

# **ABBAY NATIONAL LEGACY HOLDINGS LIMITED**

**Registered in England and Wales  
No. 3946312**

## **ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2010**



# **ABBEY NATIONAL LEGACY HOLDINGS LIMITED**

**COMPANY NUMBER: 3946312**

## **REPORT OF THE DIRECTORS**

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

This Director's 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 Legacy Holdings Limited (the "Company") during the year was to act as a holding company

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

### **Results and dividends**

There was no profit or loss for the year ended 31 December 2010 (2009 Loss £5,727,950)

The Directors do not recommend the payment of a final dividend (2009 £129,393,792)

### **Directors**

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

Richard C Truelove  
Mark C Jackson  
Alan T Rougier

### **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. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 2006.

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

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

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

# **ABBNEY NATIONAL LEGACY HOLDINGS LIMITED**

**COMPANY NUMBER. 3946312**

## **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 9 and 3 to the financial statement include the Company's objectives, policies and processes for managing its capital and its financial risk management objectives.

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 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

28 March 2011

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBEY NATIONAL LEGACY HOLDINGS LIMITED**

We have audited the financial statements of Abbey National Legacy Holdings Limited (the "Company") for the year ended 31 December 2010 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 10. 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 Auditor.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its result for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Separate opinion in relation to IFRSs as issued by the IASB**

As explained in Note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

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

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, 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  
28 March 2011

**ABBEY NATIONAL LEGACY HOLDINGS LIMITED**  
**COMPANY NUMBER: 3946312**

**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010**

**Income Statement**

For the year ended 31 December 2010

	Notes	2010 £	2009 £
Interest income from intercompany receivables		-	1,849,093
Interest expense on intercompany payables		-	(2,643,700)
Impairment of investment in subsidiary	5	-	(5,155,833)
Profit/(loss) before tax		-	(5,950,440)
Tax	4	-	222,490
<b>Net profit/(loss) attributable to equity holders of the Company</b>		-	<b>(5,727,950)</b>

The accompanying notes form an integral part of the accounts

**Statement of Comprehensive Income**

For the year ended 31 December 2010

	2010 £	2009 £
<b>Profit/(loss) for the year</b>	-	(5,727,950)
<b>Total comprehensive income for the year</b>	-	(5,727,950)
<b>Attributable to equity holders of the Company</b>	-	(5,727,950)

**Statement of Changes in Equity**

For the year ended 31 December 2010

	Share Capital £	Retained Earnings £	Capital Redemption Reserve £	Total £
Balance at 1 January 2009	2	(14,878,258)	150,000,000	135,121,744
Total comprehensive income for the year	-	(5,727,950)	-	(5,727,950)
Dividends for 2009	-	(129,393,792)	-	(129,393,792)
Cancellation and extinguishment of capital redemption reserve	-	150,000,000	(150,000,000)	-
	2	-	-	2
Balance at 1 January 2010	2	-	-	2
Total comprehensive income for the year	-	-	-	-
<b>Balance at 31 December 2010</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>

**ABBEY NATIONAL LEGACY HOLDINGS LIMITED**  
**COMPANY NUMBER 3946312**

**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010**

**Cash Flow Statement**  
**For the year ended 31 December 2010**

	Note	2010 £	2009 £
<b>Net cash flows used in operating activities</b>	7	-	(148,172,363)
<b>Investing activities</b>			
Return of capital investment		-	277,566,155
<b>Net cash flows generated from investing activities</b>			277,566,155
<b>Financing activities</b>			
Dividend paid to company shareholders		-	(129,393,792)
<b>Net cash flows used in financing activities</b>		-	(129,393,792)
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		-	-
<b>Cash and cash equivalents at end of the year</b>		-	-

The accompanying notes form an integral part of the accounts

**Balance Sheet**  
**At 31 December 2010**

	Notes	2010 £	2009 £
<b>Non-current assets</b>			
Interest in subsidiary undertaking	5	2	2
<b>Total assets</b>		2	2
<b>Net assets</b>		2	2
<b>Equity</b>			
Share capital	6	2	2
Capital redemption reserve	7	-	-
Retained earnings		-	-
<b>Equity attributable to equity holders of the Company</b>		2	2

The accompanying notes form an integral part of the accounts

The financial statements were approved by the board of Directors and authorised for issue on 28 March 2011. They were signed on its behalf by **MARU JACKSON**

*M.L. Jackson*

Director

# **ABBEY NATIONAL LEGACY HOLDINGS LIMITED**

**COMPANY NUMBER: 3946312**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2010**

### **1 Accounting policies**

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

#### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by 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 by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors. The principal accounting policies adopted are set out below.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

#### **Recent accounting developments**

In 2010, the Company adopted the following significant new or revised standards or amendments to standards:

- (a) IAS 27 'Consolidated and Separate Financial Statements' – In January 2008, the IASB issued an amendment to IAS 27, to reflect the amendment in IFRS 3. The changes in the accounting policy have been applied prospectively from 1 January 2010. The application of IAS 27 (2008) may result in changes in the Company's accounting policies for changes in ownership interests in subsidiaries:
- Specifically, the revised Standard has affected the Company's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate, for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.
  - When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Company to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

The adoption of IAS 27 (2008) did not affect the Company as the Company has exercised the exemption under Section 400 of the Companies Act 2006, which dispenses with the requirement to prepare group accounts. This is also in line with the exemption in IAS 27 'Consolidated and Separate Financial Statements'.

#### **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.

#### **Interest in subsidiary undertakings**

Investments are carried at cost less any provision for impairment.

# ABBEY NATIONAL LEGACY HOLDINGS LIMITED

COMPANY NUMBER: 3946312

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

### 2 Profit from operations

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by its UK parent company, Santander UK plc. No emoluments were paid by the Company to the Directors during the year (2009: £nil).

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

The statutory audit fee for the current and prior year has been paid on the Company's behalf by its UK parent company, Santander UK plc, in accordance with Company policy and no recharge has been made. The statutory audit fee for the current year is £2,300 (2009: £5,000).

### 3 Financial risk management

Risk management is carried out by the central risk management function of the Santander UK Group. 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.

### 4 Tax

	2010 £	2009 £
<b>Current tax</b>		
UK corporation tax on profit/(loss) of the year	-	(222,490)
Tax credit on profit/(loss) for the year	-	(222,490)

UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profits for the year.

The Finance (No 2) Act 2010, which provides for a reduction in the main rate of UK corporation tax from 28% to 27% effective from 1 April 2011, was enacted on 27 July 2010. The UK Government has also indicated that it intends to enact a further 1% reduction to 26% from 1 April 2011, with future reductions in the main tax rate of 1% each year down to 23% by 1 April 2014.

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

<b>Profit/(loss) before tax</b>	-	(5,950,440)
Tax calculated at a tax rate of 28% (2009: 28%)	-	(1,666,123)
Non deductible expenses	-	1,443,633
<b>Tax credit for the year</b>	-	(222,490)

### 5 Interests in subsidiary undertakings

The following is a list of the subsidiary undertakings of 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
Abbey National Legacy Limited	England and Wales	100.0	100.0	At cost	Holding Company

Investments in subsidiary companies are shown at cost less provision for impairment. The Company has exercised the exemption under Section 400 of the Companies Act 2006, which dispenses with the requirement to prepare group accounts. This is also in line with the exemption in IAS 27 'Consolidate and Separate Financial Statements'.

In 2009, the share capital of its wholly owned subsidiary, Abbey National Legacy Limited was reduced from 275,662,502 by cancelling and extinguishing 275,662,500 shares of £1 each to £2. Accordingly, the Company's capital investment in its wholly owned subsidiary was reduced by £282,721,988 to £2 comprising of a return on capital of £275,662,500 and dividend receipt of £1,903,655 from Abbey National Legacy Limited, with the balance of £5,155,833 being written off to the profit and loss account.



**ABBEY NATIONAL LEGACY HOLDINGS LIMITED**  
**COMPANY NUMBER. 3946312**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010**

**6 Share capital**

	2010 £	2009 £
<b>Issued and fully paid</b>		
2 Ordinary shares of £1 each	2	2

**7 Cash generated from operations**

Reconciliation of profit/(loss) before tax to net cash flow from operating activities

	2010 £	2009 £
<b>Profit/(loss) before tax</b>	-	(5,950,440)
Adjustments for		
Impairment of investment in subsidiary	-	5,155,833
<b>Changes in operating assets and liabilities</b>		
Change in receivables	-	123,160,316
Change in payables	-	(270,760,562)
<b>Cash used in operations</b>	-	(148,394,853)
Income tax received	-	222,490
<b>Cash flows used in operating activities</b>	-	(148,172,363)

**8 Related party transactions**

**Trading transactions**

The trading transactions with related parties relate to interest received and paid on amounts due by and to related group entities

Related party transactions at balance date are as follows

	Income		Expenditure		Amounts owed by related parties		Amounts owed to related parties	
	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £
Immediate UK parent	-	645,871	-	-	-	-	-	-
Subsidiaries	-	1,203,222	-	(2,643,700)	-	-	-	-
	-	1,849,093	-	(2,643,700)	-	-	-	-

No Director or management personnel received any remuneration (2009 £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

**9 Capital management and resources**

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

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

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**ABBAY NATIONAL LEGACY HOLDINGS LIMITED**

**COMPANY NUMBER 3946312**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2010**

**10 Parent undertaking and controlling party**

The Company's immediate parent company is Abbey National Treasury Services plc, a company registered in England and Wales

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 Treasury Services plc is the immediate parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the company is a member.

Copies of all sets of group accounts, which include the results of the company, are available from Secretariat, Santander UK plc, 2 Triton Square, Regent's Place, London NW1 3AN.