

**CATER ALLEN LLOYD'S HOLDINGS LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**YEAR ENDED 31 DECEMBER 2008**

**Registered in England and Wales  
No. 2140745**

**TUESDAY**



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## **CATER ALLEN LLOYD'S HOLDINGS LIMITED**

### **REPORT OF THE DIRECTORS**

The Directors submit their report together with the financial statements for the year ended 31 December 2008.

This Report of the Directors has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

#### **Principal activity**

The principal activity of the Company is to act as a holding company to Cater Allen Syndicate Management Limited.

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

#### **Result and dividends**

The profit for the year on ordinary activities after taxation amounted to £137,903 (2007: loss of £342,465).

The Directors do not recommend the payment of a final dividend (2007: £nil).

#### **Directors**

The Directors who served throughout the year were:

D M Green  
M C Jackson

#### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **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 19 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.

## CATER ALLEN LLOYD'S HOLDINGS LIMITED

### REPORT OF THE DIRECTORS (continued)

The Company is part of the Abbey National Group. The Company has net liabilities and is reliant on other companies in the Abbey National Group for a significant proportion of its funding. The Board of Abbey National plc has confirmed that it is a going concern, and that it will provide funding to the Company for the foreseeable future.

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.

#### 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 address of Abbey National plc.

#### Auditors

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 they ought to have taken as director to make themselves aware of any relevant audit information (as defined in s234ZA of the Companies Act 1985) and to establish that the company's auditors are aware of that information.

In accordance with Sections 485 and 487 of the Companies Act 2006, Deloitte 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

25<sup>th</sup> February 2009

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CATER ALLEN LLOYD'S HOLDINGS LIMITED**

We have audited the financial statements of Cater Allen Lloyd's Holdings Limited 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 20. 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**

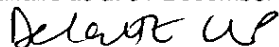
In our opinion:

- 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 results 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 results for the year then ended.



**Deloitte LLP**

Chartered Accountants and Registered Auditors  
London United Kingdom  
25 February 2009

# CATER ALLEN LLOYD'S HOLDINGS LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 December 2008

### Income Statement

For the year ended 31 December 2008

|   | Notes | 2008<br>£ | 2007<br>£   |
|---|-------|-----------|-------------|
| <b>Continuing operations</b>  |       |           |             |
| Revenue   | 3     | 122,643   | 119,919     |
| Other operating income  | 4     | 742,930   | 681,713     |
| Administrative expenses   | 5     | (713,132) | (1,333,935) |
| <b>Profit/(loss) before tax</b>                                       |       | 152,441   | (532,303)   |
| Tax   | 7     | (14,538)  | 189,838     |
| <b>Net profit/(loss) attributable to equity holders of the parent</b> |       | 137,903   | (342,465)   |

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

|   | 2008<br>£ | 2007<br>£ |
|---|-----------|-----------|
| Profit/(loss) for the year                              | 137,903   | (342,465) |
| <b>Total recognised income and expense for the year</b> | 137,903   | (342,465) |
| <b>Attributable to equity holders of the parent</b>     | 137,903   | (342,465) |

### Cash Flow Statement

For the Year ended 31 December 2008

|   | Note | 2008<br>£ | 2007<br>£ |
|---|------|-----------|-----------|
| <b>Net cash flows from operating activities</b> | 16   | 122,642   | 119,919   |
| Net increase in cash and cash equivalents       |      | 122,642   | 119,919   |
| Cash and cash equivalents at beginning of year  |      | 490,001   | 370,082   |
| <b>Cash and cash equivalents at end of year</b> |      | 612,643   | 490,001   |

The accompanying notes form an integral part of the accounts.

CATER ALLEN LLOYD'S HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2008


Balance Sheet

At 31 December 2008

|  | Notes | 2008<br>£           | 2007<br>£           |
|--|-------|---------------------|---------------------|
| <b>Non-current assets</b>  |       |                     |                     |
| Loans and receivables  | 8     | 513,693             | 513,693             |
| Investment in subsidiary undertakings                            | 9     | -                   | -                   |
| Deferred tax assets  | 10    | 3,520               | 4,487               |
| <b>Total non-current assets</b>                                  |       | <b>517,213</b>      | <b>518,180</b>      |
| <b>Current assets</b>  |       |                     |                     |
| Cash and cash equivalents  |       | 612,643             | 490,001             |
| Trade and other receivables                                      | 11    | 31,944              | 191,738             |
| <b>Total current assets</b>                                      |       | <b>644,587</b>      | <b>681,739</b>      |
| <b>Total assets</b>  |       | <b>1,161,800</b>    | <b>1,199,919</b>    |
| <b>Current liabilities</b>                                       |       |                     |                     |
| Current tax liabilities  |       | (13,572)            | -                   |
| Provisions   | 12    | (495,362)           | (675,918)           |
| Trade and other payables   | 13    | (7,555,332)         | (6,994,013)         |
| <b>Total current liabilities</b>                                 |       | <b>(8,064,266)</b>  | <b>(7,669,931)</b>  |
| <b>Non-current liabilities</b>                                   |       |                     |                     |
| Provisions   | 12    | (2,234,837)         | (2,805,194)         |
| <b>Total non-current liabilities</b>                             |       | <b>(2,234,837)</b>  | <b>(2,805,194)</b>  |
| <b>Total liabilities</b>   |       | <b>(10,299,103)</b> | <b>(10,475,125)</b> |
| <b>Net current liabilities</b>                                   |       | <b>(7,419,679)</b>  | <b>(6,988,192)</b>  |
| <b>Net liabilities</b>   |       | <b>(9,137,303)</b>  | <b>(9,275,206)</b>  |
| <b>Equity</b>  |       |                     |                     |
| Share capital  | 14    | 10,730,000          | 10,730,000          |
| Retained earnings  | 15    | (19,867,303)        | (20,005,206)        |
| <b>Total equity attributable to equity holders of the parent</b> |       | <b>(9,137,303)</b>  | <b>(9,275,206)</b>  |

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<sup>th</sup> February 2009.  
They were signed on its behalf by:

  
David Green  
Director

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

### 1. Accounting Policies

#### Basis of preparation

The Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

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

#### Revenue recognition

##### *(a) Rental income*

Rental income is recognised on an accrual basis in accordance with the lease agreements.

##### *(b) Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### Leasehold property rental costs

Where the Company is committed under non-cancellable property leases to pay rentals in excess of current market levels, provision is made for the full amount of the excess over the life of the lease. The provision is released to the profit and loss account in instalments over the same period.

#### 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2008**

**1. Accounting Policies (continued)**

**Impairment of financial assets**

At each balance sheet date, the Company assess 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.

**Investment in subsidiary undertakings**

Investments in subsidiary undertakings are carried at cost less any provision 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 are a fair approximation of their fair values.

**Provisions**

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

When a leasehold property ceases to be used in the business, provision is made where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income. The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Contingent liabilities are possible obligations whose existence will be confirmed only by certain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless the likelihood of a transfer of economic benefit is considered remote.

**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, net loans and advances to banks, net securities financing amounts 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2008**

**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 provides 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 intercompany assets held by the Company.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in notes 8 and 11 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 with the support of its parent company, ensuring that the Company will have sufficient liquid resources to meet its obligations as they fall due.

Maturities of financial liabilities can be found in note 13 to the financial statements.

**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.

A small proportion of the Company's income is exposed to movements in LIBOR interest rate. The remaining interest income is of fixed coupon derived from the held-to-maturity investments carried at amortised cost.

Sensitivity analysis

The Directors do not consider the fair value interest rate risk to be significant as a significant portion of the investments bear fixed interest rates and the intercompany receivables and payables are non-interest bearing. For further details refer to notes 8, 11 and 13.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 December 2008

### 3. Revenue

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

|   | 2008<br>£ | 2007<br>£ |
|---|-----------|-----------|
| Interest received                                   | 101,500   | 101,500   |
| Interest on amounts due from group related entities | 21,143    | 18,419    |
|   | 122,643   | 119,919   |

### 4. Other operating income

|               | 2008<br>£ | 2007<br>£ |
|---------------|-----------|-----------|
| Rental income | 742,930   | 681,713   |

### 5. Administrative expenses

|                                   | 2008<br>£ | 2007<br>£ |
|-----------------------------------|-----------|-----------|
| Rental expense on sublet property | 1,464,045 | 1,608,158 |
| Net utilisation                   | (721,115) | (926,445) |
| (Decrease)/Increase in provision  | (29,798)  | 652,222   |
|                                   | 713,132   | 1,333,935 |

### 6. Profit from operations

No directors were remunerated for their services to the Company. Directors' emoluments are borne by its 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 and no recharge has been made. The audit fee for the current year is £6,500 (2007: £6,500).

### 7. Tax

|                                   | 2008<br>£ | 2007<br>£ |
|-----------------------------------|-----------|-----------|
| <b>Current tax:</b>               |           |           |
| UK corporation tax – current year | 13,571    | (191,738) |
|                                   | 13,571    | (191,738) |
| <b>Deferred tax (note 10):</b>    |           |           |
| Current year                      | 967       | 1,900     |
|                                   | 14,538    | (189,838) |

Corporation tax is calculated using an effective tax rate of 28.5% (2007: 30%). The standard rate of UK corporation tax reduced from 30% to 28% with effect from 1 April 2008.

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

|  | 2008<br>£     | 2007<br>£        |
|--|---------------|------------------|
| Profit/(loss) before tax:                                      | 152,441       | (532,303)        |
| Tax at the UK corporation tax rate of 28.5% (2007: 30%)        | 43,462        | (159,691)        |
| Tax effect of income that is not chargeable to corporation tax | (28,925)      | (30,450)         |
| Effect of change in tax rate on deferred tax provision         | 1             | 303              |
| <b>Tax charge/(credit) for the year</b>                        | <b>14,538</b> | <b>(189,838)</b> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2008**
**8. Loans and receivables**

|                                      | 2008<br>£ | 2007<br>£ |
|--------------------------------------|-----------|-----------|
| Preference shares held in subsidiary | 1,015,000 | 1,015,000 |
| Provision for impairment             | (501,307) | (501,307) |
|                                      | 513,693   | 513,693   |

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

The investment bear a fixed coupon of 10% and are redeemable at par any time at the option of the subsidiary, but subject to the consent of the Council of Lloyds. There is no current intention by the subsidiary to redeem these shares in less than one year.

**9. Investment in subsidiary undertakings**

|                                 | 2008<br>£   | 2007<br>£   |
|---------------------------------|-------------|-------------|
| <b>Costs</b>                    |             |             |
| 1 January                       | 6,197,382   | 6,197,382   |
| At 31 December                  | 6,197,382   | 6,197,382   |
| <b>Provision for impairment</b> |             |             |
| At 1 January                    | (6,197,382) | (6,197,382) |
| At 31 December                  | (6,197,382) | (6,197,382) |
| <b>Net book value</b>           | -           | -           |

The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affects the results of the group:

| Name of subsidiaries                     | Place of<br>incorporation<br>ownership<br>(or registration)<br>and operation | Proportion<br>of<br>ownership<br>interest<br>% | Proportion<br>of<br>voting<br>power held<br>% | Method used<br>to account<br>for investment | Principal<br>Activity |
|--|--|--|---|---|-----------------------|
| <b>Directly held:</b>                    |  |  |   |   |                       |
| Cater Allen Syndicate Management Limited | England & Wales  | 100  | 100   | Cost less provision<br>for impairment       | Non-trading           |

In the opinion of the Directors, the value of the equity investment in subsidiary undertakings is not less than their book value.

Cater Allen Lloyd's Holdings Ltd has elected not to prepare consolidated financial statements as its ultimate parent produces separate consolidated financial statements for public use that comply with IFRSs. Details of the Company's ultimate parent are disclosed in note 20.

**10. Deferred tax**

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 : 28.1%). The following are deferred tax assets recognised by the Company and the movements thereon during the current and prior reporting year.

|                     | Accelerated Capital<br>Allowances<br>£ |
|---------------------|--|
| At 1 January 2007   | 6,387                                  |
| Charge to income    | (1,900)                                |
| At 1 January 2008   | 4,487                                  |
| Charge to income    | (967)                                  |
| At 31 December 2008 | 3,520                                  |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2008**
**11. Trade and other receivables**

|   | <b>2008</b>   | <b>2007</b>    |
|---|---------------|----------------|
|   | <b>£</b>      | <b>£</b>       |
| Amounts due by group companies                            | 31,944        | -              |
| Amounts due by group companies in respect of group relief | -             | 191,738        |
|   | <b>31,944</b> | <b>191,738</b> |

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

Amounts due by fellow subsidiaries are non-interest bearing and are repayable on demand.

**12. Provisions**

In accordance with the 'Leasehold property rental costs' accounting policy described in note 1, the Company has provided for the excess of future rentals due over current market levels. The provision is discounted at 6.4%. Rental payments are made quarterly and will run until 2015. Rental expense has been assumed not to rise to a level greater than the current level as per the non-cancellable property lease. The movement in the provision during the year was as follows:

|   | <b>2008</b>      | <b>2007</b>      |
|---|------------------|------------------|
|   | <b>£</b>         | <b>£</b>         |
| <b>At 1 January</b>                                 | 3,481,112        | 3,755,335        |
| (Decrease)/Increase due to change in discount rates | (43,173)         | 167,073          |
| Increase in provision in the year                   | 13,375           | 485,149          |
| Utilisation of provision                            | (721,115)        | (926,445)        |
| <b>At 31 December</b>                               | <b>2,730,199</b> | <b>3,481,112</b> |
| Included in current liabilities                     | 495,362          | 675,918          |
| Included in non-current liabilities                 | 2,234,837        | 2,805,194        |
|   | <b>2,730,199</b> | <b>3,481,112</b> |

**13. Trade and other payables**

|                                       | <b>2008</b>      | <b>2007</b>      |
|---------------------------------------|------------------|------------------|
|                                       | <b>£</b>         | <b>£</b>         |
| Amounts due to parent company         | 6,426,635        | 6,426,635        |
| Amounts due to fellow group companies | 1,128,697        | 567,378          |
|                                       | <b>7,555,332</b> | <b>6,994,013</b> |

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

Amounts due to parent and fellow subsidiary companies are non-interest bearing and are repayable on demand.

**14. Share capital**

|                                       | <b>2008</b> | <b>2007</b> |
|---------------------------------------|-------------|-------------|
|                                       | <b>£</b>    | <b>£</b>    |
| <b>Authorised:</b>                    |             |             |
| 11,000,000 ordinary shares of £1 each | 11,000,000  | 11,000,000  |
| <b>Issued and fully paid:</b>         |             |             |
| 10,730,000 ordinary shares of £1 each | 10,730,000  | 10,730,000  |

**15. Retained earnings**

|                                    | <b>£</b>            |
|------------------------------------|---------------------|
| Balance at 1 January 2007          | (19,662,741)        |
| Net loss for the year              | (342,465)           |
| Balance at 31 December 2007        | (20,005,206)        |
| Balance at 1 January 2008          | (20,005,206)        |
| Net profit for the year            | 137,903             |
| <b>Balance at 31 December 2008</b> | <b>(19,867,303)</b> |

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 December 2008

### 16. Cash Flow Statement

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

|   | 2008<br>£ | 2007<br>£ |
|---|-----------|-----------|
| <b>Profit/(loss) before tax</b>                   | 152,441   | (532,303) |
| Adjustments for:                                  |           |           |
| (Decrease)/increase in provision                  | (80,548)  | 652,222   |
|   | 71,893    | 119,919   |
| <i>Change in operating assets and liabilities</i> |           |           |
| Change in receivables                             | 159,794   | 366,632   |
| Change in payables                                | (109,045) | (359,068) |
| Cash generated from operations                    | 122,642   | 127,483   |
| Income tax paid                                   | -         | (7,564)   |
| <b>Net cash from operating activities</b>         | 122,642   | 119,919   |

### 17. Operating Lease Commitments

The Company has a non-cancellable operating lease in respect of a property for which Cater Allen Limited has assumed responsibility. The legal obligation of this lease remains with the Company.

The future aggregate minimum lease payments under the non-cancellable operating lease are as follows:

|   | 2008<br>£ | 2007<br>£ |
|---|-----------|-----------|
| Not later than 1 year                       | 1,297,376 | 1,331,870 |
| Later than 1 year and no later than 5 years | 5,189,504 | 5,327,480 |
| Later than 5 years                          | 1,946,064 | 3,329,675 |
|   | 8,432,944 | 9,989,025 |

### 18. 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 |             |
|--------------------------|-----------|-----------|-------------|-----------|---------------------------------|-----------|---------------------------------|-------------|
|                          | 2008<br>£ | 2007<br>£ | 2008<br>£   | 2007<br>£ | 2008<br>£                       | 2007<br>£ | 2008<br>£                       | 2007<br>£   |
| Immediate parent company | -         | -         | -           | -         | -                               | -         | (6,426,635)                     | (6,426,635) |
| Fellow group companies   | 122,643   | 119,919   | -           | -         | 31,944                          | 191,738   | (1,128,697)                     | (567,378)   |
|                          | 122,643   | 119,919   | -           | -         | 31,944                          | 191,738   | (7,555,332)                     | (6,994,013) |

No director or management personnel received any remuneration (2007: £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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2008**

**19. Capital management and resources**

The Company's parent, Abbey National plc ("Abbey"), adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Abbey group. The Company has no non-centralised process for managing its own capital. Disclosures relating to the Abbey group's capital management can be found in the Abbey Annual Report and Accounts.

Capital held by the Company and managed centrally as part of the Abbey group, comprises share capital and reserves which can be found in the Balance Sheet on page 5.

**20. Parent undertaking and controlling party**

The Company's immediate parent company is Cater Allen Holdings Limited, a company incorporated in Great Britain.

The Company's ultimate 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 parent undertaking of the smallest group of undertakings for which the group accounts are drawn up.

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.