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In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

TUESDAY

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A11 01/12/2020 #115
COMPANIES HOUSE

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT**
You cannot use this form an alteration of manner with accounting requiren

Part 1 Corporate company name

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

Corporate name of overseas company ❶	A & L CF (GUERNSEY) LIMITED
UK establishment number	B R 0 0 9 9 8 9

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ❷ Guernsey

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸ IFRS and The Companies (Guernsey) Law 2008

❸ Please insert the name of the appropriate accounting organisation or body.

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5.**

☑ **Yes.** Go to **Section A4.**

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A4 Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐ **No.** Go to **Part 3 'Signature'**.

☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.

Name of organisation or body ❶: International Financial Reporting Standards of the EU

❶ Please insert the name of the appropriate accounting organisation or body.

A5 Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.

☐ **No.**

☐ **Yes.**

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X C.J. WISE, DIRECTOR OF SANTANDER SECRETARIAT SERVICES LIMITED, CORPORATE SECRETARY X

This form may be signed by:
~~Director,~~ Secretary, ~~Permanent representative.~~

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	C J Wise
Company name	Santander UK plc
Address	2 Triton Square
	Regent's Place
Post town	London
County/Region	
Postcode	N W 1 3 A N
Country	UK
DX	
Telephone	

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk
or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

A & L CF (GUERNSEY) LIMITED

Registered in Guernsey
Company Number 43499
Foreign Company Number FC028362

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2019

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2019.

Incorporation and residence

The Company is incorporated in Guernsey, Channel Islands with a branch registered in the United Kingdom (registered number FC028362).

Principal activity and review of the year

The principal activity of A & L CF (Guernsey) Limited, (the "Company") is that of financiers of assets for the corporate sector.

Results and dividends

The profit for the year after taxation amounted to £5,398 (2018: profit of £15,840).

The Directors do not recommend the payment of a final dividend (2018: £Nil).

Impact of COVID-19

The Company is monitoring the impact of the COVID-19 outbreak on the financial performance of the Company. The Directors do not expect it to have an impact on the operations of the Company.

The Company is part of the Santander UK Group, which has implemented precautionary measures and protocols based on recommendations from official health authorities, such as the World Health Organization (WHO) and Public Health England. Further such measures may need to be implemented in future, as the situation is complex and is still changing rapidly.

Given the fluidity of the situation, the Company cannot quantify the magnitude and duration of the impact of the COVID-19 outbreak at this time, although there may well be a negative impact on our 2020 financial results. However, the Company does not anticipate any significant change to the carrying value of its assets and liabilities at the reporting date. The Company will continue to monitor and assess its business operations. COVID-19 is a non-adjusting post balance sheet event.

Subsequent events

No adjusting or significant non-adjusting events, besides the aforementioned impact of COVID-19, have occurred between the 31 December 2019 and the date of authorisation of the financial statements.

Directors

The Directors who served throughout the year and to the date of this report (except as noted) were as follows:

AM Konter	(Resigned 23 July 2019)
S Affleck	
G Ashworth	(Resigned 28 June 2019)
DJ Layhe	(Appointed 17 September 2019)
H Reindl	(Appointed 5 August 2019)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and The Companies (Guernsey) Law, 2008. 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 year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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, which enable them to ensure that the financial statements comply with The Companies (Guernsey) Law 2008. 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.

REPORT OF THE DIRECTORS (CONTINUED)

Statement of going concern and Financial management

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, note 3 and 9 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk, market risk, liquidity risk and other operational risks.

The Company is part of the Santander UK Group. The Company has net assets and is reliant on other companies in the Santander UK Group for its funding. The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Board of Santander UK Group Holdings plc has confirmed that it is a going concern and that it will provide funding to the Company for the foreseeable future.

The Directors, having assessed the responses of the Directors of the Company's ultimate UK parent Santander UK Group Holdings plc to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Santander UK Group Holdings plc to continue as a going concern or its ability to continue with the current banking arrangements.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the period of 12 months from the date the financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Annual Report and Financial Statements.

Brexit and IBOR transition

The process for the UK leaving the EU impacts the economic, legal and regulatory environment for our customers and across the financial services industry. In addition, the use of LIBOR, which is expected to cease in 2021, and its transition to (near) Risk Free Reference Rates (RFR) is also a significant issue across the industry. The Company's ultimate UK parent, Santander UK Group Holdings plc has put in place appropriate plans to address the potential risks as it affects group of companies (the Santander UK Group) and will update and implement in this Company as necessary.

Qualifying third party indemnities

Enhanced indemnities are provided to the Directors of the Company by Santander UK Group Holdings plc against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities were in force during the financial year and at the date of approval of the Report and Financial Statements. All of the indemnities were qualifying third party indemnities. A copy of each of the indemnities is kept at the registered office address of Santander UK Group Holdings plc.

Statement of disclosure of information to auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s249 of The Companies (Guernsey) Law 2008.

Independent Auditors

PricewaterhouseCoopers LLP are re-appointed as auditors in accordance with The Companies (Guernsey) Law 2008.

By Order of the Board

Stephen Affleck
For and on behalf of
Santander Secretariat Services Limited
Secretary

20 October 2020

Independent auditors' report to the members of A & L CF (Guernsey) Limited

Report on the audit of the financial statements

Opinion

In our opinion, A & L CF (Guernsey) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of A & L CF (Guernsey) Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 1, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 262 of the Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Guernsey) Law, 2008 exception reporting

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants
London
21 October 2020

STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

Continuing operations

	Note	2019 £	2018 £
Interest income	4	1,029,878	1,100,168
Net interest income		1,029,878	1,100,168
Administrative expenses		(27,293)	(22,861)
Profit from operations	5	1,002,585	1,077,307
Finance costs	6	(995,921)	(1,057,751)
Profit before tax		6,664	19,556
Tax charge for the year	7	(1,266)	(3,716)
Profit for the year and Total Comprehensive Income of A & L CF (Guernsey) Limited		5,398	15,840

The profits during the year were generated from continuing operations.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	2	365,886	365,888
Total comprehensive income for the year	-	15,840	15,840
Balance at 31 December 2018	2	381,726	381,728

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	2	381,726	381,728
Total comprehensive income for the year	-	5,398	5,398
Balance at 31 December 2019	2	387,124	387,126

The accompanying notes form an integral part of the financial statements.

BALANCE SHEET

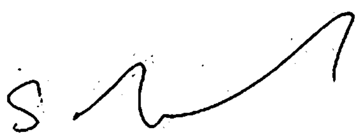
As at 31 December

	Note	2019 £	2018 restated* £
Assets			
Non-current assets			
Financial assets at amortised cost	8	**17,244,438**	18,645,309
		17,244,438	18,645,309
Current assets			
Financial assets at amortised cost	8	**2,300,708**	2,168,011
Total assets		**19,545,146**	20,813,320
Liabilities			
Current liabilities			
Trade and other payables	11	**(19,153,038)**	(20,427,876)
Corporation tax		**(4,982)**	(3,716)
Total liabilities		**(19,158,020)**	(20,431,592)
Net assets		**387,126**	381,728
Equity			
Share capital	12	**2**	2
Retained earnings		**387,124**	381,726
Total equity attributable to equity holders of the Company		**387,126**	381,728

* For details of the restatement see note 15.

The accompanying notes form an integral part of the financial statements.

The financial statements on pages 5 to 17 were approved by the Board of Directors, authorised for issue and signed on its behalf by:



Stephen Affleck
Director
20 October 2020

CASH FLOW STATEMENT

For the years ended 31 December

There have been no cash transactions in the current and previous years. A decrease of £1,268,174 (2018: £1,088,478) in the net amount of Financial assets at amortised cost has resulted in a reduction of £1,273,572 (2018: £1,104,318) in the net amount of Trade and other payables due to immediate parent undertakings and other accruals. Both of the aforementioned transactions were non-cash in nature, so no actual movement of funds took place. The Company does not hold a bank account as all transactions are directed through the parent company's account. As there have been no physical cash movements in either year, the Company has not presented a cash flow statement.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

General information

The Company is a limited liability company incorporated and domiciled in Guernsey, Channel Islands. The Company is part of a European listed group whose immediate parent is Santander Equity Investments Limited and whose ultimate parent is Banco Santander SA. The registered office address of the Company is Fourth Floor, The Albany, South Esplanade, St Peter Port, Guernsey, Channel Islands, GY1 4NF.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and The Companies (Guernsey) Law 2008 applicable to companies reporting under IFRS.

The financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company (the functional currency). The financial statements are presented in Pound Sterling, which is the functional currency of the Company.

Going Concern

The financial statements have been prepared on the going concern basis using the historical cost convention. An assessment of the appropriateness of the adoption of the going concern basis of accounting is disclosed in the Directors' statement of going concern set out in the Report of the Directors.

Recent accounting developments

On 1 January 2019, the Company adopted IFRS 16 'Leases' (IFRS 16). The accounting policy had no impact upon the Company.

Future accounting developments

At 31 December 2019, for the Company, there were no significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective.

Revenue and expense recognition

Fees and commissions which are not an integral part of the effective interest rate are recognised when the service has been performed.

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

Administrative expenses comprise audit and management fees; these expenses are recognised in profit or loss in the period in which they occur.

Interest income and finance costs

Interest income on financial assets that are classified as financial assets measured at amortised cost and interest expense on financial liabilities other than those at fair value through profit and loss are determined using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or amortised cost of the financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument excluding expected credit losses.

The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of the financial instrument and all other premiums or discounts. Interest income on assets classified as financial assets measured at amortised cost and interest expense on liabilities classified at amortised cost are recognised in the income statement.

Income taxes

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

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the year in which profits arise. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Company does not hold cash or cash equivalents.

Financial Instruments

Initial recognition and measurement

Financial assets and liabilities are initially recognised when the Company becomes a party to the contractual terms of the instrument. The Company determines the classification of its financial assets and liabilities at initial recognition and measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost.

1) Classification and subsequent measurement

The Company classifies its financial assets in the measurement categories of amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL).

The classification and measurement requirements for financial asset debt instruments and financial liabilities are set out below.

Financial assets: debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans. Classification and subsequent measurement of debt instruments depend on the Company's business model for managing the asset, and the cash flow characteristics of the asset.

Business model
The business model reflects how the Company manages the assets in order to generate cash flows and, specifically, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. Factors considered in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel and how risks are assessed and managed.

SPPI
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the assets' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related asset is classified and measured at FVTPL.

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. Based on these factors, the Company classifies its debt instruments into the measurement category of amortised cost.

The Company's debt instruments consist of the secured loan portfolio which is reflected under 'Financial assets at amortised cost' in the Balance Sheet. The carrying amount of these assets is adjusted by any ECL recognised.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost. The Company's financial liabilities consist of 'Trade and other payables'. Finance costs are charged to the Statement of Comprehensive Income using the effective interest rate method and reflected under 'Finance costs'.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

2) Impairment of financial assets

Expected credit losses are recognised on all financial assets at amortised cost. The expected credit loss considers forward looking information to recognise impairment allowances earlier in the lifecycle of a product. A three-stage approach to impairment measurement is adopted as follows:

- Stage 1 - the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
- Stage 2 - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
- Stage 3 - lifetime expected credit losses for financial instruments which are credit impaired.

The measurement of ECL reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For more on how ECL is calculated see the Credit risk section in note 3.

Write-off

Financial assets are written off when it is reasonably certain that receivables are irrecoverable. The write-offs are charged against previously established provisions for impairment.

3) Derecognition

Financial assets are derecognised when the rights to receive cash flows have expired or the Company has transferred its contractual right to receive the cash flows from the assets and either: (1) substantially all the risks and rewards of ownership have been transferred; or (2) the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control. Financial liabilities are derecognised when extinguished, cancelled or expired.

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF SIGNIFICANT MANAGEMENT JUDGEMENT

The preparation of the financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

In the course of preparing the financial statements, no significant judgements and accounting estimates have been made in the process of applying the Company's accounting policies.

3. FINANCIAL RISK MANAGEMENT

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk and operational risk. The Company manages its risk in line with the central risk management function of the Santander UK Group Holdings Plc (Santander UK Group). Santander UK Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Santander UK Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Santander UK Group's strategic objectives.

Authority flows from the Santander UK Group Board to the Chief Executive Officer and from him to specific individuals. Formal standing committees are maintained for effective management of oversight. Their authority is derived from the person they are intended to assist. Further information can be found in the Santander UK Group Holdings plc Annual Report which does not form part of this Report.

Credit risk

Credit risk is the risk of financial loss arising from the default of a customer or counterparty to which the Company has directly provided credit, or for which the Company has assumed a financial obligation, after realising collateral held.

NOTES TO THE FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk management (continued)

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.

Key metrics

The Company uses a number of key metrics to measure and control credit risk, as follows:

Metric	Description
Expected credit losses (ECL)	ECL tells the Company what credit risk is likely to cost either over the next 12 months on qualifying exposures, or defaults over the lifetime of the exposure where there is evidence of a significant increase in credit risk since origination.
Stages 1, 2 and 3	The Company assesses the credit risk profile to determine which stage to allocate and monitors where there is a significant increase in credit risk and transfers between the stages.
Expected Loss (EL)	EL is the product of the probability of default, exposure at default and loss given default. The Company calculates each factor in accordance with group policy and risk models and an assessment of each customer's credit quality. There are differences between regulatory EL and IFRS 9 ECL. More details can be found in the Annual Report of the ultimate UK parent company Santander UK Group Holdings plc. For the rest of the Risk review, impairments, losses and loss allowances refer to calculations in accordance with IFRS, unless specifically stated otherwise. For IFRS accounting policy on impairment, see Note 1 to the Financial Statements.

Maximum exposure to credit risk

The table below shows the Company's maximum exposure to credit risk without taking into account collateral or credit enhancements amounts. The class of financial instruments that are most exposed to credit risk are finance agreements, comprising loans and advances to customers.

	Balance sheet asset		
	Gross amounts	Loss allowances	Net exposure
2019	£	£	£
Financial assets at amortised cost:			
Loans and advances to customers	19,545,146	-	19,545,146
Total financial assets at amortised cost	19,545,146	-	19,545,146

	Balance sheet asset		
	Gross amounts	Loss allowances	Net exposure
2018	£	£	£
Financial assets at amortised cost:			
Loans and advances to customers	20,813,320	-	20,813,320
Total financial assets at amortised cost	20,813,320	-	20,813,320

All exposures are with a single customer in the corporate sector. The lending book of this company in the current year is wholly related to the film industry.

NOTES TO THE FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Maximum exposure to credit risk (continued)

For the Company, 100% (2018: 100%) of the balances are secured. Security comprises of cash held on deposit by Santander UK plc, a fellow group company. The credit risk associated to the deposit is insignificant and as a result, the ECL is immaterial.
The amounts held on deposit as cash, equal the amounts outstanding under the loans.

Total loan agreement balances are in the table below:

	2019	2018
	£	£
Financial instruments - Loans and advances to customers	19,545,146	20,813,320
Total financial assets at amortised cost	19,545,146	20,813,320

Arrears and impairment

Asset quality is good with no lending balances in arrears at 31 December 2019 (2018: £Nil).

Market risk

Market risk is the risk of a reduction in economic value or reported income resulting from a change in the variables of financial instruments including interest rate, equity, credit spread, property and foreign currency risks. 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 Santander UK Group Holdings plc Annual Report which does not form part of this Report.

Interest rate risk

Interest rate risk is the risk of an adverse change in profits as a result of changes to interest rates. The interest earned on the Company's interest-bearing assets and the interest payable on its interest-bearing liabilities, in unison significantly reduces the extent to which the Company is exposed to interest rate risk. The Company's interest income and expense is not exposed to movements in the interest rate as these are fixed rate transactions.

As a result, the Company is not exposed to any significant concentration of interest rate risk.

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 company Santander Equity Investments Limited. All liabilities are repayable on demand.

The day to day management of liquidity is the responsibility of Asset and Liability Management ("ALM") within Santander UK Group Infrastructure, which provides funding to and takes surplus funds from the Company as required.

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. This includes regulatory, legal and compliance risk. Operational risk is monitored and managed within the Group. Further information can be found in the Santander UK Group Holdings plc Annual Report which does not form part of this Report.

4. INTEREST INCOME

	2019	2018
	£	£
Interest income	**1,029,878**	1,100,168
	1,029,878	1,100,168

Contained within revenue is £30,209 (2018: £30,209), representing the spread of upfront arrangement fees over the contractual life of the financing arrangements, using the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

5. PROFIT FROM OPERATIONS

Directors' emoluments

The Directors' services to the Company are an incidental part of their duties. No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the ultimate UK parent company Santander UK Group Holdings plc. No emoluments were paid by the Company to the Directors during the year (2018: £Nil).

Auditors' remuneration

The audit fee payable to the Company's auditors for the audit of the Company's financial statements for the current year is £9,700 (2018: £5,500). Audit fees are borne by the parent and subsequently recharged to the Company and recognised as payables to related parties.

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.

6. FINANCE COSTS

	2019 £	2018 £
Interest payable to immediate parent undertaking	995,921	1,057,751
	995,921	1,057,751

7. TAX CHARGE FOR THE YEAR

	2019 £	2018 £
Current tax:		
UK Corporation tax on profit for the year	1,266	3,716
Total current tax	1,266	3,716
Tax charge on profit for the year	1,266	3,716

UK corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profits for the year.

The Finance Act 2016 introduced a reduction in the UK corporation tax rate to 17% from 1 April 2020. However, this rate deduction was reversed in the UK Budget in March 2020. As a result, the UK corporation tax rate is expected to remain at 19%.

The tax on the Company's profit before tax is the same as (2018: is the same as) the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2019 £	2018 £
Profit before tax	6,664	19,556
Tax calculated at a rate of 19% (2018: 19%)	1,266	3,716
Total charge for the year	1,266	3,716

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL ASSETS AT AMORTISED COST

	2019 £	2018 restated* £
Non-current		
Financial assets at amortised cost	17,244,438	18,645,309
Current		
Financial assets at amortised cost	2,300,708	2,168,011
Total financial assets at amortised cost	19,545,146	20,813,320

The Company did not recognise an ECL provision against this balance as none (2018: none) of the financial assets are past due and a cash deposit collateral is held within the Santander UK Group as at 31 December 2019 and 2018.

The maturity of financial assets at amortised cost is set out below:

	2019 £	2018 restated* £
Due:		
Between 3 – 6 months	2,300,708	2,168,011
Between 1 – 2 years	2,232,141	2,010,466
Between 2 – 3 years	2,332,324	2,247,246
Between 3 – 5 years	-	2,332,324
Greater than 5 years	12,679,973	12,055,273
Total financial assets at amortised cost	19,545,146	20,813,320

* For details of the restatement see note 15

The Directors consider that the carrying value of the assets approximates to their fair value.

9. CAPITAL MANAGEMENT AND RESOURCES

The Company's ultimate UK parent, Santander UK Group Holdings plc (the Santander UK Group), adopts a centralised capital management approach based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Santander UK Group. Capital is managed by way of processes set up at inception of the Company and subsequently there is no active process in the Company for managing its own capital. The Company is designed to hold minimum reserves once all amounts due on the related party loans have been received and amounts owing have been paid.

Disclosures relating to the Santander UK Group's capital management can be found in the Santander UK Group Holdings plc annual report and financial statements.

Capital held by the Company and managed centrally as part of the Santander UK Group, comprises share capital and reserves which can be found in the Balance Sheet on page 7. The Company's capital is not externally regulated.

10. RELATED PARTY TRANSACTIONS

Key management compensation

As detailed in note 5 the Company had no employees in either the current or preceding year and the directors are remunerated through Santander UK Group Holdings plc. Therefore, no key management compensation was paid by this Company. There were no other related party transactions with key management personnel.

Particulars of transactions with related parties, and the balances outstanding at the year end, are disclosed in the tables below:

	Finance costs	
	2019 £	2018 £
Santander Equity Investments Limited – interest	995,921	5,035
Santander Asset Finance plc – interest	-	1,052,716
	995,921	1,057,751

10. RELATED PARTY TRANSACTIONS (continued)

	Amounts owed to related parties	
	2019	2018
	£	£
Santander Equity Investments Limited – parent loan	19,137,485	20,422,023
Santander UK plc	5,500	-
Other group companies	19,142,985	20,422,023

The amounts due to the parent are unsecured, repayable on demand and accrue interest at a fixed rate.

11. TRADE AND OTHER PAYABLES

	2019	2018
	£	£
Payable to related parties	19,142,985	20,422,023
Other creditors	353	353
Accrued expenses	9,700	5,500
	19,153,038	20,427,876

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

The amounts payable to related parties are unsecured and repayable on demand.

12. SHARE CAPITAL

	2019	2019	2018	2018
	No	£	No	£
Issued and fully paid				
Ordinary shares of £1 each	2	2	2	2

All issued share capital is classified as equity.

13. CONTINGENT LIABILITIES

Santander UK Group Holdings plc and its subsidiaries ("Santander UK group") engages in discussion, and co-operates, with HM Revenue & Customs (HMRC) in their oversight of the Santander UK group's tax matters. The Santander UK group adopted the UK's Code of Practice on Taxation for Banks in 2010.

Certain leases in which current or previous members of the Santander UK group is or were the lessor are currently under review by HMRC in connection with claims for tax allowances. Under the terms of the lease agreements, certain members of the Santander UK group, including the company's parent, are fully indemnified in all material respects by the respective lessees for any liability arising from the disallowance of tax allowances plus accrued interest. Whilst legal opinions have been obtained to support the Santander UK group's position, the matter remains uncertain pending formal resolution with HMRC and subsequent litigation. It is anticipated that the matters will move to formal litigation in 2020 as required under the terms of the leases. In return for payments to the lessor companies, the Company has received the benefit of the claims for tax allowances via group relief surrendered from one or more of the lessor companies. If HMRC were successful, the Company would be required to pay up to £21,000 in corporation tax and interest which it would then reclaim from the lessor companies.

14. PARENT UNDERTAKING AND CONTROLLING PARTY

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

The Company's ultimate parent undertaking and controlling party is Banco Santander SA, a company registered in Spain. Banco Santander SA is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Santander UK Group Holdings plc is the intermediate parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member.

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

NOTES TO THE FINANCIAL STATEMENTS

15. RESTATEMENT

During the year, the Directors reviewed the maturity of financial assets at amortised cost and identified that the breakdown disclosed in 2018 was incorrect. Consequently, the maturity analysis has been restated in accordance with IAS 1 Presentation of Financial Statements. The impact of these adjustments is detailed below:

	2018 £	Adjustment £	2018 restated £
Non-current			
Financial assets at amortised cost	18,329,643	315,666	18,645,309
Current			
Financial assets at amortised cost	2,483,677	(315,666)	2,168,011
Total financial assets at amortised cost	**20,813,320**	-	**20,813,320**

Maturity of financial assets at amortised cost:

	2018 £	Adjustment £	2018 restated £
Due:			
Between 3 – 6 months	2,483,677	(315,666)	2,168,011
Between 1 – 2 years	2,760,793	(750,327)	2,010,466
Between 2 – 3 years	3,058,491	(811,245)	2,247,246
Between 3 – 5 years	3,172,744	(840,420)	2,332,324
Greater than 5 years	9,337,615	2,717,658	12,055,273
Total financial assets at amortised cost	**20,813,320**	-	**20,813,320**

This change in the maturity breakdown has no impact on the statement of comprehensive income or the statement of changes in equity.

16. SUBSEQUENT BALANCE SHEET EVENTS

The Company is monitoring the impact of the COVID-19 outbreak on the financial performance of the Company. The Company is part of the Santander UK Group, which has implemented precautionary measures and protocols based on recommendations from official health authorities, such as the World Health Organization (WHO) and Public Health England. Further such measures may need to be implemented in future, as the situation is complex and is still changing rapidly.

Given the fluidity of the situation, the Company cannot quantify the magnitude and duration of the impact of the COVID-19 outbreak at this time, although there may well be a negative impact on our 2020 financial results. However, the Company does not anticipate any significant change to the carrying value of its assets and liabilities at the reporting date. The Company will continue to monitor and assess its business operations.

This is a non-adjusting post balance sheet event.