

COMPANY REGISTRATION NUMBER 5161431

A & L CF JUNE (7) LIMITED

FINANCIAL STATEMENTS

30 JUNE 2009

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A & L CF JUNE (7) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

CONTENTS	PAGE
Officers and professional advisers	2
Directors' report	3
Statement of directors' responsibilities	6
Independent auditors' report to the members of A & L CF June (7) Limited	7
Income statement	9
Statement of recognised income and expense	9
Statement of changes in equity	10
Balance sheet	11
Cash flow statement	12
Notes to the financial statements	13

A & L CF JUNE (7) LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 30 JUNE 2009

Company registration number	5161431
The board of directors	M W Evans C R Morley W H Paterson
Company secretary	R A Hawker
Registered office	Building 3 Floor 3 Carlton Park Narborough Leicester LE19 0AL
Auditor	Deloitte LLP Chartered Accountants & Registered Auditors Birmingham
Bankers	Alliance & Leicester plc Bridle Road Bootle Merseyside L30 4GB

A & L CF JUNE (7) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2009

The directors present their report and the audited financial statements for the year ended 30 June 2009.

RESULTS AND DIVIDENDS

The trading results for the year, and the Company's financial position at the end of the year are shown in the attached financial statements. The directors have not recommended a dividend (2008: £nil).

CONTROLLING PARTY AND PARENT UNDERTAKINGS

The immediate parent undertaking is Alliance & Leicester Commercial Finance plc.

Alliance & Leicester plc was the controlling party and ultimate parent undertaking of Alliance & Leicester Commercial Finance plc until 10 October 2008. On that date Banco Santander S.A. acquired the entire share capital of Alliance and Leicester plc and it became the controlling party and ultimate parent undertaking.

On the 9 January 2009 the entire share capital of Alliance & Leicester plc was transferred from Banco Santander S.A. to Abbey National plc. On that date Abbey National plc became an intermediate parent undertaking.

The controlling party Banco Santander S.A. delegates various authorities to the intermediate parent undertakings of the Company, Abbey National plc and Alliance and Leicester plc and to the immediate parent undertaking Alliance & Leicester Commercial Finance plc. These parent undertakings are collectively referred to as associated parent undertakings in this Report and in the notes to the financial statements.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is a wholly owned subsidiary of Banco Santander S.A. and operates as part of the Group's Corporate Finance Division within the United Kingdom Operation.

The Company's principal activities were those of lessors and financiers of assets for the corporate sector. During the year, the lease business of the Company was transferred to a fellow subsidiary undertaking, A & L CF June (5) Limited and the Company no longer has any external trading balances. The Company is not expected to trade in the future. Therefore, as disclosed in note 1 to the financial statements the directors have prepared the financial statements on a basis that the Company is no longer a going concern.

The purpose of this Report is to provide information to the members of the Company and as such it is only addressed to those members. The Report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements. Members should consider this when relying on any forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report and the Company undertakes no obligation to update any forward-looking statement during the year. Nothing in this Report should be construed as a profit forecast.

A & L CF JUNE (7) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2009

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES (continued)

As shown in the Company's income statement on page 9, the Company's profit from operations increased during the year compared to the prior year due the write back of an intercompany balance with the immediate parent undertaking, Alliance & Leicester Commercial Finance plc.

The balance sheet on page 11 shows that the net assets of the Company increased during the year. Details of amounts owed by the Company's immediate parent undertaking at 30 June 2009 are shown in note 14 to the financial statements.

The Banco Santander S.A., Abbey National plc and Alliance & Leicester plc groups manage operations on a divisional basis. For this reason, the Company's Directors believe that non-financial key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the divisions of Banco Santander S.A. and Alliance & Leicester plc which include the Company, are discussed in the Annual Reports of these companies, which do not form part of this Report.

The financial Key Performance Indicators (KPIs) for the Company are set out below:

Profit/(loss) from operations:

2009: £1,977

2008: £(650)

Customer exposure:

2009: £Nil

2008: £6,263

DIRECTORS

The following persons were directors of the Company during the year:

M W Evans

C R Morley

C S Jones (resigned 16 May 2009)

W H Paterson

M C Rogers (resigned 25 November 2008)

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest at any time during the year in any contract of significance with the Company (2008: none).

PRINCIPAL RISKS AND UNCERTAINTIES

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are operational risk, credit risk and liquidity risk. The Company's risks were managed during the year on a group level by the intermediate parent company, Alliance & Leicester plc, and the ultimate parent company, Banco Santander S.A..

Information specific to this Company in relation to risk is disclosed in note 5 of the financial statements.

A & L CF JUNE (7) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2009

DISCLOSURE OF INDEMNITIES

The directors confirm that under Section 234 of the Companies Act 2006:-

- a) at the time this Directors' Report is signed a qualifying third party indemnity provision (provided by the intermediate parent company Alliance & Leicester plc) is in force for the benefit of all the directors of the Company;
- b) for the financial year ended 30 June 2009 a qualifying third party indemnity provision (provided by the intermediate parent company Alliance & Leicester plc) was in force for the benefit of all the directors of the Company; and
- c) that there is no qualifying third party indemnity provision provided by the Company for one or more directors of an associated company either on the date the Directors' Report is signed or in the last financial year.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.


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

AUDITORS

On 1 December 2008 the Company's auditors changed their name from Deloitte & Touche LLP to Deloitte LLP.

The Company has by elective resolution, dispensed with the obligation to appoint auditors annually in accordance with section 386 of the Companies Act 2006. Therefore, the auditors, Deloitte LLP, will be deemed to be re-appointed for each succeeding year.

Approved by the board on \ August 2009 and signed on its behalf by


C R Morley
Director

A & L CF JUNE (4) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 30 JUNE 2009

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. Under company law the 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 that are sufficient to show and explain the company's transactions and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A & L CF JUNE (7) LIMITED

We have audited the financial statements of A & L CF June (7) Limited for the year ended 30 June 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity 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 sections 495 and 496 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 (United Kingdom 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 30 June 2009 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.

EMPHASIS OF MATTER – FINANCIAL STATEMENTS PREPARED OTHER THAN ON A GOING CONCERN BASIS

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

OPINION ON OTHER MATTERS 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
A & L CF JUNE (7) LIMITED (continued)**

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.

Matthew Perkins

Matthew Perkins
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham
United Kingdom

17 August 2009

A & L CF JUNE (7) LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 £	2008 £
Revenue		207	556
Cost of sales		-	-
GROSS PROFIT		<u>207</u>	<u>556</u>
Administrative income/(expenses)		1,770	(1,206)
PROFIT/(LOSS) FROM OPERATIONS	7	<u>1,977</u>	<u>(650)</u>
Finance costs	8	(160)	(429)
PROFIT/(LOSS) BEFORE TAX		<u>1,817</u>	<u>(1,079)</u>
Corporation tax income	9	127	319
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF A & L CF JUNE (7) LIMITED		<u>1,944</u>	<u>(760)</u>

All of the activities of the Company are classed as discontinued.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2009

There are no other recognised gains or losses in either the current or previous financial year other than the profit (2008: Loss) for the financial year.

The notes on pages 13 to 26 form part of these financial statements.

A & L CF JUNE (7) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Issued capital	Retained earnings	Total equity
	£	£	£
Balance at 1 July 2008	1	(1,944)	(1,943)
Profit for the year	-	1,944	1,944
Balance at 30 June 2009	<u>1</u>	<u>-</u>	<u>1</u>

	Issued capital	Retained earnings	Total equity
	£	£	£
Balance at 1 July 2007	1	(1,184)	(1,183)
Loss for the year	-	(760)	(760)
Balance at 30 June 2008	<u>1</u>	<u>(1,944)</u>	<u>(1,943)</u>

The notes on pages 13 to 26 form part of these financial statements.

A & L CF JUNE (7) LIMITED

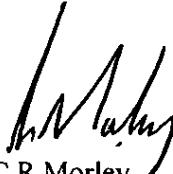
BALANCE SHEET

AS AT 30 JUNE 2009

	Notes	2009 £	2008 £
ASSETS			
NON CURRENT ASSETS			
Trade and other receivables	10	-	1,570
		<u>-</u>	<u>1,570</u>
CURRENT ASSETS			
Trade and other receivables	10	1	5,528
Cash and cash equivalents	15	-	-
		<u>1</u>	<u>5,528</u>
TOTAL ASSETS		<u>1</u>	<u>7,098</u>
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	16	1	1
Retained loss		-	(1,944)
		<u>-</u>	<u>(1,944)</u>
EQUITY/(DEFICIT) ATTRIBUTABLE TO EQUITY HOLDERS OF A & L CF JUNE (7) LIMITED		1	(1,943)
CURRENT LIABILITIES			
Trade and other payables	17	-	9,041
		<u>-</u>	<u>9,041</u>
TOTAL EQUITY AND LIABILITIES		<u>1</u>	<u>7,098</u>

The notes on pages 13 to 26 form part of these financial statements.

Approved by the Board on 11 August 2009 and signed on its behalf by


C R Morley
Director

A & L CF JUNE (7) LIMITED

CASH FLOW STATEMENT

AS AT 30 JUNE 2009

	Notes	2009 £	2008 £
Total profit/(loss) for the year		1,944	(760)
NON-CASH ADJUSTMENTS			
Decrease in trade and other receivables		6,263	5,533
Decrease/(increase) in deferred asset		835	(787)
		<u>9,042</u>	<u>3,986</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Group relief (paid)/received		(2,955)	3,808
Interest paid to parent undertakings		(160)	(429)
Management charges paid to parent undertakings		(800)	(1,206)
		<u>(3,915)</u>	<u>2,173</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>5,127</u>	<u>6,159</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of cash advances from parent undertakings		(5,127)	(6,159)
		<u>(5,127)</u>	<u>(6,159)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		-	-
Cash and cash equivalents as at 1 July		-	-
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	15	<u>-</u>	<u>-</u>

The notes on pages 13 to 26 form part of these financial statements.

A & L CF JUNE (7) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The Company's financial statements for the year were authorised for issue on 11 August 2009 and the balance sheet signed on the board's behalf by C R Morley. A & L CF June (7) Limited is a company incorporated and domiciled in England & Wales. The Company's registered office is shown on page 2.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS adopted for use by the European Union (EU). The principal accounting policies adopted by the Company are set out in note 2.

During the year the Company ceased trading and as required by IAS 1 "Presentation of Financial Statements" the directors have prepared the financial statements on a basis other than that of a going concern.

There were no adjustments arising as a result of preparing the financial statements on a basis other than that of a going concern.

2. ACCOUNTING POLICIES

Accounting convention

The Company prepares its accounts under the historical cost convention.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. All such revenue is reported net of discounts and value added and other sales taxes.

Revenue from finance leases is recognised in accordance with the Company's policy on Finance Lease Receivables (see below).

Up front arrangement fees on financing agreements with customers are spread on an effective interest rate basis over the expected life of that agreement.

Interest expense recognition

Interest expense on financial assets and liabilities held at amortised cost is measured using the effective interest rate method, which allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Finance lease agreements

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

2. ACCOUNTING POLICIES (continued)

Finance lease receivables

Amounts due from lessees under finance leases and hire purchase contracts are recorded as receivables at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases and hire purchase.

Taxation

The tax expense represents the sum of the tax currently payable and deferred income tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'Profit before tax' as reported in the Income Statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxable profit also includes items that are taxable or deductible that are not included in 'Profit before tax'. The Company's liability for current tax and deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

Financial assets

The company classifies all its financial assets as determined at initial recognition as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

'Loans and advances to customers' are classed as Loans and Receivables. 'Net investment in finance leases and hire purchase contracts' are treated in accordance with the Company's policy on finance lease agreements.

Loans and receivables are carried at amortised cost using the effective interest rate method. Interest calculated using the effective interest rate method is recognised in the income statement.

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

2. ACCOUNTING POLICIES (continued)

Financial liabilities

Non-trading financial liabilities are held at amortised cost. Finance costs are charged to the income statement using the effective interest rate method.

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

Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Company would not otherwise consider;
- d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or
- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - i) adverse changes in the payment status of borrowers in the group; or
 - ii) national or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is no objective evidence of impairment for an individually assessed financial asset it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Commercial lending is reviewed for impairment on a case by case basis for individually significant loans. Loans that are not individually significant are assessed for impairment on a portfolio basis.

Impairment is calculated based on the probability of default, exposure at default and the loss given default, using recent data. An adjustment is made for the effect of discounting cash flows.

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

2. ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate.

Financial assets are written off when it is reasonably certain that receivables are irrecoverable.

Foreign currencies

Foreign currency monetary transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions, and any monetary assets or liabilities are re-translated at year end exchange rates. Foreign exchange gains and losses are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

CHANGES TO IFRS NOT ADOPTED IN 2009 ACCOUNTS

The International Accounting Standards Board has published the following IAS, IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations:

Standard/Interpretation	Issued	Effective for periods commencing on or after
Amendments to IAS 1 Presentation of financial statement - A revised presentation ¹	Sep 2007	1 Jan 2009
Amendment to IAS 23 Borrowing costs ¹	Mar 2007	1 Jan 2009
IFRIC 15 Agreements for the Construction of Real Estate	July 2008	1 Jan 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	July 2008	1 Oct 2008
Amendments to IAS 27 Consolidated and separate financial statements ²	Jan 2008	1 Jul 2009
IFRS 3 (revised) Business combinations ²	Jan 2008	1 Jul 2009
Amendments to IAS 32 Financial instruments: Presentation	Feb 2008	1 Jan 2009
Amendments to IAS 39 Eligible hedged items	July 2008	1 July 2009

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

2. ACCOUNTING POLICIES (continued)

CHANGES TO IFRS NOT ADOPTED IN 2009 ACCOUNTS (continued)

Notes:

1. May be adopted prior to endorsement as long as there is no conflict with the current standard.
2. May not be adopted prior to endorsement. These two Standards are expected to apply prospectively so there will be no retrospective adjustment to balances currently being reported when presented as comparatives.

The Company has not elected to adopt these early in these financial statements. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

3. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF SIGNIFICANT MANAGEMENT JUDGEMENT

Some asset and liability amounts reported in the accounts are based on management judgement, estimates and assumptions. There is a risk of significant changes to the carrying amounts for these assets and liabilities within the next financial year.

Residual values

Residual values are estimated at the inception of lease agreements and are subsequently reviewed for impairment during the life of the lease agreements. Appropriate provisions are recognised in the income statement.

Impairment Provisions

Individual provisions are made in respect of finance and rental agreements where recovery is considered doubtful; a collective provision is made for losses which, although not individually identified, are known to be inherent in any portfolio of lending. The provisions are deducted from the net investment in finance agreements. The charge in the income statement comprises write offs, recoveries and the net movement in provisions in the year.

Effective interest rate calculations

IAS 39 requires certain financial assets and liabilities to be held at amortised cost, with income recognised using the Effective interest rate (EIR) methodology. In order to calculate EIR, the contracted repayment profile is used. If customers repay earlier than anticipated, this will generally lead to an increase in the balance sheet carrying value and a gain in the income statement.

A & L CF JUNE (7) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

4. RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are operational risk, credit risk and liquidity risk. The Company manages its risk in line with the central risk management function of the Abbey Group. Abbey's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Abbey Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Abbey Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Abbey Group's strategic objectives. Authority flows from the Abbey National plc Board to the Chief Executive Officer and from him to his direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management and oversight. Further information can be found in the Abbey National plc Annual Report which does not form part of this report.

5. RISK MANAGEMENT DISCLOSURES

Operational risk

Operational risk is defined as 'the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events'. Operational risk is monitored by the independent operational risk teams within Alliance & Leicester plc and Banco Santander S.A.. The operational risk team has the overall responsibility for ensuring effective operation of the framework within which operational risk is managed, and for its consistent application across group companies. Day to day management of operational risk rests with line managers. It is managed through a combination of internal controls, processes and procedures and various risk mitigation techniques, including insurance and business continuity planning.

Credit risk

Credit risk is the risk of loss arising from a customer or counterparty failing to meet their financial obligations to the Company as and when they fall due. The credit quality of customer assets is mitigated by the credit approval process in place. Credit risk is mitigated by security taken over the borrower's assets. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Lending decisions are based on independent credit risk analysis supplemented by the use of internal ratings tools which assess the obligor's likelihood of default. The output of the ratings tools is a borrower grade which maps to a long-run average one year probability of default. Borrower grades are reviewed at least annually, allowing identification of adverse individual and sector trends. The grade is integrated into an overall Credit & Risk evaluation, including wider factors such as transaction and borrower structure (ranking and structural subordination), debt serviceability and security (initial and residual value considerations). Consideration is also given to risk mitigation measures to protect the Company, such as third-party guarantees, supporting collateral and security, robust legal documentation, financial covenants and hedging. Transactions are further assessed using an internal pricing model which measures both the return on equity and the risk adjusted return on capital against a series of benchmarks to ensure risks are appropriately priced.

A & L CF JUNE (7) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

5. RISK MANAGEMENT DISCLOSURES (continued)

Credit risk (continued)

Portfolio asset quality monitoring is based on a number of measures, including expected loss, financial covenant monitoring, security revaluations, pricing movements and external input from rating agencies and other organisations. Should particular exposures begin to show adverse features such as payment arrears, covenant breaches or business trading performance that is materially worse than expected at the point of lending, a full risk reappraisal is undertaken. Where appropriate, case management is transferred to a specialist recovery team that works with the customer in an attempt to resolve the situation. If this does not prove possible, cases are classified as being unsatisfactory and are subject to intensive monitoring and management procedures designed to maximise debt recovery.

The class of financial instrument that is most exposed to credit risk in the Company is net investment in finance leases (note 11). The net investment in finance leases at 30 June 2009 was £Nil (2008: £6,263).

For the Company, Nil (2008: 100%) of the balances are secured. The main types of security are charges over assets being financed, such as commercial vehicles. In addition £Nil (2008: £Nil) of finance leases are secured by bank guarantees.

The lending book in this company in the prior year was wholly related to the commercial vehicle industry and all the company exposures were to corporate customers.

Arrears and impairment

Asset quality remains good with no lending balances in arrears at 30 June 2009 (2008: £Nil).

The carrying value of repossessed stock at 30 June 2009 was £Nil (2008: £Nil).

The fair value of collateral on impaired assets at 30 June 2009 was £Nil (2008: £Nil).

Interest accrued on impaired assets at 30 June 2009 was £Nil (2008: £Nil).

The portfolio is subject to regular monitoring for potential impairment. This monitoring includes review of each counterparty's repayment record and examination of new financial and business sector information relevant to each counterparty. In the event of deterioration in a counterparty's creditworthiness being identified through this monitoring a thorough analysis is undertaken to establish the full circumstances surrounding the cause and severity of that deterioration. Where this indicates a reasonable expectation that future anticipated cashflows may not be received, the asset originating these doubtful cashflows is deemed to be impaired. Typical reasons for an impairment charge being made include counterparty insolvency, failure to make agreed repayments or a breach of a covenant included within facility documentation.

£Nil (2008: £Nil) of loans that would have been past due or impaired, have had their terms renegotiated.

Loans up to 3 months past due have a collective provision set aside to cover losses on loans which are in the early stages of arrears.

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

5. RISK MANAGEMENT DISCLOSURES (continued)

Market risk

Market risk is the potential adverse change in Company income or the value of Company net worth arising from movements in market rates, including interest rates, exchange rates, inflation rates and equity prices. The Company recognises that the effective management of market risk is essential to the maintenance of stable earnings and the preservation of shareholder value, and manages market risk accordingly. Details of the market risk management policy are disclosed in the Risk Management Policy and Control Framework in the Alliance & Leicester plc Annual Report.

Interest rate risk

Interest rate risk is the most significant market risk to which the Company is exposed. This risk mainly arises from mismatches between the re-pricing dates of the interest bearing assets and liabilities on the Company's balance sheet, and from the investment of the Company's reserves. Interest rate risk primarily arises in the Company's leasing trade. The exposure in this area is hedged with the Alliance & Leicester plc Treasury function using interest rate swaps and other appropriate instruments.

Changes in interest rates would result in no impact on either the equity of the Company or on the income statement. Interest is allocated on a lease agreement by lease agreement basis within the Company and all interest rate risk is borne by the immediate parent company, Alliance & Leicester Commercial Finance plc.

Equity risk

The Company has no material exposure to equity markets.

Liquidity risk

Liquidity risk is the risk that the Company, though solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can only secure them at excessive cost.

The Company is dependent on loans from its immediate parent undertaking and the level of the third party debt is not considered to be material.

The day to day management of liquidity is the responsibility of the Alliance & Leicester plc Treasury function, which provides funding to and takes surplus funds from the Company as required.

All liabilities are repayable on demand.

6. OPERATING SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of internal reports. Alliance & Leicester plc manages its operations on a divisional basis; Retail, Commercial and Treasury. As outlined in the Directors' Report the company operates as part of the Alliance & Leicester plc Group's Commercial Bank Division and therefore considers that all of its operations are managed as part of the commercial division and further segmental analysis is not necessary.

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

7. PROFIT FROM OPERATIONS

Directors' emoluments

The directors received no remuneration for their services to this Company in either the current or the preceding year. The directors are also directors of the immediate parent Company, Alliance & Leicester Commercial Finance plc and the majority of their activities relate to services carried out in relation to Alliance & Leicester Commercial Finance plc and other Group companies. Therefore the directors deem it inappropriate to directly allocate any of their costs to the income statement account of this Company.

Auditors' remuneration

Auditors' remuneration of £3,000 was borne by the immediate parent company, Alliance & Leicester Commercial Finance plc, in both the current and the preceding year.

Particulars of employees

No salaries or wages have been paid to employees, including the directors, during the year or the preceding year. The Company had no employees in either the current or the preceding year.

8. FINANCE COSTS

	2009	2008
	£	£
Amounts payable to immediate parent undertakings	160	429
	<u>160</u>	<u>429</u>

9. CORPORATION TAX INCOME

Components of Corporation tax

	2009	2008
	£	£
Current tax (expense)/income		
Current tax credit	(770)	2,568
Adjustments to current tax of prior period	(867)	(81)
Current tax (expense)/income	<u>(1,637)</u>	<u>2,487</u>
Deferred tax income/(expense)		
Relating to origination and reversal of temporary differences	982	(2,249)
Adjustments to deferred tax of prior period	782	81
Deferred tax income/(expense)	<u>1,764</u>	<u>(2,168)</u>
Tax income reported in income statement	<u>127</u>	<u>319</u>

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

9. CORPORATION TAX INCOME (continued)

Reconciliation of accounting profit

The effective rate of tax for the year was lower than (2008 same as) the standard rate of corporation tax in the UK of 28% (2007: 29.5%) where the Company generates substantially all its profits. The differences are explained below:

	2009	2008
	£	£
Profit/(loss) before tax	<u>1,817</u>	<u>(1,079)</u>
Tax calculated at a rate of 28% (2008: 29.5%)	(509)	319
Impact on deferred tax of change in the rate of corporation tax	(85)	-
Non taxable income and disallowable expenses	<u>721</u>	<u>-</u>
Corporation tax income	<u>127</u>	<u>319</u>

10. TRADE AND OTHER RECEIVABLES

	2009	2008
	£	£
Non current		
Finance lease receivables	<u>-</u>	<u>1,570</u>
Current		
Finance lease receivables	-	4,693
Deferred tax asset (note 12)	-	835
Receivable from parent undertaking (note 14)	<u>1</u>	<u>-</u>
	<u>1</u>	<u>5,528</u>
Total trade and other receivables	<u>1</u>	<u>7,098</u>

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

11. FINANCE LEASES

The Company enters into finance lease arrangements with customers in the commercial sector.

	<i>Gross investment in the lease</i>		<i>Present value of minimum lease payments</i>	
	2009	2008	2009	2008
	£	£	£	£
Less than one year	-	4,959	-	4,693
Later than one year but less than five years	-	1,659	-	1,570
Later than five years	-	-	-	-
	-	<u>6,618</u>	-	<u>6,263</u>
Less:				
Unearned finance income	-	<u>(355)</u>		
Present value of minimum lease payments receivable	-	<u>6,263</u>		
Non-current			-	1,570
Current			-	4,693
			-	<u>6,263</u>

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

12. DEFERRED TAX ASSET

	Balance sheet		Income statement	
	2009	2008	2009	2008
	£	£	£	£
Deferred tax asset				
Relating to depreciation	-	835	1,764	(2,168)
Relating to provisions	-	-	-	-
	<u>-</u>	<u>835</u>	<u>1,764</u>	<u>(2,168)</u>

The movement in the deferred tax account is as follows:

	2009	2008
	£	£
At 1 July	835	48
Income statement credit/(charge) (note 9)	1,764	(2,168)
Transfer of lease agreement	<u>(2,599)</u>	<u>2,955</u>
At 30 June	<u>-</u>	<u>835</u>

13. CAPITAL

Capital was managed centrally during the year by both the Alliance & Leicester plc group and the Banco Santander S.A. group. Disclosures relating to the capital management process can be found in the Alliance & Leicester plc and Banco Santander S.A. Annual Report and Accounts. The Company does not have a non-centralised process for managing its own capital.

14. RELATED PARTY TRANSACTIONS

Ultimate controlling party

The immediate parent company, Alliance & Leicester Commercial Finance plc, is a subsidiary of Alliance & Leicester plc which is an intermediate parent undertaking incorporated in England and Wales.

Alliance & Leicester plc is a wholly owned subsidiary of Banco Santander S.A. the controlling party and ultimate parent undertaking incorporated in Spain.

The largest Group in which the results of the Company are consolidated is that headed by Banco Santander S.A.. The consolidated accounts of this Group are available to the public and may be obtained from Santander Shareholder Department, Santander, Santander House, 100 Ludgate Hill, London EC4M 7NJ.

The smallest Group in which the results of the Company are consolidated is that headed by Alliance & Leicester plc. The consolidated accounts of this group are available to the public and may be obtained from Carlton Park, Narborough, Leicester, LE19 0AL.

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

14. RELATED PARTY TRANSACTIONS (continued)

Trading activities

Receivable from/(Payable to) related parties

	2009	2008
	£	£
Current tax Group relief	-	(2,955)
Amounts owed to parent undertaking	1	(6,086)
	<u>1</u>	<u>(9,041)</u>

The Company entered into transactions with other related parties as shown in the table below.

	2009	2008
	£	£
Amount owed from/(to) parent undertakings		
As at 1 July	(9,041)	(13,027)
Net movements	9,042	3,986
As at 30 June	<u>1</u>	<u>(9,041)</u>
Interest paid to parent undertakings	<u>160</u>	<u>429</u>

The amounts due to related parties are unsecured, repayable on demand and bear interest at market rates.

Key management compensation

As detailed in note 7 the Company had no employees in either the current or preceding year and the directors are remunerated through Alliance & Leicester Commercial Finance plc therefore no key management compensation was paid by this Company.

Administrative income

During the current year the Company paid administrative cost recharges to parent undertakings of £800 (2008: £1,206). During the year, the immediate parent undertaking, Alliance & Leicester Commercial Finance plc wrote off amounts owed by the Company of £2,570. This amount is included in administrative income in the income statement.

15. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2009	2008
	£	£
Cash at bank	<u>-</u>	<u>-</u>

A & L CF JUNE (7) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

16. SHARE CAPITAL

Authorised share capital

	2009	2009	2008	2008
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Issued share capital

	2009	2009	2008	2008
	No	£	No	£
Issued and fully paid				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

All issued share capital is classified as equity.

17. TRADE AND OTHER PAYABLES

	2009	2008
	£	£
Payable to parent undertaking (note 14)	<u>-</u>	<u>9,041</u>
	<u>-</u>	<u>9,041</u>