

**ABBHEY NATIONAL BAKER STREET  
INVESTMENTS**

**REGISTERED IN ENGLAND AND WALES  
NO. 2468307**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2007**

**TUESDAY**



LD4      \*LLBS90UC\*      97  
24/06/2008  
COMPANIES HOUSE

# **ABBEY NATIONAL BAKER STREET INVESTMENTS**

## **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 to act as an investment company. The Directors do not expect to write any new business for the foreseeable future. The Directors are reviewing future opportunities for the continuation of the company.

## **Results and dividends**

The profit for the year after taxation amounted to £128,848 (2006: nil). The Directors do not recommend the payment of an interim dividend (2006: £nil).

## **Directors**

The Directors who served throughout the year were

Mr S P Coles  
Mr D M Green  
Mr J F O'Mahoney (Alternate Director to Mr D M Green)  
Mr J L Wright (resigned 31 May 2007)

## **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 BAKER STREET INVESTMENTS

### 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

## **Independent auditors' report to the members of Abbey National Baker Street Investments**

We have audited the financial statements of Abbey National Baker Street Investments for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

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**

Chartered Accountants and Registered Auditors  
London, United Kingdom  
8 February 2008

## ABBEY NATIONAL BAKER STREET INVESTMENTS

### Income Statement

For the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £	Year ended 31 December 2006 £
<b>Discontinued Operations</b>			
Revenue		-	-
Other operating income	3	184,069	-
Administrative expenses		-	-
<b>Profit from operations</b>		184,069	-
Interest income		-	-
<b>Profit before tax</b>		184,069	-
Tax	4	(55,221)	-
<b>Profit for the year from operations</b>		128,848	-
Net profit attributable to equity holders of the company		128,848	-

The notes on pages 6 to 9 are an integral part of these financial statements

### Statement of Recognised Income and Expense

For the year ended 31 December 2007

The Company has no recognised income or expenses other than the results for the current and previous year as set out in the Income Statement

### Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital £	Retained earnings £	Total £
At 1 January 2006	123,173,813	77,329	123,251,142
Profit for the year	-	-	-
<b>At 31 December 2006 and 1 January 2007</b>	123,173,813	77,329	123,251,142
Profit for the year	-	128,848	128,848
<b>At 31 December 2007</b>	123,173,813	206,177	123,379,990

The notes on pages 6 to 9 are an integral part of these financial statements

### Cash Flow Statement

For the year ended 31 December 2007

The Company has not undertaken any cash transactions in the current or previous year and so no cash flows have occurred

# **ABBEY NATIONAL BAKER STREET INVESTMENTS**

## **Balance Sheet**

As at 31 December 2007

	Notes	2007 £	2006 £
<b>Current assets</b>			
Called up share capital not paid		2,401,098	2,401,098
Trade and other receivables	5	121,034,113	121,037,661
<b>Total current assets</b>		<b>123,435,211</b>	<b>123,438,759</b>
<b>Current liabilities</b>			
Trade and other payables	6	(55,221)	(187,617)
Current Tax Liabilities			-
<b>Net current assets</b>		<b>123,379,990</b>	<b>123,251,142</b>
<b>Net assets</b>		<b>123,379,990</b>	<b>123,251,142</b>
<b>Equity</b>			
Share capital	7	123,173,813	123,173,813
Retained earnings	8	206,177	77,329
<b>Equity attributable to equity holders of the company</b>		<b>123,379,990</b>	<b>123,251,142</b>

The notes on pages 6 to 9 are an integral part of these financial statements

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 *D. Green*

Director



# **ABBEEY NATIONAL BAKER STREET INVESTMENTS**

## **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 12 to the accounts.

#### **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.

#### **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.

#### **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.

### **2 Profit from operations**

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).

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

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).

# **ABBEY NATIONAL BAKER STREET INVESTMENTS**

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

### **3 Income**

	2007 £	2006 £
Other	184,069	-

### **4 Tax**

	2007 £	2006 £
<b>Current tax</b>		
UK corporation tax on profit of the year	55,221	-
Total current tax	55,221	-
<b>Tax on profit for the year</b>	<b>55,221</b>	<b>-</b>

Corporation tax is calculated at 30% (2006 nil) of the assessable profit for the year

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

	2007 £	2006 £
Profit before tax	184,069	-
Tax at the UK corporation tax rate of 30% (2006 nil)	55,221	-
<b>Tax expense for the year</b>	<b>55,221</b>	<b>-</b>

### **5 Trade and other receivables**

	2007 £	2006 £
Amounts due by group companies	121,034,113	121,034,113
Other receivables	-	3,548
	<b>121,034,113</b>	<b>121,037,661</b>

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

### **6 Trade and other payables**

	2007 £	2006 £
Other payables	-	187,617

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

### **7 Share capital**

	2007 £	2006 £
<b>Authorised</b>		
1,361,702,250 ordinary shares of £0.0923 each	125,753,104	125,753,104
<b>Allotted and called up.</b>		
1,333,772,715 ordinary shares of £0.0923 each	123,173,813	123,173,813
<b>Called up and fully paid.</b>		
1,307,772,715 ordinary shares	120,772,715	120,772,715
<b>Called up and unpaid.</b>		
26,000,000 ordinary shares	2,401,098	2,401,098
	<b>123,173,813</b>	<b>123,173,813</b>



# ABBEY NATIONAL BAKER STREET INVESTMENTS

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

### 8 Retained earnings

	£
Balance at 1 January 2006	77,329
Net result for the year	-
Balance at 31 December 2006 and 1 January 2007	77,329
Net profit for the year	128,848
Balance at 31 December 2007	206,177

### 9 Dividends

No interim dividend was proposed for the year ended 31 December 2007 (2006: £nil)

### 10 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 11 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.

# **ABBEY NATIONAL BAKER STREET INVESTMENTS**

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

### **10 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

<b>At 31 December 2007</b>	<b>Demand £</b>	<b>Up to 3 months £</b>	<b>3-12 months £</b>	<b>1-5 years £</b>	<b>Over 5 years £</b>	<b>Total</b>
Intercompany liabilities	-	-	-	-	-	-
Tax liabilities	-	27,610	27,611	-	-	55,221
<b>Total financial liabilities</b>	<b>-</b>	<b>27,610</b>	<b>27,611</b>	<b>-</b>	<b>-</b>	<b>55,221</b>

  

<b>At 31 December 2006</b>	<b>Demand £</b>	<b>Up to 3 months £</b>	<b>3-12 months £</b>	<b>1-5 years £</b>	<b>Over 5 years £</b>	<b>Total</b>
Intercompany liabilities	187,617	-	-	-	-	187,617
Tax liabilities	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>187,617</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>187,617</b>

### **11 Related party transactions**

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

	<b>2007 £</b>	<b>2006 £</b>
<b>Amounts due from group companies</b>		
Immediate parent undertaking	123,435,211	123,435,211

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

### **12 Capital management and resources**

The parent company of the Company's 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.

### **13 Parent undertaking and controlling party**

The Company's immediate parent company is Abbey National Investments Holdings Limited.

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 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, Regent's Place, London, NW1 3AN.