

**Santander Premium Fund**  
**(Formerly Inscape Investment Fund)**

**Report and Accounts for the Year**  
**Ended 31 October 2007**

## Contents

	<b>Page Number</b>
UK Equities	2
Europe (excluding UK) Equities	5
United States Equities	8
Japan Equities	11
Pacific Basin (excluding Japan) Equities	14
Sterling Bond	17

### **Change of Name**

On 1 November 2007, Inscape Investment Fund changed name to Santander Premium Fund and the Authorised Corporate Director (ACD) changed name to Santander Portfolio Management UK Limited.

If you have any questions about your investment with us, would like further information or would like to obtain a copy of the Long Form Report and Accounts, please call 0845 605 5600. Our lines are open between 8a.m. and 8p.m. Monday to Friday, 9a.m. and 5p.m. on Saturday.

The maximum cost of a call for BT customers, from a landline is 4p per minute (subject to a minimum call charge of 6.5p). The cost of calls for non-BT customers or from mobiles can vary.

# UK Equities

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in UK equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Advisers

AXA Rosenberg Investment Management Limited  
 State Street Global Advisors Limited  
 JP Morgan Fleming Asset Management (UK) Limited

## Fund Profile

### Portfolio of Investments

Spread of investments	% of total net assets as at 31/10/07	% of total net assets as at 31/10/06
Basic Materials	10.92	7.98
Consumer Goods	8.93	8.70
Consumer Services	10.27	11.39
Financials	24.04	28.74
Health Care	6.04	7.10
Industrials	8.16	6.95
Oil & Gas	16.05	15.18
Technology	1.92	0.63
Telecommunications	7.49	5.92
Utilities	4.17	4.69
Total Equities	97.99	97.28
Collective Investment Schemes	1.01	0.95
Future Contracts	0.01	0.01
Net other assets	0.99	1.76
<b>Net Assets</b>	<b>100.00</b>	<b>100.00</b>

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 31/10/07	Holding	% of Sub-fund as at 31/10/06
HSBC Holdings	5.86	HSBC Holdings	6.13
Royal Dutch Shell 'B'	5.77	BP	5.63
Vodafone Group	5.77	Royal Dutch Shell 'B'	5.35
BP	5.40	Royal Bank of Scotland Group	4.71
Royal Bank of Scotland Group	3.82	GlaxoSmithKline	3.67
BHP Billiton	3.26	Vodafone Group	3.57
GlaxoSmithKline	3.10	Barclays	3.19
Royal Dutch Shell 'A'	2.57	AstraZeneca	3.03
Rio Tinto	2.54	HBOS	2.65
Lloyds TSB Group	2.08	BT Group	2.34

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The ACD reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

# UK Equities

## Fund Performance

Percentage Change from 31 <sup>st</sup> October 2002 to 31 <sup>st</sup> October 2007			
	1 Year	3 Years	5 Years
UK Equities Sub-fund	10.03	59.85	97.79
FTSE All Share TR	13.62	65.59	110.03

*Source: Lipper – bid to bid, net income reinvested.  
Past performance is not a guarantee of future returns.*

### Market Review

In a move that caught the market by surprise, the Bank of England raised interest rates by 0.25% to 5.25% at its January meeting, in advance of the quarterly inflation report. This was the third in the current series of rate rises and a cumulative tightening of 0.75% since August 2005. During the first three months of the period under review, the UK market performed well whilst the main talking point was around the decision of The Bank of England to lift interest rates in May and again in July to 5.75%. Economic growth data during the second quarter of 2007 showed that the UK economy was still growing strongly.

However, from mid-July the fallout from the US sub-prime crisis caused significant problems to most markets around the world. Worries in debt markets were underlined in July as the iTraxx Crossover Index, which measures credit markets sentiment, doubled in just one month. These concerns quickly spread from debt to equity markets.

In August, Central Banks around the world intervened by injecting cash into the market. These actions helped support markets however uncertainty remained as investors waited for the impact of sub-prime rated investments to wash through the system. Fears that the ongoing uncertainty would hit economies led to a revision in interest rate expectations which had seemed to be on an upwards trajectory. Rates were kept on hold for the rest of the period during which the situation started to recover and markets ended in positive territory. Inflation remained below the Bank of England's 2% target.

### Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

Derivatives were used during this review period in order to secure efficient portfolio management. The sub-fund holds no derivatives that could impact the value of the sub-fund significantly. We did not utilise the sub-fund's borrowing facility other than to facilitate timely settlement of stock purchases.

### Investment Outlook

We are cautious about the performance of the global markets over the next months. However, we expect to see good performances on the Asian markets as is usual at the end of every year. The drivers will be the economic situation in US, movements in US dollar, higher rate of global inflation and the international flows between markets and asset classes.

# UK Equities

## Summary of Accounts

<b>Fund Accounting Dates</b>	<b>Distribution Payment Dates</b>
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 31<sup>st</sup> December 2007 a final distribution of 2.4381p will be reinvested on behalf of Sterling Accumulation A shareholders and an amount of 2.3488p will be reinvested on behalf of Sterling Accumulation B shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
<b>Sterling Accumulation A shares</b>		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.01%	0.01%
Total expense ratio	1.01%	1.01%
<b>Sterling Accumulation B shares</b>		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.01%	0.03%
Total expense ratio	1.01%	1.03%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 <sup>st</sup> October 2005	Sterling Accumulation A shares	160.2	278,194,534	445,530,263
	Sterling Accumulation B shares	160.1	386,381	618,723
31 <sup>st</sup> October 2006	Sterling Accumulation A shares	195.2	319,850,034	624,455,510
	Sterling Accumulation B shares	195.3	5,126,519	10,010,828
31 <sup>st</sup> October 2007	Sterling Accumulation A shares	214.9	330,456,134	710,018,088
	Sterling Accumulation B shares	214.9	5,209,834	11,194,222

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2002	Sterling Accumulation A shares	139.6	99.3	1.9652
2002	Sterling Accumulation B shares	139.6	99.3	2.4296
2003	Sterling Accumulation A shares	125.6	91.4	2.3828
2003	Sterling Accumulation B shares	125.6	91.4	2.5212
2004	Sterling Accumulation A shares	142.2	123.8	2.6946
2004	Sterling Accumulation B shares	142.2	123.8	2.8315
2005	Sterling Accumulation A shares	174.8	141.5	3.0990
2005	Sterling Accumulation B shares	174.8	141.5	4.0836
2006	Sterling Accumulation A shares	202.8	173.1	3.8262
2006	Sterling Accumulation B shares	202.8	173.1	2.1407
2007*	Sterling Accumulation A shares	216.9	189.3	4.6726
2007*	Sterling Accumulation B shares	217.0	189.4	4.5989

\*to 31<sup>st</sup> October 2007

# Europe (excluding UK) Equities

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in Europe (excluding UK) equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Advisers

AXA Rosenberg Investment Management Limited  
State Street Global Advisors Limited

## Fund Profile

### Portfolio of Investments

Spread of investments	% of total net assets as at 31/10/07	% of total net assets as at 31/10/06
Austria	1.17	0.48
Belgium	2.70	3.60
Denmark	1.71	0.72
Finland	3.70	3.00
France	8.19	22.22
Greece	1.59	0.88
Germany	0.78	18.47
Ireland	2.25	2.57
Italy	7.93	7.46
Luxembourg	1.08	-
Netherlands	5.96	7.87
Norway	3.39	2.78
Portugal	0.83	0.30
Spain	0.01	10.44
Sweden	6.15	3.97
Switzerland	<u>0.82</u>	<u>13.31</u>
Total Equities	8.26	98.07
Future Contracts	-	0.02
Net other assets	<u>1.74</u>	<u>1.91</u>
<b>Net Assets</b>	<b>100.00</b>	<b>100.00</b>

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 31/10/07	Holding	% of Sub-fund as at 31/10/06
Telefonica	3.37	BNP Paribas	3.41
Banco Santander	2.48	Telefonica	2.80
Nokia	2.41	Total	2.45
E.ON	2.19	UBS 'R'	2.43
Allianz	2.14	Banco Santander	2.40
Total	2.11	Sanofi-Aventis	2.18
DaimlerChrysler	2.11	ENI	2.11
RWE	2.07	ING Groep	2.10
ENI	1.95	Societe Generale	1.97
ING Groep	1.94	Allianz	1.80

# Europe (excluding UK) Equities

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The ACD reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

## Fund Performance

Percentage Change from 31 <sup>st</sup> October 2002 to 31 <sup>st</sup> October 2007			
	1 Year	3 Years	5 Years
Europe (excluding UK) Equities Sub-fund	17.87	83.62	148.86
FTSE Europe ex UK TR GBP	20.45	84.45	149.30

*Source: Lipper – bid to bid, net income reinvested.  
Past performance is not a guarantee of future returns.*

## Market Review

As expected, the European Central Bank increased rates by 0.25% in December 2006 and again in March and June this year, to 4%. It then kept the rate at this level, as concerns over liquidity problems dominated the markets during the months of July and August. The Bank injected liquidity into the market twice in August to ease a credit drought that had pushed the overnight deposit rates to their highest levels in six years. Europe's economy grew at its slowest pace in more than two years in the second quarter of 2007 as business investment fell for the first time since 2002. Against this backdrop, the economy of the Eurozone expanded 0.3% from the first quarter, when it grew 0.7%.

## Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

Derivatives were used during this review period in order to secure efficient portfolio management. The sub-fund holds no derivatives that could impact the value of the sub-fund significantly. We did not utilise the sub-fund's borrowing facility other than to facilitate timely settlement of stock purchases.

## Investment Outlook

We are cautious about the performance of the global markets over the next months. However, we expect to see good performances on the Asian markets as is usual at the end of every year. The drivers will be the economic situation in the US, the movements in the US dollar, the rate of global inflation and the international flows between markets and asset classes.

# Europe (excluding UK) Equities

## Summary of Accounts

<b>Fund Accounting Dates</b>	<b>Distribution Payment Dates</b>
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 31<sup>st</sup> December 2007 a final distribution of 2.2075p will be reinvested on behalf of Sterling Accumulation A shareholders and a distribution of 2.1881p will be reinvested on behalf of Sterling Accumulation B shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
<b>Sterling Accumulation A shares</b>		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.03%
Total expense ratio	1.03%	1.03%
<b>Sterling Accumulation B shares</b>		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.01%
Total expense ratio	1.03%	1.01%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 <sup>st</sup> October 2005	Sterling Accumulation A shares	148.2	57,077,705	84,577,662
	Sterling Accumulation B shares	147.7	145,566	214,994
31 <sup>st</sup> October 2006	Sterling Accumulation A shares	189.9	63,115,505	119,841,483
	Sterling Accumulation B shares	189.3	145,566	275,496
31 <sup>st</sup> October 2007	Sterling Accumulation A shares	224.1	63,378,105	142,030,141
	Sterling Accumulation B shares	223.5	145,566	325,279

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2002	Sterling Accumulation A shares	126.7	78.92	0.8554
2002	Sterling Accumulation B shares	126.7	78.92	-
2003	Sterling Accumulation A shares	114.6	104.9	1.2104
2003	Sterling Accumulation B shares	114.6	104.9	1.4473
2004	Sterling Accumulation A shares	131.4	108.3	1.6266
2004	Sterling Accumulation B shares	131.4	108.4	1.7119
2005	Sterling Accumulation A shares	166.1	127.6	1.9916
2005	Sterling Accumulation B shares	165.5	127.4	1.4434
2006	Sterling Accumulation A shares	200.0	162.0	2.7006
2006	Sterling Accumulation B shares	199.4	161.5	2.7879
2007*	Sterling Accumulation A shares	226.9	197.1	3.7086
2007*	Sterling Accumulation B shares	226.3	196.6	3.7001

\*to 31<sup>st</sup> October 2007



# United States Equities

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in United States equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Advisers

Goldman Sachs Asset Management International  
DB Absolute Return Strategies Limited

## Fund Profile

### Portfolio of Investments

Spread of investments	% of total net assets as at 31/10/07	% of total net assets as at 31/10/06
Basic Materials	3.40	3.10
Consumer Goods	5.83	6.57
Consumer Services	11.69	15.81
Financials	19.91	21.30
Health Care	10.46	10.56
Industrials	15.37	11.88
Oil & Gas	10.28	8.90
Technology	12.52	11.67
Telecommunications	5.08	3.99
Utilities	3.51	2.77
Total Equities	98.05	96.55
Future Contracts	0.03	0.07
Net other assets	1.92	3.38
<b>Total Assets</b>	<b>100.00</b>	<b>100.00</b>

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 31/10/07	Holding	% of Sub-fund as at 31/10/06
Exxon Mobil	3.41	Bank of America	2.82
Microsoft	3.05	Exxon Mobil	2.79
Chevron	1.90	Pfizer	2.32
Wells Fargo	1.76	JPMorgan Chase	2.16
Bank of America	1.65	Citigroup	1.97
Citigroup	1.60	Microsoft	1.88
General Electric	1.58	General Electric	1.86
AT&T	1.58	Verizon Communications	1.75
JPMorgan Chase	1.38	AT&T	1.69
Gilead Sciences	1.36	Hewlett-Packard	1.65

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The ACD reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

# United States Equities

## Fund Performance

Percentage Change from 31 <sup>st</sup> October 2002 to 31 <sup>st</sup> October 2007			
	1 Year	3 Years	5 Years
United States Equity Sub-fund	0.84	25.26	37.28
FTSE USA TR GBP	5.47	29.84	46.43

*Source: Lipper – bid to bid, net income reinvested.  
Past performance is not a guarantee of future returns.*

### Market Review

The Federal Reserve kept interest rates at 5.25% throughout almost the whole period under review. However, by mid-July the situation deteriorated when fears about a crisis in the credit market started to impact, as some disappointing earning results came through. The worries in debt markets were underlined as the iTraxx Crossover Index, which measures credit markets sentiment, indicated that the cost of insuring against defaults on risky debt had doubled in one month. In August, in a movement that caught markets by surprise, the Federal Reserve cut the discount rate by 0.5%, outside of its normal decision making timetable. Furthermore, in September, interest rates were cut by 0.5% to 4.75%.

Financial Markets were surprised by the half point move. The Fed said in its statement that “the action was intended to help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruption in financial markets and to promote growth over time”. October saw a cut in interest rates by a quarter point to 4.5% and risks of higher prices and slower growth were said to be “roughly” balanced. GDP grew at an annual rate of 3.9% in the third quarter of the year, up from 3.8% in the second quarter.

### Policy Review

The portion of assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

Derivatives were used during this review period in order to secure efficient portfolio management. The sub-fund holds no derivatives that could impact the value of the sub-fund significantly. We did not utilise the sub-fund's borrowing facility other than to facilitate timely settlement of stock purchases.

### Investment Outlook

We are cautious about the performance of the global markets over the next months. However, we expect to see good performances on the Asian markets as is usual at the end of every year. The drivers will be the economic situation in US, movements in US dollar, higher rate of global inflation and the international flows between markets and asset classes.

# United States Equities

## Summary of Accounts

<b>Fund Accounting Dates</b>	<b>Distribution Payment Dates</b>
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 31<sup>st</sup> December 2007 a final distribution of 0.3338p will be reinvested on behalf of Sterling Accumulation A shareholders and an amount of 0.3370p will be reinvested on behalf of Sterling Accumulation B shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
Sterling Accumulation A shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.02%
Total expense ratio	1.03%	1.02%
Sterling Accumulation B shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.02%	0.02%
Total expense ratio	1.02%	1.02%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 <sup>st</sup> October 2005	Sterling Accumulation A shares	118.7	68,450,700	81,235,779
	Sterling Accumulation B shares	118.7	496,075	588,981
31 <sup>st</sup> October 2006	Sterling Accumulation A shares	130.7	84,420,700	110,356,541
	Sterling Accumulation B shares	130.8	496,075	648,951
31 <sup>st</sup> October 2007	Sterling Accumulation A shares	131.8	97,978,600	129,176,080
	Sterling Accumulation B shares	131.9	496,075	654,524

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2002	Sterling Accumulation A shares	138.1	83.21	0.1087
2002	Sterling Accumulation B shares	138.1	83.21	0.1139
2003	Sterling Accumulation A shares	107.4	102.6	0.2939
2003	Sterling Accumulation B shares	107.4	102.6	0.2155
2004	Sterling Accumulation A shares	110.3	98.53	0.3281
2004	Sterling Accumulation B shares	110.3	98.54	0.4083
2005	Sterling Accumulation A shares	130.8	101.7	0.5907
2005	Sterling Accumulation B shares	130.8	101.7	1.8689
2006	Sterling Accumulation A shares	135.1	118.8	0.7800
2006	Sterling Accumulation B shares	135.2	118.9	0.8708
2007*	Sterling Accumulation A shares	139.2	126.1	0.7143
2007*	Sterling Accumulation B shares	139.3	126.2	0.7565

\*to 31<sup>st</sup> October 2007

# Japan Equities

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in Japanese equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Adviser

Schroder Investment Management Limited

## Fund Profile

### Portfolio of Investments

Spread of investments	% of total net assets as at 31/10/07	% of total net assets as at 31/10/06
Basic Materials	9.18	4.29
Consumer Goods	11.87	14.42
Consumer Services	7.37	7.94
Financials	18.20	24.10
Health Care	4.24	6.89
Industrials	31.57	19.06
Technology	5.71	10.29
Telecommunications	5.85	5.55
Utilities	1.13	1.24
Total Equities	95.12	93.78
Collective Investment Schemes	2.46	3.90
Net other assets	2.42	2.32
<b>Net Assets</b>	<b>100.00</b>	<b>100.00</b>

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 31/10/07	Holding	% of Sub-fund as at 31/10/06
Toyota Motor	8.42	Toyota Motor	7.38
Mizuho Financial Group	3.77	Sumitomo Mitsui Financial Group	6.11
Sumitomo Mitsui Financial Group	3.68	Schroder Institutional Japanese Smaller Companies Fund	3.90
Mitsui	3.49	Astellas Pharma	3.67
KDDI	3.22	East Japan Railway	3.66
Canon	3.16	Mizuho Financial Group	3.64
Hoya	2.76	Canon	3.59
Mitsubishi	2.56	Takeda Pharmaceutical	3.22
Daiwa House Industry	2.55	Mitsui	3.15
Chiba Bank	2.47	Nippon Telegraph & Telephone	2.98

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The ACD reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

# Japan Equities

## Fund Performance

Percentage Change from 31 <sup>st</sup> October 2002 to 31 <sup>st</sup> October 2007			
	1 Year	3 Years	5 Years
Japan Equities Sub-fund	-8.06	17.98	35.79
FTSE Japan TR GBP	-4.92	29.52	61.48

*Source: Lipper – bid to bid, net income reinvested.  
Past performance is not a guarantee of future returns.*

### Market Review

Japan produced strong gains early in the period under review as data confirmed that the economy was on a sustainable growth path and signalled an end to the era of deflation. The Bank of Japan's Monetary Policy Board voted 8-1 to increase interest rates from 0.25% to 0.5% at its February meeting. The Bank indicated that the decision was taken partly in response to strong fourth quarter GDP data. However, the pick up in the rate of expansion should be viewed more as a bounce back from a weak third quarter, rather than as a step change in the pace of economic recovery. The credit crisis in August caused the Bank of Japan to step into the market and inject cash by mid month. In September, the Bank of Japan voted to leave the main lending rate at 0.5% after the economy shrank in the second quarter of the year and the U.S. Federal Reserve cut borrowing costs in a bid to avert a recession. Manufacturers' sentiment reached a two-year low in September, suggesting that global market turbulence resulting from problems in the U.S. sub-prime mortgage sector had taken its toll.

### Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of the appointed investment adviser to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

### Investment Outlook

We are cautious about the performance of the global markets over the next months. However, we expect to see good performances on the Asian markets as is usual at the end of every year. The drivers will be the economic situation in the US, the movements in the US dollar, the rate of global inflation and the international flows between markets and asset classes.

# Japan Equities

## Summary of Accounts

Fund Accounting Dates	Distribution Payment Dates
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 31<sup>st</sup> December 2007 a final distribution of 0.0909p will be reinvested on behalf of Sterling Accumulation A shareholders and 0.4145p on behalf of Sterling Accumulation D shareholders. There is no final distribution due to Sterling Accumulation B shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
Sterling Accumulation A shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.03%
Total expense ratio	1.03%	1.03%
Sterling Accumulation B shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.03%
Total expense ratio	1.03%	1.03%
Sterling Accumulation D shares		
Manager's periodic charge	0.40%	0.40%
Other expenses	0.03%	0.03%
Total expense ratio	0.43%	0.43%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 <sup>st</sup> October 2005	Sterling Accumulation A shares	136.4	34,720,900	47,362,857
	Sterling Accumulation B shares	136.7	64,994	88,844
	Sterling Accumulation D shares	137.7	19,047,458	26,226,872
31 <sup>st</sup> October 2006	Sterling Accumulation A shares	142.5	38,496,900	54,856,191
	Sterling Accumulation B shares	142.8	64,994	92,834
	Sterling Accumulation D shares	144.5	23,928,558	34,581,567
31 <sup>st</sup> October 2007	Sterling Accumulation A shares	131.2	49,075,300	64,406,181
	Sterling Accumulation B shares	131.4	64,994	85,434
	Sterling Accumulation D shares	133.8	31,869,958	42,627,018

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2002	Sterling Accumulation A shares	129.2	93.15	-
2002	Sterling Accumulation B shares	129.2	93.15	-
2003	Sterling Accumulation A shares	114.4	83.87	0.0837
2003	Sterling Accumulation B shares	114.4	83.87	0.3197
2003	Sterling Accumulation D shares	114.5	103.0	-
2004	Sterling Accumulation A shares	121.2	101.1	0.1303
2004	Sterling Accumulation B shares	121.2	101.1	0.0795
2004	Sterling Accumulation D shares	121.5	101.3	0.2992
2005	Sterling Accumulation A shares	159.2	107.2	0.1732
2005	Sterling Accumulation B shares	159.6	107.4	-
2005	Sterling Accumulation D shares	160.9	107.9	0.7617
2006	Sterling Accumulation A shares	169.9	134.6	0.2174
2006	Sterling Accumulation B shares	170.3	134.9	0.1976
2006	Sterling Accumulation D shares	171.8	136.5	0.9121
2007*	Sterling Accumulation A shares	146.9	126.2	0.2070
2007*	Sterling Accumulation B shares	147.2	126.5	0.1596
2007*	Sterling Accumulation D shares	149.3	128.7	0.8572

\*to 31<sup>st</sup> October 2007

## Pacific Basin (excluding Japan) Equities

### Fund Facts

#### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in Pacific Basin (excluding Japan) equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

#### Investment Adviser

RCM (UK) Limited

### Fund Profile

#### Portfolio of Investments

Spread of investments	% of total net assets as at 31/10/07	% of total net assets as at 31/10/06
Australia	19.27	21.82
China	6.68	7.10
Hong Kong	22.36	15.18
India	8.29	5.33
Indonesia	0.63	4.67
Korea	17.64	14.18
Malaysia	4.04	2.30
New Zealand	-	0.44
Pakistan	0.52	-
Philippines	0.83	0.98
Singapore	5.37	7.84
Taiwan	11.44	12.56
Thailand	2.03	3.00
Total Equities	99.10	95.40
Net other assets	0.90	4.60
<b>Net Assets</b>	<b>100.00</b>	<b>100.00</b>

#### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 31/10/07	Holding	% of Sub-fund as at 31/10/06
BHP Billiton	4.77	Samsung Electronics	5.21
China Mobile	4.38	BHP Billiton	4.01
Larsen & Toubro	2.72	National Australia Bank	3.46
CNOOC	2.59	HON HAI Precision Industry	2.49
HON HAI Precision Industry	2.49	Swire Pacific	2.39
Bharat Heavy Electricals	2.45	AMP	2.33
China Construction Bank	2.32	China Mobile	2.26
Hong Kong Exchanges and Clearing	2.30	ITC	2.03
POSCO	2.20	China Life Insurance	1.93
Samsung Electronics	2.17	Perusahaan Gas Negara	1.89

### Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The ACD reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

# Pacific Basin (excluding Japan) Equities

## Fund Performance

Percentage Change and Sector Ranking from 31 <sup>st</sup> October 2002 to 31 <sup>st</sup> October 2007			
	1 Year	3 Years	5 Years
Pacific Basin (excluding Japan) Equities Sub-fund	65.63	163.60	266.00
FTSE AW Asia Pacific ex Japan TR GBP	55.04	145.50	234.69

*Source: Lipper – bid to bid, net income reinvested.  
Past performance is not a guarantee of future returns.*

### Market Review

Asian economies continue to grow at a fast pace during the period under review, and data about Q2 growth over the period showed that the region remains robust. Australia's GDP growth rose by 4.3% year on year, the fastest pace in three years. South Korea's economy also expanded at the fastest pace in almost four years as revised figures reflected that growth had risen to 5.0% year on year. Hong Kong's economy continued to show robust growth up by 6.9% year on year in the second quarter while China's economy grew at its fastest pace in 12 years, with Q2 GDP growth expanding 11.9% year on year.

In China, the People's Bank of China rose the benchmark one-year lending rate from 7.02% to 7.29% in September. It is expected to keep a strong tightening bias amid soaring price pressure and growing trade surplus.

### Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of the appointed investment adviser to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

### Investment Outlook

We are cautious about the performance of the global markets over the next months. However, we expect to see good performances on the Asian markets as is usual at the end of every year. The drivers will be the economic situation in US, movements in US dollar, higher rate of global inflation and the international flows between markets and asset classes.



# Pacific Basin (excluding Japan) Equities

## Summary of Accounts

Fund Accounting Dates	Distribution Payment Dates
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 31<sup>st</sup> December 2007 a final distribution of 3.3080p will be reinvested on behalf of Sterling Accumulation A shareholders, 3.2245p on behalf of Sterling Accumulation B shareholders and 4.4418p on behalf of Sterling Accumulation D shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
Sterling Accumulation A shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.05%	0.04%
Total expense ratio	1.05%	1.04%
Sterling Accumulation B shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.05%	0.06%
Total expense ratio	1.05%	1.06%
Sterling Accumulation D shares		
Manager's periodic charge	0.40%	0.40%
Other expenses	0.05%	0.04%
Total expense ratio	0.45%	0.44%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 <sup>st</sup> October 2005	Sterling Accumulation A shares	206.3	13,075,600	26,971,703
	Sterling Accumulation B shares	206.5	161,350	333,190
	Sterling Accumulation D shares	208.1	13,178,503	27,419,500
31 <sup>st</sup> October 2006	Sterling Accumulation A shares	263.9	14,200,900	37,480,203
	Sterling Accumulation B shares	264.2	161,350	426,266
	Sterling Accumulation D shares	267.5	15,532,603	41,553,643
31 <sup>st</sup> October 2007	Sterling Accumulation A shares	437.1	14,002,800	61,201,646
	Sterling Accumulation B shares	437.4	161,350	705,789
	Sterling Accumulation D shares	445.1	12,894,968	57,389,420

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2002	Sterling Accumulation A shares	153.0	109.4	1.4356
2002	Sterling Accumulation B shares	153.0	109.4	1.1629
2003	Sterling Accumulation A shares	166.0	109.1	1.4955
2003	Sterling Accumulation B shares	166.0	109.1	1.4464
2003	Sterling Accumulation D shares	166.0	109.1	0.1690
2004	Sterling Accumulation A shares	177.1	147.4	2.3447
2004	Sterling Accumulation B shares	176.8	147.2	2.4591
2004	Sterling Accumulation D shares	177.9	147.7	1.7662
2005	Sterling Accumulation A shares	236.6	175.6	3.7213
2005	Sterling Accumulation B shares	236.8	175.6	4.6502
2005	Sterling Accumulation D shares	238.9	176.6	4.7217
2006	Sterling Accumulation A shares	285.1	231.3	3.4031
2006	Sterling Accumulation B shares	285.4	231.5	3.4197
2006	Sterling Accumulation D shares	289.2	234.0	4.5369
2007*	Sterling Accumulation A shares	445.0	273.9	4.1066
2007*	Sterling Accumulation B shares	445.4	274.2	3.9826
2007*	Sterling Accumulation D shares	453.2	278.1	5.9599

\*to 31<sup>st</sup> October 2007

# Sterling Bond

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in Sterling fixed interest securities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Advisers

Blackrock Investment Managers Limited (formerly Merrill Lynch Investment Managers Limited)  
 Western Asset Management Company Limited  
 Barclays Global Investors Limited  
 Royal London Asset Management  
 Baillie Gifford & Co

## Fund Profile

### Portfolio of Investments

Spread of investments Fixed interest securities grouped by ratings *	% of total net assets as at 31/10/07	% of total net assets as at 31/10/06
AAA to AA	31.37	42.77
AA- to A+	15.08	14.63
A to A-	18.87	18.70
BBB+ to BBB	15.85	14.80
below BBB to unrated	<u>12.70</u>	<u>2.67</u>
Total fixed interest securities	93.87	93.57
Collective Investment Schemes	1.41	0.38
Forward currency contracts (net)	-	0.11
Net other assets	<u>4.72</u>	<u>5.94</u>
<b>Net Assets</b>	<b>100.00</b>	<b>100.00</b>

\* source: S&P / Moody's

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 31/10/07	Holding	% of Sub-fund as at 31/10/06
Bundesrepublik Deutschland 4% 2037	2.05	Treasury 4.75% 2010	2.66
Treasury 5% 2025	1.48	Bundesrepublik Deutschland 4% 2037	2.11
United Kingdom Gilt 7.25% 2007	1.33	Treasury 4.75% 2015	1.65
Treasury 4.75% 2038	1.24	Treasury 4% 2016	1.54
European Investment Bank 5.625% 2032	1.06	Treasury 4.5% 2007	1.27
BAA 5.75% 2031	1.04	Treasury 4% 2009	1.23
Standard Life Funding 6.14% Perpetual	1.02	Treasury 5% 2012	1.16
Bundesrepublik Deutschland 5.5% 2031	0.95	Bundesrepublik Deutschland 5.5% 2031	1.01
Society of Lloyd's 7.421% Perpetual	0.85	Canary Wharf Finance 6.455% 2030	0.96
Western Asset High Yield Bond	0.79	Treasury 4.25% 2032	0.95

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The ACD reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

# Sterling Bond

## Fund Performance

Percentage Change and Sector Ranking from 31 <sup>st</sup> October 2002 to 31 <sup>st</sup> October 2007			
	1 Year	3 Years	5 Years
Sterling Bond Sub-fund	-1.89	7.19	17.85
20% FT All Stocks/80% IBoxx £ Non Gilt	-0.29	12.59	25.98

*Source: Lipper – bid to bid, net income reinvested.  
Past performance is not a guarantee of future returns.*

### Market Review

Bond yields around the world continued to rise during January as data from the US supported the view that the economy would experience a soft landing, with gently moderating growth and a gradual decline in inflationary pressures. This trend then reversed in March as equity markets staged a recovery and hopes of an imminent cut in US interest rates faded. They ended April moderately lower as the prospects of a rise in UK interest rates became more certain in the face of higher consumer price index inflation.

Continued concerns over problems in the US sub-prime mortgage market led to challenges throughout the last part of the period under review with severely reduced levels of liquidity and wide credit spreads. As investor unease grew there was a sharp move in to Government Stocks as a result of flight to quality strategies, which drove down Government yields across the curve. Demand for corporate debt issues fell, and in particular asset backed commercial paper was virtually untradeable. Liquidity in the interbank money markets also collapsed, with banks reluctant to lend to each other. Central Banks across the globe continued to make liquidity available in an effort to reduce pricing distortions and to bring markets back to more orderly conditions. This culminated with the Federal Open Market Committee (FOMC) cutting US interest rates by 0.5% citing that the financial market turmoil had effectively tightened credit conditions with the risk of making the US housing correction more severe and may having other effects on the US economy.

### Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

### Investment Outlook

In order to restore stability in the money markets, we believe that central banks will not look to increase interest rates until bank lending conditions become easier, and in the case of the US, we may see aggressive rate cuts to avoid a slow down in their economy. This environment should provide good opportunities to acquire bonds at highly favourable rates of return to add to their future performance.

# Sterling Bond

## Summary of Accounts

Fund Accounting Dates	Distribution Payment Dates
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 31<sup>st</sup> December 2007 a final distribution of 3.5755p will be reinvested on behalf of Sterling Accumulation A shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
Sterling Accumulation A shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.02%	0.01%
Total expense ratio	1.02%	1.01%
Sterling Accumulation B shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.01%	0.01%
Total expense ratio	1.01%	1.01%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 <sup>st</sup> October 2005	Sterling Accumulation A shares	195.4	238,508,300	465,966,048
	Sterling Accumulation B shares	193.9	61,611	119,459
31 <sup>st</sup> October 2006	Sterling Accumulation A shares	200.3	326,845,300	654,593,837
31 <sup>st</sup> October 2007	Sterling Accumulation A shares	196.0	327,238,800	641,456,386

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2002	Sterling Accumulation A shares	170.6	157.0	4.6918
2002	Sterling Accumulation B shares	170.6	157.0	6.2630
2002	Sterling Accumulation C shares	172.4	159.5	0.9454
2003	Sterling Accumulation A shares	181.2	166.6	5.7617
2003	Sterling Accumulation B shares	181.2	166.6	6.6150
2003	Sterling Accumulation C shares	183.9	168.2	1.2392
2004	Sterling Accumulation A shares	189.4	173.6	6.4172
2004	Sterling Accumulation B shares	189.7	173.9	6.6673
2005	Sterling Accumulation A shares	200.7	186.5	6.0934
2005	Sterling Accumulation B shares	199.0	186.9	11.2488
2006	Sterling Accumulation A shares	204.2	194.2	6.2084
2006	Sterling Accumulation B shares	202.5	192.6	3.2058
2007*	Sterling Accumulation A shares	200.9	191.4	6.8476

\*to 31<sup>st</sup> October 2007

## **Appointments**

### **ACD and Registrar**

Santander Portfolio Management UK Limited (formerly Inscape Investments Limited)  
Abbey National House  
2 Triton Square  
Regent's Place  
London NW1 3AN  
United Kingdom  
Authorised and regulated by the Financial Services Authority

### **Directors**

Jose Ignacio Izquierdo Saugar  
John Christopher Bearman (appointed 7 February 2007)  
Alan Mathewson (appointed 31 August 2007)  
Nicolas Edward Merigo Cook (appointed 7 February 2007)  
Keith Morgan (appointed 7 February 2007)  
Eduardo Suarez Alvarez Novoa (appointed 7 February 2007)  
Antonio Lorenzo (appointed 26 November 2007)

### **Depositary**

Royal Bank of Scotland  
Trustee & Depositary Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh EH12 9UZ  
United Kingdom  
Authorised and regulated by the Financial Services Authority

### **Independent Auditors**

Deloitte & Touche LLP  
Lomond House  
9 George Square  
Glasgow G2 1QQ  
United Kingdom

### **Investment advisers:-**

#### **RCM (UK) Limited**

155 Bishopsgate  
London EC2M 3AD  
United Kingdom

#### **AXA Rosenberg Investment Management Limited**

9a Devonshire Square  
London EC2M 4YY  
United Kingdom

#### **Baillie Gifford & Co**

Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN  
United Kingdom

#### **Barclays Global Investors Limited**

Murray House, 1 Royal Mint Court  
London EC3N 4HH  
United Kingdom

## **Appointments (continued)**

### **DB Absolute Return Strategies Limited**

One Appold Street  
London EC2A 2UU  
United Kingdom

### **Goldman Sachs Asset Management International**

4<sup>th</sup> Floor, Peterborough Court  
133 Fleet Street  
London EC4A 7RF  
United Kingdom

### **JP Morgan Fleming Asset Management (UK) Limited**

10 Aldermanbury  
London EC2V 7RF  
United Kingdom

### **Blackrock Investment Managers Limited**

(formerly Merrill Lynch Investment Managers Limited)  
33 King William Street  
London EC4R 9AS  
United Kingdom

### **Royal London Asset Management**

55 Gracechurch Street  
London EC3V 0UF  
United Kingdom

### **Schroder Investment Management Limited**

31 Gresham Street  
London EC2V 7QA  
United Kingdom

### **State Street Global Advisors Limited**

21 St James Street  
London SW1Y 4SS  
United Kingdom

### **Western Asset Management Company Limited**

10 Exchange Square  
Primrose Street  
London EC2A 2EN  
United Kingdom

Santander Portfolio Management UK Limited is a wholly owned subsidiary of Santander Asset Management UK Holdings Limited. Registered in England No. 3839455 at: Abbey National House, 2 Triton Square, Regent's Place, London, NW1 3AN, United Kingdom. Telephone 0845 60 55 600, calls may be recorded or monitored. Authorised and regulated by the Financial Services Authority for the provision of investment management services.

Abbey National plc advises on mortgages, a limited range of life assurance, pension and collective investment scheme products and acts as an insurance intermediary for general insurance.