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ABBEY NATIONAL INVESTMENTS

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2009

Registered in England and Wales
No. 2468313

ABBEY NATIONAL INVESTMENTS

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

The principal activity of Abbey National Investments, Company number 2468313 (the "Company") is to act as an investment company

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £542,396 (2008 £4,684,825)

The Company paid an interim dividend of £18,000,000 (2008 £nil)

The Directors do not recommend the payment of a final dividend (2008 £nil)

Directors

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

David M Green	
Shaun P Coles	
John F O'Mahoney	(Alternate Director to David M Green)
Richard C Truelove	(Appointed 24 August 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 INVESTMENTS

REPORT OF THE DIRECTORS (continued)

Statement of Going Concern

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements In addition, notes 15 and 2 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, market 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

12 May 2010

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBEY NATIONAL INVESTMENTS

We have audited the financial statements of Abbey National Investments (the "Company") for the year ended 31 December 2009 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 16 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 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 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 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

Caroline Britton

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

ABBEY NATIONAL INVESTMENTS

FINANCIAL STATEMENTS
For the year ended 31 December 2009

Income Statement
For the year ended 31 December 2009

Continuing Operations	Notes	2009 £	2008 £
Investment income	3	749,023	6,554,864
Operating expenses	4	-	(15,248)
Profit from operations		749,023	6,539,616
Profit before tax		749,023	6,539,616
Tax	6	(206,627)	(1,854,791)
Profit attributable to equity holders of the company		542,396	4,684,825

The accompanying notes form an integral part of the financial statements

Statement of Comprehensive Income
For the year ended 31 December 2009

	2009 £	2008 £
Profit for the year	542,396	4,684,825
Other comprehensive income		
Gains/(losses) on available-for-sale securities	194,743	(361,317)
Current tax on items taken directly to equity	(54,528)	101,169
Net gain/(loss) recognised directly in equity	140,215	(260,148)
Total comprehensive income for the year	682,611	4,424,677
Attributable to		
Equity holders of the company	682,611	4,424,677

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

	Share Capital £	Retained Earnings £	Available-for-Sale £	Total £
Balance at 1 January 2008	106,431,941	16,240,195	352,450	123,024,586
Comprehensive income – profit for the year	-	4,684,825	-	4,684,825
Other comprehensive income - net of tax	-	-	(260,148)	(260,148)
	106,431,941	20,925,020	92,302	127,449,263
Balance at 1 January 2009	106,431,941	20,925,020	92,302	127,449,263
Comprehensive income – profit for the year	-	542,396	-	542,396
Other comprehensive income – net of tax	-	-	140,215	140,215
Dividends paid	-	(18,000,000)	-	(18,000,000)
Balance at 31 December 2009	106,431,941	3,467,416	232,517	110,131,874

Cash Flow Statement
For the year ended 31 December 2009

	Note	2009 £	2008 £
Net cash from operating activities	13	59,306	(6,273)
Financing activities			
Proceeds from the sale of property leases		-	10,700
Net cash from financing activities		-	10,700
Net increase in cash and cash equivalents		59,306	4,427
Cash and cash equivalents at beginning of year		4,427	-
Cash and cash equivalents at end of year		63,733	4,427

The accompanying notes form an integral part of the financial statements

ABBEY NATIONAL INVESTMENTS

FINANCIAL STATEMENTS
For the year ended 31 December 2009

Balance Sheet
As at 31 December 2009

	Notes	2009 £	2008 £
Non-current assets			
Loans and receivables	8	13,543,652	-
Current assets			
Available-for-sale investments	7	419,518	224,775
Loans and receivables	8	116,266,319	129,119,747
Cash and cash equivalents		63,733	4,427
Total current assets		130,293,222	129,348,949
Current liabilities			
Other liabilities	9	(20,070,925)	-
Current tax liabilities		-	(1,863,791)
Total current liabilities		(20,070,925)	(1,863,791)
Net current assets		110,222,297	127,485,158
Non-current liabilities			
Deferred tax liabilities	10	(90,423)	(35,895)
Net assets		110,131,874	127,449,263
Equity			
Share capital	11	106,431,941	106,431,941
Retained earnings		3,467,416	20,925,020
Other reserves	12	232,517	92,302
Total equity attributable to equity holders of the company		110,131,874	127,449,263

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 12 May 2010 They were signed on its behalf by D. Green

Director

ABBEY NATIONAL INVESTMENTS

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, as modified by the revaluation of available-for-sale financial assets, and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors

Recent developments

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

(a) 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

(b) IFRS 7 'Financial Instruments Disclosures 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 This change in accounting standard did not have any significant impact on the disclosure in the financial statements

Future developments

The Company 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 Company

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

Revenue recognition

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

ABBEY NATIONAL INVESTMENTS

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

1 Accounting policies (continued)

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

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 assets

The entity classifies its financial assets in the following categories loans and receivables and available-for-sale financial assets Management determines the classification of its investments at initial recognition

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not classified as available for sale They arise when the entity provides money or services directly to a customer with no intention of trading the loan Loans and 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 They are derecognised when the rights to receive cash flows have expired or the entity has transferred substantially all of the risks and rewards of ownership

(b) Available-for-sale investments
Available-for-sale investments are non-derivative financial investments that are designated as available for sale and are not categorised into any of the other categories described above They are initially recognised at fair value including direct and incremental transaction costs They are subsequently held at fair value Gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement Interest is determined using the effective interest method Impairment losses and translation differences on monetary items are recognised in the income statement The investments are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership

(c) 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 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

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial 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

When an AFS instrument is considered impaired, cumulative gains previously recognised in equity are reclassified to profit and loss in the period

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

These are classified as financial liabilities measured at amortised cost under the definitions of IFRS 7

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

1 Accounting policies (continued)

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

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

The first is provided by the Santander UK Board which approves Santander UK's Risk Appetite for each of the risks below, in consultation with Santander UK as appropriate, and approves the strategy for managing risk and is responsible for the Santander UK 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 UK Risk before final approval by the Risk Approval Committee

The second comprises the Santander UK 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 Group The Santander UK 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 Santander UK 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 8 to the accounts

ABBEY NATIONAL INVESTMENTS

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

2. Financial risk management (continued)

(b) Market risk

Market risk is the potential for loss of income or decrease in the value of net assets caused by movements in the levels and prices of financial instruments The majority of market risk arises as a result of interest rate risk on the receivable and the corresponding interest income

Sensitivity analysis

A 50 basis point adverse movement in interest rates would result in a reduction in operating profit of £643,169 (2008 £631,876) and a corresponding reduction in net assets A 50 basis point positive movement in interest rates would result in an increase in operating profit of £644,998 (2008 £631,876) and a corresponding increase in net assets

(c) 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

Contractual maturities of financial liabilities

At 31 December 2009	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Amounts due to group companies	-	18,000,507	2,070,418	-	-	20,070,925
Total financial liabilities	-	18,000,507	2,070,418	-	-	20,070,925
At 31 December 2008						
Other payables	-	-	1,863,791	-	-	1,863,791
Total financial liabilities	-	-	1,863,791	-	-	1,863,791

All amounts represent undiscounted cash flows payable by the Company arising from its financial liabilities to earliest contractual maturities as at 31 December 2009

3 Investment income

	2009 £	2008 £
Interest receivable from group companies	708,409	6,540,735
Dividends received	7,849	10,247
Profit on sale of rights issue not taken up	32,765	-
Other	-	3,882
	749,023	6,554,864

4. Operating expenses

	2009 £	2008 £
Finance lease write-off	-	15,248

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

5. Profit from operations

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)

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 its ultimate UK parent undertaking, Santander UK plc, in accordance with Company policy, for which no recharge has been made The statutory audit fee for the current year is £11,400 (2008 £6,500)

6 Tax

	2009 £	2008 £
Current tax		
UK corporation tax		
Current year	(209,726)	(1,863,791)
Prior year adjustments	3,099	9,000
	(206,627)	(1,854,791)

Corporation tax is calculated at 28% (2008 28 5%) 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

	2009 £	2008 £
Profit before tax		
Continuing operations	749,023	6,539,616
Tax at the UK corporation tax rate of 28% (2008 28 5%)	(209,726)	(1,863,791)
Adjustments to tax charge in respect of prior periods	3,099	9,000
Tax expense for the year	(206,627)	(1,854,791)

7 Available-for-sale investments

	2009 £	2008 £
Available-for-sale		
Fair value Current	419,518	224,775

The available-for-sale investments are investments in UK listed equities The fair value of the available-for-sale investments is based on the quoted market price and they are re-valued on a regular basis throughout the year On this basis they are classified as level 1 under the IFRS7 hierarchy

The available-for-sale portfolio has been shown as current assets as it continues to be the Directors' intention to liquidate the portfolio held at the year- end, and re-invest in alternative investments

	2009 £	2008 £
At 1 January	224,775	586,092
Fair value adjustments transfer to other reserves (note 13)	194,743	(361,317)
At 31 December	419,518	224,775

8. Loans and receivables

	2009 £	2008 £
Amounts due from group companies	129,809,971	129,115,865
Other receivables	-	3,882
	129,809,971	129,119,747

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

8 Loans and receivables (continued)

Amounts due from Santander UK plc of £13,543,652 (2008 £13,439,495) are interest bearing on a variable rate, fixed monthly which expires on 24 September 2012 Amounts due from Santander Limited of £116,266,319 (2008 £115,676,370) bears an interest rate of 0 51% (2008 5%) and repayable on demand

9 Other liabilities

	2009 £	2008 £
Amounts due to group companies	18,000,507	-
Amounts due to group companies – group relief	2,070,418	-
	20,070,925	-

Amounts due to Santander Limited of £18,000,507 (2008 £nil) are interest bearing on a variable rate, maturing within the next 12 months Amounts due to Abbey National Treasury Services plc of £2,070,418 (2008 £nil) are non interest bearing and are repayable between 3 and 12 months

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

10 Deferred tax liabilities

Deferred income taxes are calculated on temporary differences under the liability method using the tax rates expected to apply when the liability is settled or the asset is realised The effective rate for 2009 is 28% (2008 28%) The following are the deferred tax liabilities recognised by the Company and the movements thereon during the current and prior year

	Available-for-sale investments £
At 1 January 2008	137,064
Charge to other reserves (note 12)	(101,169)
At 31 December 2008 and 1 January 2009	35,895
Charge to other reserves (note 12)	54,528
At 31 December 2009	90,423

11 Share capital

	2009 £	2008 £
Issued and fully paid		
106,431,941 ordinary shares of £1 each	106,431,941	106,431,941

12 Other reserves

	Available-for-sale Investments £
Balance at 1 January 2008	352,450
(Decrease) in fair value of available-for-sale investments	(361,317)
Tax liability on revaluation of available-for-sale investments	101,169
Balance at 31 December 2008 and 1 January 2009	92,302
Increase in fair value of available-for-sale investments	194,743
Tax liability on revaluation of available-for-sale investments	(54,528)
Balance at 31 December 2009	232,517

This reserve represents the revaluation movement arising on available-for-sale investments, recognised directly through equity

ABBEY NATIONAL INVESTMENTS

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

13 Notes to the cash flow statement

	2009 £	2008 £
Profit from operations	749,023	6,539,616
Operating cash flows before movements in working capital	749,023	6,539,616
(Increase) in receivables	(690,224)	(5,480,622)
Increase in payables	507	-
Cash generated by operations	59,306	1,058,994
Income tax paid	-	(1,065,267)
Net cash flow from operating activities	59,306	(6,273)

Cash and cash equivalents comprise cash at bank

14 Related party transactions

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

Amounts due from group companies	2009 £	2008 £
Santander UK plc	13,543,652	13,439,495
Santander Limited	116,266,319	115,676,370
	129,809,971	129,115,865

Amounts due to group companies	2009 £	2008 £
Abbey National Treasury Services plc	2,070,418	-
Santander Limited	18,000,507	-
	20,070,925	-

Investment Income due from group companies	2009 £	2008 £
Santander UK plc	118,460	731,433
Santander Limited	589,949	5,809,302
	708,409	6,540,735

Other than those transactions disclosed in the accounts, transactions with related parties include the settlement of group relief balances with the Company's ultimate 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

15 Capital management and resources

The Company's ultimate UK 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 Group The Company has no non-centralised process for managing its own capital Disclosures relating to the Santander Group's capital management can be found in the Santander UK plc 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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

16 Parent undertaking and controlling party

The Company's immediate parent company is Santander Limited, 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 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, Regent's Place, London NW1 3AN