

# **ABBAY NATIONAL INVESTMENTS**

**Registered in England and Wales  
No. 2468313**

## **ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2011**

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# **ABBEY NATIONAL INVESTMENTS**

**COMPANY NUMBER: 2468313**

## **REPORT OF THE DIRECTORS**

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

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

### **Principal activity and review of the year**

The principal activity of Abbey National Investments (the "Company") is to act as an investment company

### **Results and dividends**

The profit for the year on ordinary activities after taxation amounted to £735,539 (2010 £450,298)

The Directors do not recommend the payment of a final dividend (2010 £nil)

### **Directors**

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

David M Green

Shaun P Coles

John F O'Mahoney

Richard C Truelove

(Alternate Director to David M Green)

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the report and the financial statements in accordance with applicable laws and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

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

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ABBEY NATIONAL INVESTMENTS**  
**COMPANY NUMBER. 2468313**

**REPORT OF THE DIRECTORS (continued)**

**Statement of Going Concern**

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 15 and 2 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposures to credit risk, market risk and liquidity risk.

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**

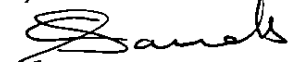
Each of the Directors as at the date of approval of this report has confirmed that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Sections 485 and 487 of the Companies Act 2006, Deloitte LLP are deemed to have been re-appointed as auditors of the Company.

By Order of the Board



For and on behalf of  
Abbey National Nominees Limited, Secretary

23 March 2012

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

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

We have audited the financial statements of Abbey National Investments (the "Company") for the year ended 31 December 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

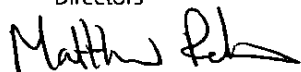
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Report of the Directors.



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

**ABBEY NATIONAL INVESTMENTS**  
**COMPANY NUMBER: 2468313**

**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2011**

**Income Statement**

For the year ended 31 December 2011

Continuing Operations	Notes	2011 £	2010 £
Investment income	3	1,127,690	741,068
Interest expense	4	(132,587)	(119,228)
<b>Profit before tax</b>		<b>995,103</b>	<b>621,840</b>
Tax	6	(259,564)	(171,542)
<b>Profit attributable to equity holders of the Company</b>		<b>735,539</b>	<b>450,298</b>

The accompanying notes form an integral part of the financial statements

**Statement of Comprehensive Income**

For the year ended 31 December 2011

	Notes	2011 £	2010 £
<b>Profit for the year</b>		<b>735,539</b>	<b>450,298</b>
<b>Other comprehensive income</b>			
(Loss)/gain on available-for-sale securities	12	(112,667)	98,165
Tax on items taken directly to equity	12	36,589	(23,275)
<b>Net (loss)/gain recognised directly in equity</b>		<b>(76,078)</b>	<b>74,890</b>
<b>Total comprehensive income for the year</b>		<b>659,461</b>	<b>525,188</b>
<b>Attributable to equity holders of the Company</b>		<b>659,461</b>	<b>525,188</b>

The accompanying notes form an integral part of the financial statements

**Statement of Changes in Equity**

For the year ended 31 December 2011

	Share Capital £	Retained Earnings £	Available-for-Sale £	Total £
<b>Balance at 1 January 2010</b>	106,431,941	3,467,416	232,517	110,131,874
Comprehensive income – profit for the year	-	450,298	-	450,298
Other comprehensive income – net of tax	-	-	74,890	74,890
	106,431,941	3,917,714	307,407	110,657,062
<b>Balance at 1 January 2011</b>	106,431,941	3,917,714	307,407	110,657,062
Comprehensive income – profit for the year	-	735,539	-	735,539
Other comprehensive income – net of tax	-	-	(76,078)	(76,078)
<b>Balance at 31 December 2011</b>	106,431,941	4,653,253	231,329	111,316,523

**Cash Flow Statement**

For the year ended 31 December 2011

	Note	2011 £	2010 £
<b>Net cash generated from/(used in) operating activities</b>	13	<b>5,512</b>	<b>(69,225)</b>
Net increase/(decrease) in cash and cash equivalents		5,512	(69,225)
Cash and cash equivalents at beginning of year		(5,492)	63,733
<b>Cash and cash equivalents at end of year</b>		<b>20</b>	<b>(5,492)</b>

The accompanying notes form an integral part of the financial statements

**ABBEY NATIONAL INVESTMENTS**  
**COMPANY NUMBER 2468313**

**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2011**


**Balance Sheet**

As at 31 December 2011

	Notes	2011 £	2010 £
<b>Non-current assets</b>			
Loans and receivables	8	-	11,649,944
<b>Total non-current assets</b>		-	11,649,944
<b>Current assets</b>			
Available-for-sale investments	7	405,016	517,683
Loans and receivables	8	117,961,823	116,923,224
Cash and cash equivalents		20	-
<b>Total current assets</b>		118,366,859	117,440,907
<b>Current liabilities</b>			
Other liabilities	9	(6,973,227)	(18,143,057)
Current tax liabilities		-	(171,542)
Cash and cash equivalents		-	(5,492)
<b>Total current liabilities</b>		(6,973,227)	(18,320,091)
<b>Non-current liabilities</b>			
Deferred tax liabilities	10	(77,109)	(113,698)
<b>Total non-current liabilities</b>		(77,109)	(113,698)
<b>Net assets</b>		111,316,523	110,657,062
<b>Equity</b>			
Share capital	11	106,431,941	106,431,941
Retained earnings		4,653,253	3,917,714
Other reserves	12	231,329	307,407
<b>Total equity attributable to equity holders of the company</b>		111,316,523	110,657,062

The accompanying notes form an integral part of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2012. They were signed on its behalf by S. Coles



Director

# **ABBEY NATIONAL INVESTMENTS**

## **COMPANY NUMBER. 2468313**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

#### **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, as modified by the revaluation of available-for-sale financial assets, and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

##### **Recent accounting developments**

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

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

##### **Future accounting developments**

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

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

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

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

##### **Revenue recognition**

Interest income is accrued daily, 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.

##### **Financial instruments**

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

# **ABBEY NATIONAL INVESTMENTS**

## **COMPANY NUMBER. 2468313**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

#### **1 Accounting policies (continued)**

##### **Financial assets**

The Company 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.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments 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 entity has transferred substantially all of the risks and rewards of ownership.

##### **Available-for-sale investments**

Available-for-sale investments are non-derivative financial investments that are designated as available-for-sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. Interest is determined using the effective interest method. Impairment losses and translation differences on monetary items are recognised in the income statement. The investments are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

##### **Impairment of financial assets**

At each balance sheet date, the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets classified as loans and receivables have become impaired. Evidence of impairment may include indications that the borrower or group of borrowers have defaulted or are experiencing significant financial difficulty.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

A write-off is made when all collection procedures have been completed and is charged against previously established provisions for impairment.

When an available-for-sale instrument is considered impaired, cumulative gains previously recognised in equity are reclassified to profit and loss in the period.

##### **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.

These are classified as financial liabilities measured at amortised cost under the definitions of IFRS 7.



**ABBEY NATIONAL INVESTMENTS**  
**COMPANY NUMBER. 2468313**

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

**1 Accounting policies (continued)**

**Valuation of financial instruments**

Financial instruments that are classified at fair value through profit or loss and those held for available-for-sale are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing, knowledgeable parties, other than in a forced or liquidation sale.

**Initial measurement**

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include significant data from observable markets. Any difference between the transaction price and the value based on a valuation technique where the inputs are not based on data from observable current markets is not recognised in profit or loss on initial recognition. Subsequent gains or losses are only recognised to the extent that they arise from a change in a factor that market participants would consider in setting a price.

**Subsequent measurement**

The Company applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three categories are: quoted prices in active markets (Level 1) and, internal models based on observable market data (Level 2) and internal models based on other than observable market data (Level 3). If the inputs used to measure an asset or a liability fall to different levels within the hierarchy, the classification of the entire asset or liability will be based on the lowest level input that is significant to the overall fair value measurement of the asset or liability.

The Company categorises assets at fair value within the fair value hierarchy based on the inputs to the valuation techniques as follows:

- |         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices for identical assets or liabilities in an active market that the Group has the ability to access at the measurement date. Level 1 positions include equity securities.  |
| Level 2 | Quoted prices in markets that are not active, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the asset or liability that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset and are unobservable.  |

**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 tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

**Dividends**

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

**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 INVESTMENTS**

### **COMPANY NUMBER 2468313**

#### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

### **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, (the "Santander UK Group"). Santander UK plc's ("Santander UK") Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Santander UK Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Santander UK Group's strategic objectives. Authority flows from the Santander UK Board to the Chief Executive Officer and from her to her direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management of oversight.

The Santander UK Group has three tiers of risk governance.

The first is provided by the Santander UK Board which approves Santander UK's Risk Appetite for each of the risks below, in consultation with Santander UK as appropriate, and approves the strategy for managing risk and is responsible for the Santander UK Group's system of internal control. Within this tier, there is a process for transaction review and approval within certain thresholds, discharged by the Risk Approval Committee. Transactions reviewed which exceed the threshold limits set are subject to prior review by Santander UK Risk before final approval by the Risk Approval Committee.

The second comprises the Santander UK Board and is supported by the Risk Division. The role of the Chief Risk Officer and Risk Division include development of risk measurement methodologies, risk approval, risk monitoring, risk reporting and escalation of risk issues in line with the relevant risk policies for all risks in the Santander UK Group. The Santander UK Group's central risk function provides services to the Company, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which ensure compliance with Group policies and limits, including risk policies, limits and parameters, an approval process relating to transactions that exceed local limits and the systematic review of exposures to large clients, sectors, geographical areas and different risk types.

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

#### **Market risk**

Market risk is the potential for loss of income or decrease in the value of net assets caused by movements in the levels and prices of financial instruments. Market risk arises as a result of interest rate risk and exposures to changes in equity markets.

##### Sensitivity analysis

A 50 basis point adverse movement in interest rates would result in a reduction in operating profit of £547,812 (2010: £561,824) and a corresponding reduction in net assets. A 50 basis point positive movement in interest rates would result in an increase in operating profit of £547,812 (2010: £561,824) and a corresponding increase in net 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 in intercompany assets held by the Company.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in note 8 to the financial statements.

#### **Liquidity risk**

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

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

Maturities of financial liabilities can be found in note 9 to the financial statements.

**ABBEY NATIONAL INVESTMENTS**  
**COMPANY NUMBER: 2468313**

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

**3 Investment income**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Interest receivable from group companies	1,116,807	731,880
Dividends received	10,883	9,188
	<b>1,127,690</b>	<b>741,068</b>

**4 Interest expense**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Interest payable to group companies	132,587	119,228

**5. 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 (2010: £nil).

The Company had no employees in the current or previous financial year.

The statutory audit fee for the current and prior year has been paid on the Company's behalf by the ultimate UK parent undertaking, Santander UK plc, in accordance with Company policy, for which no recharge has been made. The statutory audit fee for the current year is £5,100 (2010: £5,100).

**6. Tax**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on profit of the year	263,702	171,542
Adjustments in respect of prior years	(4,138)	-
<b>Tax charge on profit for the year</b>	<b>259,564</b>	<b>171,542</b>

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

The Finance Act 2011, which provides for a reduction in the main rate of UK corporation tax to 25% effective from 1 April 2012, was enacted on 19 July 2011. As this change in rate was substantively enacted prior to 31 December 2011, it has been reflected in the deferred tax liability at 31 December 2011. The UK Government has also indicated that it intends to enact further reductions to the main rate to reduce the rate to 24% from 1 April 2012 and then by 1% per annum to 22% by 1 April 2014. These changes to the main tax rate had not been substantively enacted at the Balance Sheet date and, therefore, are not included in these financial statements.

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

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Profit before tax</b>	<b>995,103</b>	<b>621,840</b>
Tax calculated at a tax rate of 26.5% (2010: 28%)	263,702	174,115
Non-taxable income	-	(2,573)
Adjustments to prior year provisions	(4,138)	-
<b>Tax charge for the year</b>	<b>259,564</b>	<b>171,542</b>

**ABBEY NATIONAL INVESTMENTS**  
**COMPANY NUMBER: 2468313**

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

**7 Available-for-sale investments**

	2011 £	2010 £
<b>Available-for-sale</b>		
Fair value Current	405,016	517,683

The available-for-sale investments are investments in UK listed equities. The fair value of the available-for-sale investments is based on the quoted market price and they are re-valued on a regular basis throughout the year. On this basis they are classified as level 1 under the IFRS 7 hierarchy.

The available-for-sale portfolio has been shown as current assets as it continues to be the Directors' intention to liquidate the portfolio held at the year-end, and re-invest in alternative investments.

	2011 £	2010 £
At 1 January	517,683	419,518
Fair value adjustments recognised in other reserves (note 12)	(112,667)	98,165
At 31 December	405,016	517,683

**8 Loans and receivables**

	2011 £	2010 £
Amounts due from group companies		
Current	117,961,823	116,923,224
Non-current	-	11,649,944
	117,961,823	128,573,168

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

Amounts due from group companies of £1,101 (2010: £11,649,944) bear a variable interest rate of 0.88% and have a maturity date of 29 February 2012. The amount of £117,960,722 (2010: £116,923,224) bears an interest rate of 0.892% (2010: 0.565%) and is repayable on demand.

**9 Other liabilities**

	2011 £	2010 £
Amounts due to group companies	6,709,525	18,143,057
Amounts due to group companies – group relief	263,702	-
	6,973,227	18,143,057

The amount of £6,709,525 is interest bearing with variable interest rate of 1.038% and matures on 29 February 2012. The amount of £263,702 is non-interest bearing and repayable on demand. (2010: £38,482 is interest bearing with a 3 month variable rate of 0.747% and matures in 3 months, £18,104,575 is interest bearing on a 6 monthly variable rate of 0.730% and matures within the next 6 months).

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

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**10 Deferred tax liability**

Deferred 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 movement on the deferred tax account was as follows:

	2011 £	2010 £
At 1 January	113,698	90,423
Charged to equity		
- available-for-sale financial assets	(36,589)	23,275
<b>At 31 December</b>	<b>77,109</b>	<b>113,698</b>

Deferred tax liability arises on the difference between the accounting and tax treatment of fair value movements on available-for-sale investments.

**11 Share capital**

	2011 £	2010 £
<b>Issued and fully paid</b>		
106,431,941 Ordinary shares of £1 each	106,431,941	106,431,941

**12 Other reserves**

	Available-for-sale Investments £
Balance at 1 January 2010	232,517
Increase in fair value of available-for-sale investments	98,165
Tax liability on revaluation of available-for-sale investments	(23,275)
<b>Balance at 31 December 2010 and 1 January 2011</b>	<b>307,407</b>
Decrease in fair value of available-for-sale investments	(112,667)
Tax liability on revaluation of available-for-sale investments	36,589
<b>Balance at 31 December 2011</b>	<b>231,329</b>

This reserve represents the revaluation movement arising on available-for-sale investments, recognised directly through equity.

**13. Notes to the cash flow statement**

Reconciliation of before tax net cash inflow/(outflow) from operating activities:

	2011 £	2010 £
Profit before tax	995,103	621,840
Decrease in receivables	10,611,344	1,236,803
Decrease in payables	(11,600,935)	(1,927,868)
Cash generated from/(used in) operations	5,512	(69,225)
<b>Net cash flow generated from/(used in) operating activities</b>	<b>5,512</b>	<b>(69,225)</b>

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

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**14 Related party transactions**

The following were the balances with related parties as at 31 December 2011 and 31 December 2010

	2011 £	2010 £
<b>Amounts due from group companies</b>		
Santander UK plc	1,101	11,566,448
Santander Limited	117,960,722	116,923,224
Abbey National Treasury Services plc	-	83,496
	117,961,823	128,573,168

	2011 £	2010 £
<b>Amounts due to group companies</b>		
Abbey National Treasury Services plc	263,702	38,464
Santander UK plc	6,709,525	18,104,593
	6,973,227	18,143,057

	2011 £	2010 £
<b>Investment income due from group companies</b>		
Santander UK plc	79,308	74,975
Santander Limited	1,037,499	656,905
	1,116,807	731,880

	2011 £	2010 £
<b>Interest expense due to group companies</b>		
Santander UK plc	132,587	119,228
	132,587	119,228

No Director or management personnel received any remuneration (2010 £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

**15 Capital management and resources**

The Company's ultimate UK parent company, 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. The Company has no non-centralised process for managing its own capital. Disclosures relating to the Santander Group's capital management can be found in the Santander UK Annual Report and Accounts.

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

**16. Parent undertaking and controlling party**

The Company's immediate parent company is Santander Limited, a company registered in England and Wales.

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