

ABBEY NATIONAL UK INVESTMENTS

**Registered in England and Wales
No. 2957569**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2011**

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ABBEY NATIONAL UK INVESTMENTS

COMPANY NUMBER 2957569

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2011

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

Principal activity and review of the year

The principal activity of Abbey National UK Investments (the "Company") is that of an investment company

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £3,396,877 (2010 £3,745,101)

Non-cumulative dividends of £523 were approved on the irredeemable preference shares during 2011 (2010 £523) On 13 March 2012, the Directors approved non-cumulative dividends for payment totalling £130 on the irredeemable preference shares due on 31 March 2012

The Company paid an interim dividend of £7,000,000 for the year (2010 £20,000,000) The Directors do not recommend the payment of a final dividend (2010 £nil)

Directors

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

David M Green
Shaun P Coles
Richard C Truelove
John F O'Mahoney (alternate to David M Green)

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 Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, International Accounting Standard 1 requires that directors

- 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 adequate accounting records which are sufficient to show and explain the Company's transactions and which 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 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 UK INVESTMENTS
COMPANY NUMBER. 2957569

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 13 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, liquidity risk and market risk.

The Company is part of the Santander UK Group. The Company has net current liabilities and has placed its surplus funds on long term deposit with its parent company, Santander UK plc. The Company is therefore reliant on Santander UK plc to provide funding to meet its ongoing trading liabilities.

The Board of Santander UK plc has confirmed that it is a going concern, and that it will provide funding to the Company for the foreseeable future.

The Directors, having assessed the responses of the directors of the company's parent Santander UK plc to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Santander UK group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Santander UK plc, the Company's Directors have a reasonable expectation that the Company will be able 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 Annual Report and Accounts. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

Auditors

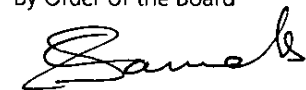
Each of the Directors as at the date of approval of this report has confirmed that

- 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 Section 418 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

23 March 2012

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBEY NATIONAL UK INVESTMENTS

We have audited the financial statements of Abbey National UK Investments (the "Company") for the year ended 31 December 2011 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 14. 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 auditor's 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 auditor

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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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.

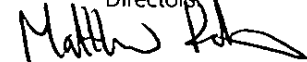
Opinion on other matter prescribed by the Companies Act 2006

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.



Matthew Perkins (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
23 March 2012

ABBEY NATIONAL UK INVESTMENTS
COMPANY NUMBER 2957569

FINANCIAL STATEMENTS

For the year ended 31 December 2011

Income Statement

For the year ended 31 December 2011

	Notes	2011 £	2010 £
Continuing operations			
Interest income	4	4,624,372	5,200,340
Finance cost		(523)	(523)
Other operating expenses		(1,861)	-
Profit before tax		4,621,988	5,199,817
Tax	5	(1,225,111)	(1,454,716)
Net profit attributable to equity holders of the Company		3,396,877	3,745,101

The accompanying notes form an integral part of the financial statements

Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 £	2010 £
Profit for the year	3,396,877	3,745,101
Total comprehensive income for the year	3,396,877	3,745,101
Attributable to equity holders of the Company	3,396,877	3,745,101

Statement of Changes in Equity

For the year ended 31 December 2011

	Share Capital £	Other Non Distributable Reserves £	Retained Earnings £	Total £
Balance at 1 January 2010	606,212,415	104,469,552	23,406,637	734,088,604
Total comprehensive income for the year	-	-	3,745,101	3,745,101
Dividend paid	-	-	(20,000,000)	(20,000,000)
Balance on 31 December 2010 and 1 January 2011	606,212,415	104,469,552	7,151,738	717,833,705
Total comprehensive income for the year	-	-	3,396,877	3,396,877
Dividend paid	-	-	(7,000,000)	(7,000,000)
Balance on 31 December 2011	606,212,415	104,469,552	3,548,615	714,230,582

Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 £	2010 £
Net cash flows generated from operating activities	11	7,371,537	17,091,234
Financing activities			
Dividend paid		(7,000,000)	(20,000,000)
Net cash flows used in financing activities		(7,000,000)	(20,000,000)
Net increase/(decrease) in cash and cash equivalents		371,537	(2,908,766)
Cash and cash equivalents at beginning of the year		(22,981)	2,885,785
Cash and cash equivalents at end of the year		348,556	(22,981)

The accompanying notes form an integral part of the financial statements

ABBEY NATIONAL UK INVESTMENTS
COMPANY NUMBER: 2957569

FINANCIAL STATEMENTS
For the year ended 31 December 2011

Balance Sheet
At 31 December 2011

	Notes	2011 £	2010 £
Non-current assets			
Loans and receivables	6	715,405,511	-
Total non-current assets		715,405,511	-
Current assets			
Loans and receivables	6	-	719,308,403
Cash and cash equivalents		348,556	-
Total current assets		348,556	719,308,403
Total assets		715,754,067	719,308,403
Current liabilities			
Cash and cash equivalents		-	(22,981)
Tax liabilities		-	(1,153,716)
Payables	7	(1,513,037)	(287,553)
Total current liabilities		(1,513,037)	(1,464,250)
Non-current liabilities			
Other borrowed funds	8	(10,448)	(10,448)
Total non-current liabilities		(10,448)	(10,448)
Total liabilities		(1,523,485)	(1,474,698)
Net assets		714,230,582	717,833,705
Equity			
Share capital	9	606,212,415	606,212,415
Other non-distributable reserve	10	104,469,552	104,469,552
Retained earnings		3,548,615	7,151,738
Total equity attributable to equity holders of the parent		714,230,582	717,833,705

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 23 March 2012
They were signed on its behalf by *S. Coles*



Director

ABBEY NATIONAL UK INVESTMENTS

COMPANY NUMBER. 2957569

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 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 except for the revaluation of financial instruments and on the going concern basis as disclosed in the Directors' Statement of Going Concern set out in the Report of the Directors.

Recent accounting developments

In 2011, the Company adopted the following significant new or revised standards or amendments to standards:

- (a) IAS 24 "Related Party Disclosures" - In November 2009, the IASB issued amendments to IAS 24 which clarified the definition of a related party, introduced a partial exemption from some disclosure requirements for government-related entities and included an explicit requirement to disclose commitments involving related parties. IAS 24 (2009) was adopted with effect from 1 January 2011. Retrospective application is required. The adoption of IAS 24 (2009) did not affect the Company's disclosures.
- (b) There are a number of other changes to IFRS that were effective from 1 January 2011. Those changes did not have a significant impact on the Company's financial statements.

Future accounting developments

The Company has not yet adopted the following significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective for the Company:

- (a) IAS 1 'Presentation of Financial Statements' - In June 2011, the IASB issued amendments to IAS 1 that retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss, and (ii) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012.

The Company anticipates that IAS 1 (2011) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013 and that the application of the new Standard will modify the presentation of items of other comprehensive income accordingly. Retrospective application is required. The Company does not anticipate that these amendments to IAS 1 will have a significant impact on the Company's disclosures.

- (b) There are a number of other standards which have been issued or amended that are expected to be effective in future periods. However, it is not practicable to provide a reasonable estimate of their effects on the Company's financial statements until a detailed review has been completed.

Revenue recognition

Interest income and expense

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities are 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.

ABBEY NATIONAL UK INVESTMENTS

COMPANY NUMBER 2957569

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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.

Financial assets

The Company classifies its financial assets, including intercompany financial assets as loans and receivables. Management determines the classification 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 or the Company 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 assets is 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

The Company classifies its financial liabilities including intercompany financial liabilities as deposits and payables which are held at amortised cost unless designated as held at fair value through profit and loss. The carrying value of financial liabilities is a fair approximation of their fair values.

Borrowings

Preference shares which carry a mandatory coupon or are redeemable on a specified date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

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.

ABBEY NATIONAL UK INVESTMENTS
COMPANY NUMBER 2957569

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

1. Accounting policies (continued)

Dividends

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

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 Santander UK Group. Santander UK's 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 plc Board to the Chief Executive Officer and from her to her 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 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 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 provides 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.

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 6 to the financial statements.

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.

Maturities of financial liabilities can be found in note 7 to the financial statements.

ABBEY NATIONAL UK INVESTMENTS
COMPANY NUMBER 2957569

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

2 Financial risk management (continued)

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. Market risk arises as a result of interest rates and exposures to changes in equity markets. The Company's income is exposed to movements in the LIBOR interest rate on receivables relating to amounts due by group companies.

Sensitivity analysis

A 50 basis point adverse movement in rates would result in a fall in revenue of £3,603,404 (2010 £3,802,522) and a 50 basis point favourable movement in rates would result in an increase in revenue of £3,603,404 (2010 £3,802,522).

3. Profit from operations

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by its UK parent company Santander UK plc. No emoluments were paid by the Company to the Directors during the year (2010 £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 UK parent company, Santander UK plc, in accordance with Company policy and no recharge has been made. The statutory audit fee for the current year is £8,200 (2010 £8,200).

4 Interest income

	2011 £	2010 £
Interest receivable from group companies	4,624,372	4,902,302
Interest receivable from third parties	-	298,038
	4,624,372	5,200,340

5 Tax

	2011 £	2010 £
Current tax		
UK corporation tax on profit of the year	1,224,965	1,456,095
Adjustments in respect of prior periods	146	(1,379)
	1,225,111	1,454,716

UK corporation tax is calculated at 26.5% (2010 28%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 28% to 26% with effect from 1 April 2011.

The Finance Act 2011, which provides for a reduction in the main rate of UK corporation tax to 25% effective from 1 April 2012, was enacted on 19 July 2011. The UK Government has also indicated that it intends to enact further reductions to the main rate to reduce the rate to 24% from 1 April 2012 and then by 1% per annum to 22% by 1 April 2014.

ABBEY NATIONAL UK INVESTMENTS
COMPANY NUMBER 2957569

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

5 Tax (continued)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows

	2011 £	2010 £
Profit before tax	4,621,988	5,199,817
Tax at the UK corporation tax rate of 26.5% (2010: 28%)	1,224,827	1,455,949
Non deductible expenses	138	146
Adjustments to prior year provisions	146	(1,379)
Tax charge on profit for the year	1,225,111	1,454,716

6 Loans and receivables

	2011 £	2010 £
Non-current		
Amounts due by group companies	715,405,511	-
Current		
Amounts due by group companies	-	719,308,403

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

The amounts due by group companies have a maturity date of 29 September 2016 and interest is fixed monthly at LIBOR

7 Payables

	2011 £	2010 £
Amounts due to group companies	1,513,037	287,553

The amounts due to group companies include an amount of £1,224,965 (2010: £nil) relating to group relief

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

The amounts due to group companies of £1,513,037 (2010: £287,553) are non interest bearing and repayable on demand

ABBEY NATIONAL UK INVESTMENTS
COMPANY NUMBER. 2957569

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

8 Other borrowed funds

	2011 £	2010 £
Preference Shares	10,448	10,448

Preference Shares

On 14 October 2005, 1,044,800 irredeemable preference shares were issued at a nominal value of £0.01 each and a share premium of £99.99 each. Under the terms of the preference shares, the holder is entitled to a 5% annualised non-cumulative dividend which accrues on a daily basis.

Non-cumulative dividends of £523 were approved during 2011 (2010: £523).

2011			2010		
Amount	Date approved	Date paid	Amount	Date approved	Date paid
£129	16 March 2011	31 March 2011	£129	12 March 2010	31 March 2010
£130	16 June 2011	30 June 2011	£130	16 June 2010	30 June 2010
£132	20 September 2011	30 September 2011	£132	15 September 2010	30 September 2010
£132	12 December 2011	31 December 2011	£132	10 December 2010	31 December 2010

On winding up, the preference shareholders have a preferential right to paid up capital together with any dividend payable and accrued up to and including the date of winding up.

Preference shareholders are entitled to attend and vote at a General Meeting of the Company where a resolution to abrogate or vary any of the rights and privileges attaching to the preference shares is proposed.

The preference shares are wholly classed as a liability, with no equity component being attributed to the shares.

The Directors estimate the fair value of the preference shares at 31 December 2011 to be approximately £10,448 (2010: £10,448). This fair value has been calculated by discounting the future cash flows at the market rate.

On 13 March 2012, the Directors approved non-cumulative dividends for payment totalling £130 on the irredeemable preference shares due on 31 March 2012.

9 Share capital

	2011 £	2010 £
Issued and fully paid		
5,800,755,657 Ordinary shares of 1 French franc each	606,212,415	606,212,415

10. Other non-distributable reserve

	£
Balance at 1 January 2011 and 31 December 2011	104,469,552

In October 2005 special dividends of £104,603,402 (£100.12 per share) were paid on the 1,044,800 irredeemable preference shares.

£104,469,552 of the dividends was allocated to a non-distributable reserve, as allowed for in the Company's Articles of Association. The remainder of £133,850 was recognised as borrowing costs in the Company's Income Statement of that year.

The non-distributable reserve is a separate component of the Company's equity and is available exclusively to the holders of the preference shares in the event of the Company being wound up.

ABBEY NATIONAL UK INVESTMENTS
COMPANY NUMBER 2957569

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

11 Cash Flow Statement

Reconciliation of profit before tax to net cash inflow from operating activities

	2011 £	2010 £
Profit before tax	4,621,988	5,199,817
Changes in operating assets and liabilities	-	-
Change in receivables	3,902,893	18,585,326
Change in payables	(1,153,344)	(6,391,530)
Cash generated from operations	7,371,537	17,393,613
Income tax paid	-	(302,379)
Cash flows generated from operating activities	7,371,537	17,091,234

Where tax liabilities have been group relieved, they are accounted for as operating payables

12 Related party transactions

Trading transactions

The trading transactions with related parties relate to interest received and paid on amounts due by and due to related group entities

Related party transactions at balance date are as follows

	Income		Expenditure		Amounts owed by related parties		Amounts owed to related parties	
	2011 £	2010 £	2011 £	2010 £	2011 £	2010 £	2011 £	2010 £
Immediate UK parent	4,624,372	2,532,728	-	-	715,405,511	719,308,403	-	-
Related group companies	-	2,369,575	523	523	-	-	1,523,485	298,001
	4,624,372	4,902,303	523	523	715,405,511	719,308,403	1,523,485	298,001

Non-cumulative dividends of £523 have been approved for payment to Abbey National Treasury Services Overseas Holdings (2010 £523)

No Director or management personnel received any remuneration (2010 £nil)

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

13 Capital management and resources

The Company's parent, Santander UK plc ("Santander UK"), 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 UK Group's capital management can be found in the Santander UK 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.

14. Parent undertaking and controlling party

The Company's immediate parent company is Santander UK plc, 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 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, 2 Triton Square, Regent's Place, London, NW1 3AN.