

**ABBAY NATIONAL BAKER STREET
INVESTMENTS**

**REGISTERED IN ENGLAND AND WALES
NO. 2468307**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2008**

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ABBEY NATIONAL BAKER STREET INVESTMENTS

Report of the directors

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

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

Principal activity and review of the year

The principal activity of the company is to act as an investment company. The Directors are reviewing future opportunities for the continuation of the company.

All the share capital in the Company was sold on 19 February 2008 by Abbey National Investment Holdings Ltd to Brettwood Limited. Brettwood Limited sold all the share capital in the company on 29 September 2008 to Abbey National Alpha Investments whose immediate parent is Brettwood Limited. Brettwood Limited's immediate parent is Abbey National Jersey International Limited, and its ultimate UK parent is Abbey National plc. The Company's ultimate parent undertaking and controlling party will remain Banco Santander, S.A., a company incorporated in Spain.

During the year, additional funding was raised through the issue of a debenture, raising £13 million. This was redeemed later in the year.

Results and dividends

The profit for the year after taxation amounted to £275,749 (2007: £128,848). The Directors do not recommend the payment of a final dividend (2007:£nil).

As part of the accounting recognition of the debenture a deemed distribution of £120,048,457 was treated as being made to Brettwood Limited. This has been shown in the accounts as a payment of a dividend of £120,048,457 to Brettwood Limited.

Directors

The Directors who served throughout the year, except as noted, were:

Mr S P Coles
Mr D M Green
Mr J F O'Mahoney (resigned 26 February 2008)

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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 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.

ABBEY NATIONAL BAKER STREET INVESTMENTS

Report of the directors (continued)

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 15 to the financial statements.

Details of the Company's financial risk management objectives, its financial instruments; and its exposures to credit risk and liquidity risk are set out in note 13 to the financial statements.

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 & Accounts. A copy of each of the indemnities is kept at the registered office address of Abbey National plc.

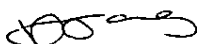
Auditors

Each of the persons who are a director at the date of approval of this annual report confirms that:

- so far as the director 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 the steps that they ought to have taken as director in order 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

6 February 2009

Independent auditors' report to the members of Abbey National Baker Street Investments

We have audited the financial statements of Abbey National Baker Street Investments 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 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 1 to the financial statements, the company in addition to complying with IFRSs as adopted by the European Union has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended.



Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom
6 February 2009

ABBEY NATIONAL BAKER STREET INVESTMENTS

Income Statement

For the year ended 31 December 2008

		Year ended 31 December 2008	Year ended 31 December 2007
Continuing Operations	Notes	£	£
Other operating income	3	-	184,069
Administrative expenses		(21)	-
(Loss)/profit from operations	2	(21)	184,069
Interest income	4	999,650	-
Finance costs	5	(451,543)	-
Profit before tax		548,086	184,069
Tax	6	(272,337)	(55,221)
Profit for the year from operations	2	275,749	128,848
Net profit attributable to equity holders of the company		275,749	128,848

The accompanying notes form an integral part of these financial statements.

Statement of Recognised Income and Expense

For the year ended 31 December 2008

The Company has no recognised income or expenses other than the results for the current and previous year as set out in the Income Statement.

ABBEY NATIONAL BAKER STREET INVESTMENTS

Balance Sheet

As at 31 December 2008

	Notes	2008 £	2007 £
Current assets			
Called up share capital not paid		-	2,401,098
Trade and other receivables	8	-	121,034,113
Cash and cash equivalents	9	3,885,619	-
Total current assets		3,885,619	123,435,211
Current liabilities			
Trade and other payables	10	(6,000)	-
Current tax Liabilities		(272,337)	(55,221)
Net current assets		3,607,282	123,379,990
Net assets		3,607,282	123,379,990
Equity			
Share capital	11	2,879,990	123,173,813
Retained earnings	12	727,292	206,177
Equity attributable to equity holders of the company		3,607,282	123,379,990

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 6 February 2009. They were signed on its behalf by: *David Green*

Director



ABBEY NATIONAL BAKER STREET INVESTMENTS

Cash Flow Statement

For the year ended 31 December 2008

	Note	Year ended 31 December 2008 £	Year ended 31 December 2007 £
(Loss)/profit from operations		(21)	184,069
Operating cash flows before movements in working capital		(21)	184,069
Decrease in receivables		121,034,113	3,549
Increase in payables		6,000	(187,617)
Cash generated by operations		121,040,092	-
Interest received		999,650	-
Income tax paid		(55,221)	-
Net cash from operating activities		121,984,521	-
Financing activities			
Proceeds on shares becoming paid up		2,401,098	-
Redemption of debenture		(133,500,000)	-
Proceeds on issue of debenture		13,000,000	-
Net cash (used in) financing activities		(118,098,902)	-
Net increase in cash and cash equivalents		3,885,619	-
Cash and cash equivalents at beginning of year	9	-	-
Cash and cash equivalents at end of year	9	3,885,619	-

The accompanying notes form an integral part of the accounts.

ABBEY NATIONAL BAKER STREET INVESTMENTS

Notes to the financial statements for the year ended 31 December 2008

1. Accounting Policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union that are effective or available for early adoption at the company's reporting date. The company, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

Revenue recognition

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Finance Costs

Finance costs are recognised in the income statement in the period in which they are incurred

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.

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.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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 available for sale or 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.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

ABBEY NATIONAL BAKER STREET INVESTMENTS

Notes to the financial statements for the year ended 31 December 2008

2. Profit from operations

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the ultimate UK parent company, Abbey National plc. No emoluments were paid by the Company to Directors during the year (2007: £nil). The Company had no employees in the current or previous year.

The audit fee for the current and prior year has been paid on the Company's behalf by its ultimate UK parent undertaking, Abbey National plc, in accordance with company policy, for which no recharge has been made. The audit fee payable to the company's auditors for the audit of the company's accounts for the current year is £6,500 (2007: £6,500).

3. Other operating Income

	2008 £	2007 £
Miscellaneous income: Other commissions/fees	-	184,069

4. Interest Income

	2008 £	2007 £
Interest Revenue from group companies		
Abbey National Investment Holdings	318,387	-
Interest revenue on bank deposits		
Abbey National Treasury Services Plc	602,506	-
HSBC	78,757	-
Total Revenue on bank deposits	678,263	-
Total Revenue	999,650	-

5. Finance costs

	2008 £	2007 £
Unwind of discount on debenture issued to group company	451,543	-

6. Tax

	2008 £	2007 £
Current tax:		
UK corporation tax on profit of the year	272,337	55,221
Total current tax	272,337	55,221
Tax on profit for the year	272,337	55,221

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

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

	2008 £	2007 £
Profit before tax	548,086	184,069
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	156,190	55,221
Tax effect of expenses that are not deductible in determining taxable profit	116,147	-
Tax expense for the year	272,337	55,221

ABBEE NATIONAL BAKER STREET INVESTMENTS

Notes to the financial statements for the year ended 31 December 2008

7. Dividend

	2008 £	2007 £
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2008, the equivalent of £3.8495 per share	120,048,457	-

This relates to the difference between the fair value at initial recognition, and the cash paid, for a debenture issued to then parent company, Brettwood Limited.

8. Trade and other receivables

	2008 £	2007 £
Amounts due by group companies	-	121,034,113
	-	121,034,113

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

9. Cash and cash equivalents

	2008 £	2007 £
Due from banks	3,885,619	-
	3,885,619	-

The amounts due by group companies are short-term bank deposits with an original maturity of three months or less. The directors consider that the carrying amount of these assets approximates their fair value.

10. Trade and other payables

	2008 £	2007 £
Other payables	6,000	-
Trade and other payables	6,000	-

The directors consider that the carrying amount of trade and other payables approximates their fair value.

11. Share capital

	2008 £	2007 £
Authorised:		
1,361,702,250 (2007: 1,361,702,250) ordinary shares	125,753,104	125,753,104
Allotted and called up:		
31,185,624 (2007: 1,333,772,715) ordinary shares	2,879,990	123,173,813
Called up and fully paid:		
31,185,624 (2007: 1,307,772,715) ordinary shares	2,879,990	120,772,715
Called up and unpaid:		
26,000,000 (2007: 26,000,000) ordinary shares	-	2,401,098
	2,879,990	123,173,813

On 14 February 2008 the company received an undertaking from Abbey National Investments Holdings Limited in respect of 26,000,000 called up and unpaid ordinary shares to pay £2,401,098 in cash to pay these shares up. The company has treated the shares as paid up from that date.

On 14 February 2008 the issued capital of the company was reduced by 1,302,587,091 ordinary shares, an amount of £120,293,823, to £2,879,990. The amount of the reduction was transferred to retained earnings.

ABBEY NATIONAL BAKER STREET INVESTMENTS

Notes to the financial statements for the year ended 31 December 2008

12. Retained earnings

	£
Balance at 1 January 2007	77,329
Net result for the year	128,848
Balance at 31 December 2007 and 1 January 2008	206,177
Net profit for the year	275,749
Capital reduction	120,293,823
Dividend	(120,048,457)
Balance at 31 December 2008	727,292

13. Financial Risk Management

The Company's risk management focuses on the major areas of credit risk and liquidity risk. Risk management is carried out by the central risk management function of the 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.

(a) Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held. It occurs in intercompany assets held by the Company.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in notes 8 and 9 to the accounts.

(b) Liquidity risk

Liquidity risk is the potential that, although remaining solvent, the Company does not have sufficient liquid financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

The Company manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet its obligations as they fall due.

The Company manages liquidity risk with the support of its parent company, ensuring that the Company will have sufficient liquid resources to ensure it can meet its obligations as they fall due.

ABBEY NATIONAL BAKER STREET INVESTMENTS

Notes to the financial statements for the year ended 31 December 2008

13. Financial Risk Management (continued)

b) Liquidity risk (continued)

Maturities of financial liabilities

At 31 December 2008	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Intercompany liabilities	-	6,000	-	-	-	6,000
Tax liabilities	-	-	272,337	-	-	272,337
Total financial liabilities	-	6,000	272,337	-	-	279,337

At 31 December 2007	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Intercompany liabilities	-	-	-	-	-	-
Tax liabilities	-	27,610	27,611	-	-	55,221
Total financial liabilities	-	27,610	27,611	-	-	55,221

14. Related party transactions

The following were the balances with related parties as at 31 December 2008 and 31 December 2007.

	2008 £	2007 £
Amounts due from group companies		
Previous immediate parent undertaking (Abbey National Investments Holdings Limited)	-	123,435,211
Other group companies	3,885,619	-

A debenture was issued to Brettwood Limited on 29 February 2008. Brettwood sold this debenture to Abbey National Treasury Services Plc on 4 March 2008. It matured prior to year end.

	2008 £	2007 £
Finance costs		
Finance costs – then immediate parent company	58,264	-
Finance costs – other group companies	393,279	-
Total Finance costs	451,543	-

	2008 £	2007 £
Investments income		
Abbey National Treasury Services Plc	602,506	-
Abbey National Investment Holdings	318,387	-
Total Revenue on bank deposits	920,893	-

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

15. Capital management and resources

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

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

ABBEY NATIONAL BAKER STREET INVESTMENTS

Notes to the financial statements for the year ended 31 December 2008

16. Parent undertaking and controlling party

The Company's immediate parent company was Abbey National Investments Holdings Limited until 19 February 2008. From that date until 29 September 2008 the immediate parent was Brettwood Limited. From 29 September 2008 the immediate parent was Abbey National Alpha Investments.

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

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