ABBEY NATIONAL UK INVESTMENTS

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2009

Registered in England and Wales
No. 2957569

ABBEY NATIONAL UK INVESTMENTS

REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended 31 December 2009

Principal activity and business review

The principal activity of Abbey National UK Investments, Company Number 2957569 (the "Company") is that of an investment company

The Santander UK plc Group (the "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 performances of the divisions of Santander UK plc, which include the Company, are discussed in the Group's Annual Report which does not form part of this Report

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

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

Principal risks and uncertainties

The Company's principal risks and uncertainties together with the processes that are in place to monitor and mitigate those risks were possible can be found in note 2

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £13,452,786 (2008 £36,072,812)

Non-cumulative dividends of £523 were approved on the irredeemable preference shares during 2009 (2008 £523) No special dividends have been paid on the irredeemable preference shares in 2009 (2008 £nil)

The Directors do not recommend the payment of a final dividend (2008 Interim dividend - £110,000,000)

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	
Richard C Truelove	(appointed 24 August 2009)
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 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 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

REPORT OF THE DIRECTORS (continued)

Statement of Directors' Responsibilities (continued)

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 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

Statement of Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements In addition, notes 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 risks

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

Financial instruments

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

The financial risk management objectives and policies of the Group, the policy for hedging each 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 outlined 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

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

Payment policy

Given the nature of the Company's business, the Company does not have any supplies 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)

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

2 September 2010

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

INDEPENDENT AUDITORS' 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 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 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 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

Caroline Britton

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

ABBEY NATIONAL UK INVESTMENTS

FINANCIAL STATEMENTS
For the year ended 31 December 2009

Income Statement
For the year ended 31 December 2009

Continuing operations	Notes	2009 £	2008 £
Interest income		18,979,690	9,405,679
Investment income	4	-	41,114,958
Interest expense		-	(66,218)
Finance cost		(523)	(523)
Other operating expenses		(294,742)	(2,201)
Profit before tax		18,684,425	50,451,695
Tax	5	(5,231,639)	(14,378,883)
Net profit attributable to equity holders of the Company		13,452,786	36,072,812

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	13,452,786	36,072,812
Total comprehensive income for the year	13,452,786	36,072,812
Attributable to equity holders of the Company	13,452,786	36,072,812

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

	Share Capital £	Other Non Distributable Reserves £	Retained Earnings £	Total £
Balance at 1 January 2008	606,212,415	104,469,552	83,881,039	794,563,006
Total comprehensive income for the year	-	-	36,072,812	36,072,812
Dividends for 2008	-	-	(110,000,000)	(110,000,000)
Balance on 31 December 2008 and 1 January 2009	606,212,415	104,469,552	9,953,851	720,635,818
Total comprehensive income for the year	-	-	13,452,786	13,452,786
Balance on 31 December 2009	606,212,415	104,469,552	23,406,637	734,088,604

Cash Flow Statement
For the year ended 31 December 2009

	Note	2009 £	2008 £
Net cash flows generated from operating activities	11	2,886,039	110,000,743
Financing activities			
Dividends paid on preference shares		-	(655)
Dividend paid to company shareholders		-	(110,000,000)
Net cash flows used in financing activities		-	(110,000,655)
Net increase in cash and cash equivalents		2,886,039	88
Cash and cash equivalents at beginning of the year		(254)	(342)
Cash and cash equivalents at end of the year		2,885,785	(254)

The accompanying notes form an integral part of the financial statements

ABBEY NATIONAL UK INVESTMENTS

FINANCIAL STATEMENTS
For the year ended 31 December 2009

Balance Sheet
At 31 December 2009

	Notes	2009 £	2008 £
Current assets			
Loans and receivables	6	737,893,729	834,919,617
Cash and cash equivalents		2,885,785	-
Total assets		740,779,514	834 919 617
Current liabilities			
Cash and cash equivalents		-	(254)
Tax liabilities		(6,393,569)	(4,259,353)
Payables	7	(286,893)	(110,013,744)
Total current liabilities		(6,680,462)	(114,273,351)
Non-current liabilities			
Other borrowed funds	8	(10,448)	(10,448)
Total non-current liabilities		(10 448)	(10,448)
Total liabilities		(6,690,910)	(114,283,799)
Net current assets		734,099,052	720,646,266
Net assets		734,088,604	720,635,818
Equity			
Share capital	9	606,212,415	606,212,415
Other non-distributable reserve	10	104,469,552	104,469,552
Retained earnings		23,406,637	9,953,851
Total equity attributable to equity holders of the parent		734,088,604	720,635,818

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 2 September 2010
They were signed on its behalf by D. Green

Director

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

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 developments

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

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 - 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

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

1 Accounting policies (continued)

Revenue recognition

(a) 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

(b) Fees and commissions income
Fees and commissions, which are not an integral part of the effective interest rate are generally recognised when the service has been provided

(c) Dividend income
Dividend income is recognised when the Company's right to receive payment has been established

(d) Financial assets held at fair value through profit and loss
Financial assets and liabilities held for trading and financial assets and financial liabilities designated as fair value through profit and loss are recorded at fair value Changes in fair value of assets and liabilities designated as fair value through profit and loss are recognised in investment income together with changes in fair value of derivatives managed in conjunction with these assets and liabilities Changes in fair value of derivatives designated in a hedging relationship are recognised in investment income

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 either loans and receivables or financial assets at fair value through profit and loss Management determines the classification at initial recognition

(a) Financial assets at fair value through profit or loss
Financial assets are classified as fair value through profit or loss if they are either held for trading or otherwise designated at fair value through profit or loss on initial recognition A financial asset is classified as held for trading if it is a derivative In certain circumstances financial assets other than those held for trading are designated at fair value through profit or loss where its designation results in more relevant information because it significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or recognising the gains or losses on them on a different basis or where the assets are managed and their performance evaluated on a fair value basis
Derivative financial instruments and financial assets designated at fair value are classified at fair value through profit or loss

These are derecognised when the rights to receive cash flows from the asset have expired or the Company has substantially transferred all the risks and rewards of ownership

(b) Loans and receivables
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

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

1 Accounting policies (continued)

Derivative financial instruments

Transactions are undertaken in derivative financial instruments, ('derivatives') Derivatives are contracts or agreements whose value is derived from one or more underlying indices or asset values inherent in the contract or agreement, which require no or little initial net investment and are settled at a future date

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models as appropriate All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative

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 are 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 entity 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

Dividends

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

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 him to his direct reports Delegation of authority is to individuals Formal standing committees are maintained for effective management of oversight

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

2 Financial risk management (continued)

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 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

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

At 31 December 2009	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Intercompany liabilities	286,893	-	-	-	-	286,893
Total financial liabilities	286,893	-	-	-	-	286 893

At 31 December 2008	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Intercompany liabilities	110,013,744	-	-	-	-	110,013,744
Total financial liabilities	110,013 744	-	-	-	-	110,013,744

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 During the year, the Company's income is in part exposed to movements in the LIBOR interest rate on receivables relating to amounts due by group companies and exposures to changes in equity markets

<u>Sensitivity analysis</u>

If the Company's assets at balance date remain invested at a rate equivalent to the one month LIBOR rate prevailing at 31 December 2009 for the full year, a 50 basis point adverse movement in rates would result in a fall in revenue of £3,703,898 (2008 £4,181,871) and a 50 basis point favourable movement in rates would result in an increase in revenue of £3,703,898 (2008 £4,181,871)

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

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 (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 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 £11,460 (2008 £15,000)

4 Investment income

	2009 £	2008 £
Fees and commissions income	-	9,897,771
Dividend income	-	67,463,531
Net loss on investments held at fair value through profit and loss	-	(17,377,374)
Net loss on derivatives	-	(18,868,970)
	-	41,114,958

5 Tax

	2009 £	2008 £
Current tax		
UK corporation tax current year	(5,231,639)	(14,378,883)
Adjustment in respect of prior periods	-	-
	(5,231,639)	(14,378,883)

Corporation tax is calculated using an effective tax rate of 28% (2008 28 5%)

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

	2009 £	2008 £
Profit before tax	18 684,425	50,451,695
Tax at the UK corporation tax rate of 28% (2008 28 5%)	(5,231,639)	(14,378,733)
Non-deductible expenses	-	(150)
Tax expense for the year	(5,231,639)	(14,378,883)

6 Loans and receivables

	2009 £	2008 £
Amounts due by group companies	737,893,729	834,919 617

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

£509,028,411 of the amounts due by group companies are repayable within one month and the interest is fixed monthly at LIBOR The remaining £228,865,318 is repayable to group companies on demand

In 2008, amounts due by group companies were repayable on demand and interest was fixed monthly at LIBOR

In the ordinary course of business, the Company enters into investing activities whereby the underlying assets are pledged as collateral The carrying value which approximates the fair value of the assets pledged approximated £224,791,307 (2008 £nil)

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

7 Payables

	2009 £	2008 £
Amounts due to group companies	286,893	110,013,744
	286,893	110,013,744

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

The amounts due to group companies of £286,893 are repayable on demand and non interest bearing

In 2008, the amounts due to group companies of £110,013,087 had a short term maturity of 1 month and the prevailing monthly fixed interest rate at balance sheet date was 2 17% The remaining balance of £657 was non-interest bearing and was repayable on demand

8 Other borrowed funds

	2009 £	2008 £
Preference Shares	10,448	10,448
	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 2009 (2008 £523)

2009			2008		
Amount	Date approved	Date paid	Amount	Date approved	Date paid
£129	12 March 2009	-	£129	13 March 2008	30 April 2008
£130	17 June 2009	-	£130	13 June 2008	30 June 2008
£132	11 September 2009	-	£132	19 September 2008	30 September 2008
£132	15 December 2009	-	£132	12 December 2008	31 December 2008

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 2009 to be approximately £10,448 (2008 £10,448) This fair value has been calculated by discounting the future cash flows at the market rate

9 Share capital

	2009 £	2008 £
Issued and fully paid		
5,800,755,657 ordinary shares of 1 French franc each	606,212,415	606,212,415

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

10 Other non-distributable reserve

	£
Balance at 31 December 2008 and 1 January 2009	104,469,552
Balance at 31 December 2009	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

11 Cash Flow Statement

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

	2009 £	2008 £
Profit before tax	18,684,425	50,451,695
Adjustments for		
Dividend paid on preference shares	-	523
	18,684,425	50,452,218
Changes in operating assets and liabilities		
Change in receivables	97,025,888	2,908,991
Change in payables	(109,726,850)	73,968,022
Cash generated from operations	5,983,463	127,329,231
Income tax paid	(3,097,424)	(17,328,488)
Cash flows generated by operating activities	2,886,039	110,000,743

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	
	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £
Related group companies	18,979,690	11,273,273	-	(66,741)	737,893,729	834,919,617	(286,893)	(110,013,744)

Non-cumulative dividends of £523 have been approved for payment to Abbey National Treasury Services Overseas Holdings (2008 £523)

No Director or management personnel received any remuneration (2008 £nil)

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

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 6

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