

**ABBAY NATIONAL
STERLING CAPITAL PLC**

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

Registered in England and Wales No. 2588224

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ABBEE NATIONAL STERLING CAPITAL PLC

REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements of Abbey National Sterling Capital plc ("the Company") for the year ended 31 December 2008.

Principal activity and Business Review

Since incorporation, the Company has acted as an investment company.

The Company's primary source of income is the net of the interest receivable on a loan with related group entities, and the interest paid on subordinated debt. Details are included in notes 7 & 8. The Company's performance has resulted in a profit for the year due to the interest received on subordinated debt.

The Abbey National plc group manages its operations on a divisional basis. For this reason, the company's Directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the divisions of Abbey National plc, which include the company, are discussed in the group's Annual Report which does not form part of this Report.

The Directors do not expect any significant change in the level of business in the foreseeable future.

The purpose of this Report is to provide information to the members of the Company and as such it is only addressed to those members. The Report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements. Members should consider this when relying on any forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report and the Company undertakes no obligation to update any forward-looking statement during the year. Nothing in this Report should be construed as a profit forecast.

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £80,107 (2007: £69,037) and has been transferred to reserves. The directors do not recommend the payment of a dividend for the year (2007: £nil).

Directors

The Directors who served throughout the year were:

B W Morrison
F J M Ysart Alvarez de Toledo
D M Green (Appointed 20 August 2008)
C H Fielding – alternate director to B W Morrison

Financial Instruments

The Company's risks are managed on a group level by its UK parent company, Abbey National plc.

The financial risk management objectives of and policies of the Group; the policy for hedging each major type of forecasted transaction for which hedge accounting is used; and the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk are outline in the Group financial statements.

Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found in note 2.

Third Party Indemnities

Since 2005, Abbey National plc has issued enhanced indemnities (initially under the Companies (Audit, Investigations and Community Enterprise) Act 2004 and currently under the Companies Act 2006) 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 and Accounts. A copy of each of the indemnities is kept at the registered office of Abbey National plc.

Payment Policy

Given the nature of the Company's business, the Company does not have any suppliers and therefore does not operate a payment policy. The Company has no creditors and is unable to quantify the practice on payment of creditors.

REPORT OF THE DIRECTORS (continued)

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 to 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.

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. The Company's objectives, policies and processes for managing its capital are described in note 16 to the financial statements.

Details of the Company's financial risk management objectives, its financial instruments and hedging activities; and its exposures to credit risk, market risk and liquidity risk are set out in note 2 to the financial statements.

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.

After making enquiries, 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 in preparing the annual report and accounts.

REPORT OF THE DIRECTORS (continued)

Auditors

At the forthcoming Annual General Meeting of the Company it will be proposed that Deloitte LLP be re-appointed as auditors of the Company, in accordance with the resolution by Abbey National plc to appoint Deloitte LLP as auditors of Abbey National plc and its subsidiaries.

Each of the persons who is a director 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.

By Order of the Board



For and on behalf of
Abbey National Nominees Limited, Secretary
25 February 2009

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBEY NATIONAL STERLING CAPITAL PLC

We have audited the financial statements of Abbey National Sterling Capital plc for the year ended 31 December 2008 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Cash Flow Statement, the Balance Sheet, and the related notes 1 to 17. 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 Report of the Directors 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 2008 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 Report of the Directors 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 2008 and of its profit for the year then ended.



Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
25 February 2009

ABBEY NATIONAL STERLING CAPITAL PLC

Income Statement

For the year ended 31 December 2008

	NOTES	Year ended 2008 £	Year ended 2007 £
Continuing operations			
Revenue	3	32,632,348	32,834,420
Finance costs	5	(32,520,324)	(32,826,190)
Profit/(loss) from operations before tax	4	112,024	8,230
Tax (charge)/credit	6	(31,917)	60,807
Net Profit/(loss) attributable to equity holders of the company		80,107	69,037

The accompanying notes form an integral part of the accounts.

All activities of the company are classified as continuing.

Statement of Recognised Income and Expense

For the year ended 31 December 2008

	Year ended 2008 £	Year ended 2007 £
Profit for the year	80,107	69,037
Total recognised income and expense for the year	80,107	69,037
Attributable to		
Equity holders of the company	80,107	69,037

Cash Flow Statement

For the year ended 31 December 2008

	NOTE	2008 £
Net cash flows from operating activities	14	2,913,770
Net increase in cash and cash equivalents		2,913,770
Cash and cash equivalents at beginning of the year		-
Cash and cash equivalents at end of the year		2,913,770

The accompanying notes form an integral part of the accounts.

There were no cash flows in 2007.

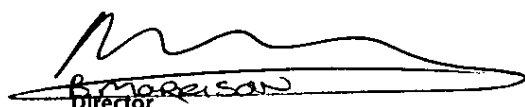
ABBEY NATIONAL STERLING CAPITAL PLC

Balance Sheet
At 31 December 2008

	NOTES	2008 £	2007 £
Non-current assets			
Loans and receivables	7	300,000,000	300,000,000
		300,000,000	300,000,000
Current Assets			
Loans and receivables	7	32,382,874	35,215,346
Cash		2,913,770	-
Total assets		335,296,644	335,215,346
Current liabilities			
Financial liabilities – subordinated loans	8	(32,167,187)	(32,167,187)
Current tax liabilities		(110,763)	(85,445)
Other financial liabilities	9	(50,300)	(50,300)
Net current assets		2,968,394	2,912,414
Non-current liabilities			
Financial liabilities – subordinated loans	8	(298,877,884)	(298,772,865)
Financial liabilities – other	9	(402,400)	(452,700)
Deferred tax liabilities	10	(827,767)	(906,613)
Total liabilities		(332,436,301)	(332,435,110)
Net assets		2,860,343	2,780,236
Equity			
Share capital	11	50,000	50,000
Retained earnings	12	2,810,343	2,730,236
Equity attributable to equity holders of the parent		2,860,343	2,780,236
Total equity		2,860,343	2,780,236

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 25 February 2009.
They were signed on its behalf by:


Director

Notes to the Financial Statements

1. Accounting Policies

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

Basis of preparation

The Financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by 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 by 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.

Revenue recognition

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities is determined using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Financial assets

The entity classifies its financial assets as loans and receivables. Management determines the classification of its investments at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market 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 of the Group has transferred substantially all of the risks and rewards of ownership.

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.

Financial liabilities

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

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.

ABBHEY NATIONAL STERLING CAPITAL PLC

Notes to the Financial Statements

1. Accounting Policies (continued)

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.

Share capital

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

2. Financial Risk Management

The Company's risk management focuses on the major areas of credit risk, liquidity risk and market 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 Credit Approval Committee. Transactions reviewed which exceed the threshold limits set are subject to prior review by Santander Risk before final approval by the Credit 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.

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 financial assets held relating to amounts receivable from its ultimate UK parent. These amounts have been guaranteed by the ultimate UK parent entity an AA-rated counterparty.

The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the balance sheet.

ABBEY NATIONAL STERLING CAPITAL PLC**Notes to the Financial Statements****2. Financial Risk Management (continued)****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.

At 31 December 2008	Demand £	Up to 3 months £	3 – 12 months £	1 – 5 years £	Over 5 years £	Total
Interest payable on sub debt	-	32,167,187	-	129,750,000	221,230,479	383,147,666
Amounts due to parent	-	-	50,300	201,200	201,200	452,700
Amounts due to third party	-	-	-	-	300,000,000	300,000,000
Total financial liabilities	-	32,167,187	50,300	129,951,200	521,431,679	683,600,366

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 rates. Neither the Company's income nor payables are exposed to interest rate movements as these are on fixed interest rates.

Sensitivity Analysis

The Directors do not consider the fair value interest rate risk to be significant as a majority of the intercompany receivables bear fixed interest rates and the intercompany payables are either non-interest bearing or bear fixed interest rates. For further details refer to notes 7, 8 and 9.

3. Revenue

An analysis of the company's revenue is as follows:

	2008 £	2007 £
Continuing operations		
Interest receivable from group undertakings	32,632,348	32,834,420

4. Profit from operations before tax

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 the directors during the year (2007: £nil).

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

The audit fee for the current and prior year has been paid on the Company's behalf by its ultimate UK parent company, Abbey National plc, in accordance with company policy, for which no recharge has been made. The audit fee for the current year is £15,000 (2007: £15,000).

5. Finance costs

	2008 £	2007 £
Interest payable on subordinated debt with a maturity of:		
- less than 5 years	-	-
- more than 5 years	32,519,867	32,823,576
Other	457	2,614
Total finance costs	32,520,324	32,826,190

ABBEY NATIONAL STERLING CAPITAL PLC

Notes to the Financial Statements

6. Tax

	Continuing operations	
	2008	2007
	£	£
Current tax		
UK corporation tax:		
Current year	110,763	85,445
Total current tax	110,763	85,445
Deferred tax (note 10)		
Current year	(78,846)	(146,252)
Total deferred tax	(78,846)	(146,252)
Tax charge / (credit) for the year	31,917	(60,807)

Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the year.

The standard rate of UK Corporation tax reduced from 30% to 28% with effect from 1 April 2008.

The charge/(credit) for the year can be reconciled to the profit per the income statement as follows:

	2008	2007
	£	£
Profit/ before tax	112,024	8,230
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	31,924	2,470
Effect of change in tax rate on deferred tax provision	(7)	(63,277)
Tax charge/(credit) for the year	31,917	(60,807)

7. Loans and receivables

	2008	2007
	£	£
<i>Amounts due in more than one year</i>		
Loans and receivables at amortised cost		
Loan to ultimate UK parent entity – term debt	300,000,000	300,000,000
<i>Amounts due in less than one year</i>		
Loans and receivables at amortised cost		
Amounts due from parent undertaking – other	-	2,835,086
Amounts due from ultimate UK parent undertaking - other	32,382,874	32,380,260
	32,382,874	35,215,346

In accordance with an agreement dated 30 December 1991, Abbey National Sterling Capital plc lent to Abbey National plc the amount of £150 million to be repaid on 4 January 2017 and bearing interest at 11.59% per annum. This loan was made in Pounds Sterling.

In accordance with an agreement dated 4 February 1993, Abbey National Sterling Capital plc lent to Abbey National plc a further amount of £150 million to be repaid on 4 January 2023 bearing interest at 10.18% per annum. This loan was made in Pounds Sterling.

All amounts are subordinated to the other creditors and depositors of Abbey National plc.

The fair values of the loans to Abbey National plc amount to £306,648,589 (2007: £396,885,000).

ABBAY NATIONAL STERLING CAPITAL PLC

Notes to the Financial Statements

8. Financial liabilities – subordinate bonds

Subordinate bonds

	2008 £	2007 £
Subordinate guarantee bonds due 2017	166,729,993	166,682,005
Subordinate guarantee bonds due 2023	164,315,078	164,258,047
	331,045,071	330,940,052
These borrowings are repayable as follows:		
Interest due on 4 January	32,167,187	32,167,187
After five years	298,877,884	298,772,865
	331,045,071	330,940,052

On 30 December 1991, the Company issued £150 million subordinated bonds due 4 January 2017. These bonds were issued in Pounds Sterling. Interest is payable annually in arrears, commencing 4 January 1993 at a rate of 11.5%.

On 4 February 1993, the Company issued a further £150 million of subordinated bonds due 4 January 2023. These bonds were issued in Pounds Sterling. Interest is payable annually in arrears, commencing 4 January 1994 at a rate of 10.125%.

All bonds and notes are subordinated to the interests of the depositors and other creditors of Abbey National plc.

The directors estimate the fair value of the company's borrowings as follows:

	2008 £	2007 £
Subordinate guarantee bonds	305,517,280	396,885,000

9. Other financial liabilities

	2008 £	2007 £
Amounts falling due within one year		
Amounts due to UK ultimate parent	50,300	50,300
	50,300	50,300
Amounts falling due after one year		
Amounts due to UK ultimate parent:		
due in more than one year but not more than two years	50,300	50,300
due in more than two years but no more than five years	150,900	150,900
due after five years	201,200	251,500
	402,400	452,700

The directors consider that the carrying amount of other financial liabilities approximates to their fair value.

The amount due to the ultimate UK parent undertaking is repayable by equal annual instalments of £50,300 per annum. The liability is non-interest bearing.

10. Deferred tax

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

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 2008 is 28% (2007: 28%)

Deferred tax relates to the amortisation of fees allowed for tax in previous periods.

	£
At 1 January 2007	1,052,865
Credit to income	(146,252)
At 1 January 2008	906,613
Credit to income	(78,846)
At 31 December 2008	827,767

ABBEY NATIONAL STERLING CAPITAL PLC

Notes to the Financial Statements

11. Share capital

	2008 £	2007 £
Authorised:		
50,000 ordinary shares of £1 each	50,000	50,000
Issued and fully paid:		
50,000 ordinary shares of £1 each	50,000	50,000

12. Retained earnings

	£
Balance at 1 January 2007	2,661,199
Profit attributable to the company	69,037
Balance at 31 December 2007	2,730,236
Balance at 1 January 2008	2,730,236
Profit attributable to the company	80,107
Balance at 31 December 2008	2,810,343

13. Contingent liabilities

There were no contingent liabilities at 31 December 2008 (2007: none).

14. Cash generated from operations

Reconciliation of profit before tax to net cash outflow from operating activities:

	2008 £
Profit before tax	112,024
Adjustment:	
Amortisation of premium/discount	105,018
<i>Changes in operating assets and liabilities</i>	
Change in receivables	2,832,473
Change in payables	(50,300)
Cash generated from operations	2,999,215
Income tax paid	(85,445)
Cash flows from operating activities	2,913,770

There were no cash flows in 2007.

15. Related party transactions

Trading transactions

During the year, the company entered into the following transactions with related parties who are not members of the company:

	Income		Expenditure		Amounts owed by related parties		Amounts owed to related parties	
	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £
Group undertaking	32,632,349	32,834,420	-	-	332,382,874	332,380,260	452,700	503,000
Parent company	-	-	-	-	2,835,086	-	-	-

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

ABBHEY NATIONAL STERLING CAPITAL PLC

Notes to the Financial Statements

16. Capital management and resources

The Company's Ultimate UK parent company, 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 6.

17. Parent undertaking and controlling party

The company's immediate parent company is Abbey National Treasury Services plc.

The company's ultimate parent undertaking and controlling party is Banco Santander S.A., a company incorporated in Spain. Banco Santander, S.A. is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member. Abbey National Treasury Services plc is the immediate parent undertaking of the smallest group of undertakings for which the group accounts are drawn up and of which the Company is a member.

Copies of all sets of group accounts, which include the results of the company, are available from Abbey Secretariat, Abbey National House, 2 Triton Square, Regents Place, London, NW1 3AN.

ABBEY NATIONAL STERLING CAPITAL PLC

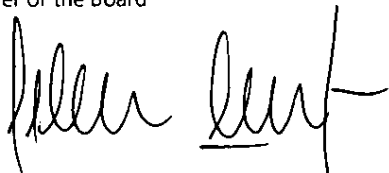
Notes to the Financial Statements

Directors' responsibility statement

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
2. the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company

By order of the Board

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

Director
25 February 2009