the 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, Regents Place, London, NW1 3AN