

ABBEY NATIONAL ALPHA INVESTMENTS

**Registered in England and Wales
No. 2468311**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 MARCH 2010**

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ABBEY NATIONAL ALPHA INVESTMENTS

Report of the directors

The Directors submit their report together with the financial statements for the year ended 31 March 2010

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

Principal activity and review of the year

The principal activity of Abbey National Alpha Investments, company number 2468311 ("the company") is to act as an investment company. During the year the company sold all of its investments to its immediate parent company. It is the intention of the Directors' to continue trading as an investment company for the foreseeable future.

Results and dividends

The profit for the year ended 31 March 2010 of £82,560 (2009 loss of £339,302) has been applied to reserves, and the Directors do not recommend the payment of a final dividend (2009: £nil).

Directors

The Directors who served throughout the year were

Mr D M Green
Mr S P Coles
Mr S Linsley

Directors' responsibilities statement

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 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. 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 adequate 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.

ABBEY NATIONAL ALPHA 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.

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.

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 Report and Accounts. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

Auditors

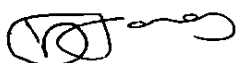
Each of the Directors as at the date of approval of this report confirms that

- 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

17 December 2010

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

Independent auditors' report to the members of Abbey National Alpha Investments

We have audited the financial statements of Abbey National Alpha Investments for the year ended 31 March 2010 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 17. 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 Directors' responsibilities statement, 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 March 2010 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 Directors' Report 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
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report.



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

ABBEY NATIONAL ALPHA INVESTMENTS

Statement of Comprehensive Income For the year ended 31 March 2010

		Year ended 31 March 2010	Year ended 31 March 2009
Continuing Operations	Notes	£	£
Other operating income		-	-
Administrative expenses		-	-
Profit/(Loss) from operations		-	-
Reversal/(Impairment) on interests in subsidiary undertakings	7	-	(244,140)
Profit on disposal of subsidiary	7	121,532	-
Investment income	4	335	40,458
Finance costs	5	(54,462)	(172,628)
Profit/(Loss) before tax		67,405	(376,310)
Tax	6	15,155	37,008
Profit/(Loss) for the year from operations		82,560	(339,302)
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to the equity holders of the Company		82,560	(339,302)

The accompanying notes form an integral part of the accounts

Statement of Changes in Equity For the year ended 31 March 2010

	Notes	Share capital £	Retained earnings £	Total £
At 1 April 2008		1,183,977	220,355	1,404,332
Loss for the year	13	-	(339,302)	(339,302)
At 31 March 2009 and 1 April 2009		1,183,977	(118,947)	1,065,030
Profit for the year	13	-	82,560	82,560
At 31 March 2010		1,183,977	(36,387)	1,147,590

The accompanying notes form an integral part of the accounts

ABBEY NATIONAL ALPHA INVESTMENTS

Balance Sheet

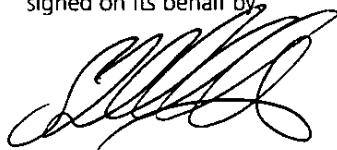
As at 31 March 2010

	Notes	2010 £	2009 £
Non-current Assets			
Interest in subsidiary undertakings	7	-	6,694,104
Current assets			
Trade and other receivables	8	6,815,636	-
Cash and cash equivalents	10	335	-
Total assets		6,815,971	6,694,104
Current Liabilities			
Current Tax Liabilities		-	(50,207)
Trade and other payables	9	(35,052)	-
Non-current liabilities			
Other borrowings	11	(5,633,329)	(5,578,867)
Total liabilities		(5,668,381)	(5,629,074)
Net Assets		1,147,590	1,065,030
Equity			
Share capital	12	1,183,977	1,183,977
Retained Earnings	13	(36,387)	(118,947)
Equity attributable to equity holders of the company		1,147,590	1,065,030

The accompanying notes on pages 7 to 12 are an integral part of these financial statements

The company registration number is 2468311

The financial statements were approved by the Board of Directors and authorised for issue on 17 December 2010. They were signed on its behalf by



Director

ABBEY NATIONAL ALPHA INVESTMENTS

Cash Flow Statement

For the year ended 31 March 2010

	Note	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Profit /(Loss) from operations		-	-
Operating cash flows before movements in working capital		-	-
(Increase)/Decrease in receivables		(6,815,636)	1,273
Cash (used)/generated by operations		(6,815,636)	1,273
Interest received		335	40,458
Income tax paid		-	(57)
Net cash from operating activities		335	40,401
Investing activities			
Sale /(Purchase) of interests in subsidiary undertakings	7	6,815,636	(6,938,244)
Net cash generated/(used in) investing activities		6,815,636	(6,938,244)
Financing activities			
Borrowing from group companies		54,462	5,578,867
Interest paid		(54,462)	(172,628)
Net cash generated from/ (used in) financing activities		-	5,406,239
Net (decrease)/increase in cash and cash equivalents		335	(1,490,331)
Cash and cash equivalents at beginning of year		-	1,490,331
Cash and cash equivalents at end of year		335	-

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Notes to the financial statements for the year ended 31 March 2010

General Information

The address of the registered office is given on page 2. The company's principal activity is set out within the Report of the Directors on page 1.

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 ("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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in financial statements.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment in subsidiaries

Interests in subsidiary undertakings are carried at cost less impairment provisions.

Finance Costs

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

Financial assets

The entity classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. Management determines the classification of its investments 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.

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.

ABBEY NATIONAL ALPHA INVESTMENTS

Notes to the financial statements for the year ended 31 March 2010

1 Accounting Policies (continued)

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are recognised initially at fair value, net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate 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.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

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.

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.

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. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on rates enacted or substantially enacted at the balance sheet date.

2 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 Santander UK plc Group. Santander UK plc's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK plc Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Santander UK plc 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 plc 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.

The Santander UK plc Group has three tiers of risk governance.

The first is provided by the Santander UK plc Board which approves Santander UK plc's Risk Appetite for each of the risks below, in consultation with Banco Santander, S.A. as appropriate, and approves the strategy for managing risk and is responsible for the Santander UK plc 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 Banco Santander, S.A. Risk before final approval by the Credit Approval Committee.

ABBEY NATIONAL ALPHA INVESTMENTS

Notes to the financial statements for the year ended 31 March 2010

2 Financial Risk Management (continued)

The second tier comprises the Santander UK plc 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 plc Group. The Santander UK plc Group's central risk function provides services to the Company, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which ensure compliance with Group policies and limits, including risk policies, limits and parameters, an approval process relating to transactions that exceed local limits and the systematic review of exposures to large clients, sectors, geographical areas and different risk types.

The third tier comprises Risk Assurance, who provides independent objective assurance on the effectiveness of the management and control of risk across all of the Santander UK plc Group. This is provided through the Non-Executive Directors, Internal Audit function and the Audit and Risk Committee.

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 equity markets' impact on available for sale assets.

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 from intercompany receivables balances and amounts held on deposit at banks. The Company has no significant credit risk due to the credit quality of the counterparty balances.

Impaired financial assets

A description of how impairment is measured can be found in the accounting policies in note 1. The investment in subsidiary undertakings were impaired during 2009 and disposed of during 2010 (note 7).

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.

3 Profit from operations

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the ultimate UK parent company, Santander UK plc. No emoluments were paid by the Company to Directors during the year (2009: £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 undertaking, Santander UK plc, in accordance with company policy, for which no recharge has been made. The audit fee for the current year is £6,500 (2009: £6,500).

4 Investment Income

	2010 £	2009 £
Interest revenue	335	40,458

ABBEY NATIONAL ALPHA INVESTMENTS

Notes to the financial statements for the year ended 31 March 2010

5 Finance costs

	2010 £	2009 £
Interest payable on intercompany loan	54,462	172,628

6 Tax

	2010 £	2009 £
Current tax		
UK corporation tax(credit) / charge	(15,155)	(37,008)
	(15,155)	(37,008)

Corporation tax is calculated at 28% (2009 28%) of the estimated assessable profit for the year

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

	2010 £	2009 £
Profit/(Loss) before tax	67,405	(376,310)
Tax at the UK corporation tax rate of 28% (2009 28%)	(18,873)	105,367
Tax effect of expenses that are not deductible in determining taxable profit	-	-
Non – taxable movement of impairment on interest in subsidiaries & profit/(loss) on sale	34,028	(68,359)
Adjustment in respect of prior year	-	-
Tax credit / (charge) for the year	15,155	37,008

7 Interests in subsidiary undertakings

The Directors considered the carrying value of the subsidiary interests to approximate their fair value

The following is a list of the subsidiary undertakings previously held by the company

Name of subsidiary	Place of Incorporation, ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment	Principal activity
Directly held					
Abbey National Baker Street Investments	United Kingdom	100	100	Cost	Investment company
N&P (B E S) Loans	United Kingdom	100	100	Cost	Investment company

Cost less impairment provision

	£
Balance at 31 March 2009	6,694,104
Disposal	(6,694,104)
Balance at 31 March 2010	-

The company purchased the above subsidiaries during 2009 for cash and during 2010 they were sold to the parent company, the proceeds of the sale were £6,815,636 and profit on sale was £121,532

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 2006 These financial statements therefore present information about the company as an individual undertaking and not about its group

ABBEY NATIONAL ALPHA INVESTMENTS

Notes to the financial statements for the year ended 31 March 2010

8 Trade and other receivables

	2010 £	2009 £
Amounts due by group companies	6,815,636	-
	6,815,636	-

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

9 Trade and other payables

	2010 £	2009 £
Amounts due to group companies- group tax relief	35,052	-
	35,052	-

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

10 Cash and cash equivalents

	2010 £	2009 £
Bank current account	335	-
	335	-

Cash and cash equivalents 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 to their fair value

11 Other borrowings

	2010 £	2009 £
Inter company loan with Abbey National Treasury Services plc	5,633,329	5,578,867
	5,633,329	5,578,867

This inter-company loan is repayable on demand

12 Share capital

	2010 £	2009 £
Issued and fully paid		
1,183,977 ordinary shares	1,183,977	1,183,977
	1,183,977	1,183,977

13. Retained earnings

	£
Balance at 1 April 2008	220,355
Profit/(loss) for the year	(339,302)
Balance at 31 March 2009 and 1 April 2009	(118,947)
Profit/(loss) for the year	82,560
Balance at 31 March 2009	(36,387)

ABBEY NATIONAL ALPHA INVESTMENTS

Notes to the financial statements for the year ended 31 March 2010

14 Related party transactions

The following were the balances with related parties as at 31 March 2010 and 31 March 2009

	2010 £	2009 £
Amounts due from group companies		
Immediate parent company- Santander UK plc	6,815,636	-

	2010 £	2009 £
Finance costs		
Other group companies- Abbey National Treasury Services plc	54,462	172,628

	2009 £	2008 £
Amounts due to group companies		
Other group companies - Abbey National Treasury Services plc	5,633,329	5,578,867

Other transactions with related parties primarily comprise the settlement of group relief balances with the group companies and the sale of the subsidiary companies to the immediate parent company Santander UK plc (note 7)

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 Company's parent, Santander UK plc, 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. Disclosures relating to the Company's capital management can be found in Santander UK plc Annual Report and Accounts for 2009

Capital held by the Company and managed centrally as part of the Santander group, comprises share capital and reserves which can be found in the Balance Sheet on page 6

16 Parent undertaking and controlling party

The Company's immediate parent Company is Santander UK plc

The Company's ultimate parent undertaking and controlling party is Banco Santander, S A, a company incorporated in Spain. Banco Santander, S A is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Santander UK 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 Secretariat, 2 Triton Square, Regent's Place, London, NW1 3AN

17 Change in Corporate Tax Rate

Since the year end, the UK Government has substantively enacted the 2010 Financial Bill, announcing a reduction in the rate of corporation tax from 28% to 27% with effect from April 2011. As the change was enacted after the balance sheet date, no current or deferred tax balances have been updated in this respect within the financial statements. In future periods, this revision is likely to reduce the company's corporation tax rate and the value of any deferred tax assets/liabilities held on balance sheet.