

**ALLIANCE & LEICESTER LIMITED  
(FORMERLY ALLIANCE & LEICESTER plc)**

**Registered in England and Wales  
Company Number: 03263713**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2013**

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**ALLIANCE & LEICESTER LIMITED**  
**(FORMERLY ALLIANCE & LEICESTER plc)**  
**COMPANY NUMBER: 03263713**

**STRATEGIC REPORT**

The Directors submit the strategic report together with their directors' report and the financial statements for the year ended 31 December 2013.

**Fair review of the Company's Business**

The Santander UK plc group (the "Group") manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the divisions of Santander UK plc, which include the Company, are discussed in the Group's Annual Report which does not form part of this Report.

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

**Principal risks and uncertainties facing the Company**

The Company's principal risks and uncertainties together with the processes that are in place to monitor and mitigate those risks where possible can be found in Note 8.

By Order of the Board



For and on behalf of  
Santander Secretariat Services Limited, Secretary

16 April 2014

Registered Office Address: Carlton Park, Narborough, Leicester, LE19 0AL

**ALLIANCE & LEICESTER LIMITED**  
**(FORMERLY ALLIANCE & LEICESTER plc)**  
**COMPANY NUMBER: 03263713**

**REPORT OF THE DIRECTORS**

The Directors submit their report together with the financial statements for the year ended 31 December 2013.

**Principal activity and review of the year**

The principal activity of the Company was historically the provision of an extensive range of personal financial services. In addition, the Company provided a wide range of banking and financial services to business and public sector customers.

Following the transfer of almost all the Company's business to Santander UK plc in 2010 under a business transfer scheme pursuant to Part VII of the Financial Services and Markets Act 2000 ('FSMA'), the only business remaining in the Company was a small portfolio of corporate loans which was transferred to Santander UK plc in 2011. On 5 January 2012, the Company's banking licence and associated Financial Services Authority (FSA) permissions were surrendered and the Company ceased to be regulated by the FSA.

The Santander UK plc Group (the "Group") manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the divisions of Santander UK plc, which include the Company, are discussed in the Group's Annual Report which does not form part of this Report.

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

On 15 November 2013 the Company was re-registered from a public limited company to a private limited company and changed its name from Alliance & Leicester plc to Alliance & Leicester Limited.

During the year, the Company reduced its share capital by £1,228,543,463.50 and cancelled and extinguished the entire amount in its share premium and capital redemption reserves by £123,930,164 and £89,849,274 respectively. The total amount was then transferred to the Company's distributable reserves.

**Likely Future Developments**

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

**Results and dividends**

The profit for the year on ordinary activities after taxation amounted to £710,831 (2012: £970,482).

The results of the Company are discussed in the Principal Activities and Business Review above.

The Directors do not recommend the payment of a final dividend (2012: nil).

The Company paid an interim dividend of £166,000,000 for the year (2012: £nil)

**Directors**

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

S P Coles	(appointed on 06 November 2013)
D M Green	(appointed on 06 November 2013)
D J Lewis	(appointed on 06 November 2013)
A P Botin	(resigned on 06 November 2013)
J M Nus	(resigned on 06 November 2013)
S Pateman	(resigned on 06 November 2013)

**ALLIANCE & LEICESTER LIMITED**  
**(FORMERLY ALLIANCE & LEICESTER plc)**  
**COMPANY NUMBER: 03263713**

**REPORT OF THE DIRECTORS (continued)**

**Statement of Directors' responsibilities**

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

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

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

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

**Statement of Going Concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 9 and 8 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit risk and market risk.

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis of accounting in preparing the annual report and accounts.

**Financial instruments**

The Company's risks are managed on a Group level by the intermediate UK parent company, Santander UK plc.

The financial risk management objectives of and policies of the Group; the policy for hedging each major type of forecasted transaction for which hedge accounting is used; and the exposure of the Group to price risk, credit risk, liquidity risk and cash-flow risk are outlined in the Group financial statements.

Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found in note 8.

**Qualifying third party indemnities**

Enhanced indemnities are provided to the Directors of the Company by Santander UK plc against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities remain in force as at the date of this Report and Accounts. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

**ALLIANCE & LEICESTER LIMITED**  
**(FORMERLY ALLIANCE & LEICESTER plc)**  
**COMPANY NUMBER: 03263713**

**REPORT OF THE DIRECTORS (continued)**

**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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

By Order of the Board



For and on behalf of  
Santander Secretariat Services Limited, Secretary

16 April 2014

Registered Office Address: Carlton Park, Narborough, Leicester, LE19 0AL

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE & LEICESTER LIMITED**

We have audited the financial statements of Alliance & Leicester Limited (the "Company") for the year ended 31 December 2013 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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

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

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

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



Tom Millar (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
16 April 2014

**ALLIANCE & LEICESTER LIMITED**  
**(FORMERLY ALLIANCE & LEICESTER plc)**  
**COMPANY NUMBER: 03263713**

**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**Income Statement**

For the year ended 31 December 2013

	2013 £	2012 £
Interest income	926,706	1,460,000
Interest expense	-	(172,752)
<b>Net interest income</b>	<b>926,706</b>	<b>1,287,248</b>
Net trading and other income	(542)	(1,842)
<b>Total operating income</b>	<b>926,164</b>	<b>1,285,406</b>
<b>Profit before tax</b>	<b>926,164</b>	<b>1,285,406</b>
Taxation charge	3 (215,333)	(314,924)
<b>Profit for the year</b>	<b>710,831</b>	<b>970,482</b>
<b>Attributable to:</b>		
Equity holders of the Company	710,831	970,482

**Statement of Comprehensive Income**

For the year ended 31 December 2013

	2013 £	2012 £
<b>Profit for the year</b>	<b>710,831</b>	<b>970,482</b>
<b>Total comprehensive income for the year</b>	<b>710,831</b>	<b>970,482</b>
<b>Attributable to equity holders of the Company</b>	<b>710,831</b>	<b>970,482</b>

**Balance Sheet**

At 31 December 2013

	Notes	2013 £	2012 £
<b>Non-current assets</b>			
Loans and advances to banks	7	3,008,920	168,602,834
Loans and advances to customers		3,816	3,816
<b>Total non-current assets</b>		<b>3,012,736</b>	<b>168,606,650</b>
<b>Current liabilities</b>			
Current tax liability		(10,179)	(314,924)
<b>Total current liabilities</b>		<b>(10,179)</b>	<b>(314,924)</b>
<b>Net assets</b>		<b>3,002,557</b>	<b>168,291,726</b>
<b>Equity</b>			
Share capital	4	100	1,228,543,563
Share premium	4	-	123,930,164
Capital redemption reserve		-	89,849,274
Retained earnings		3,002,457	(1,274,031,275)
<b>Total ordinary shareholders' equity</b>		<b>3,002,557</b>	<b>168,291,726</b>

The accompanying notes form an integral part of the accounts.

The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2014. They were signed on its behalf by: **DAVID GREEN**

  
**Director**

**ALLIANCE & LEICESTER LIMITED**  
**(FORMERLY ALLIANCE & LEICESTER plc)**  
**COMPANY NUMBER: 03263713**

**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**Statement of Changes in Equity**  
**For the year ended 31 December 2013**

	Share Capital £	Share Premium £	Capital redemption reserve £	Retained earnings £	Total £
1 January 2012	1,228,543,563	123,930,164	89,849,274	(1,275,001,757)	167,321,244
Profit for the year	-	-	-	970,482	970,482
<b>31 December 2012</b>	<b>1,228,543,563</b>	<b>123,930,164</b>	<b>89,849,274</b>	<b>(1,274,031,275)</b>	<b>168,291,726</b>
<b>1 January 2013</b>	<b>1,228,543,563</b>	<b>123,930,164</b>	<b>89,849,274</b>	<b>(1,274,031,275)</b>	<b>168,291,726</b>
Profit for the year	-	-	-	710,831	710,831
Capital reduction	(1,228,543,463)	(123,930,164)	(89,849,274)	1,442,322,901	-
Dividends paid	-	-	-	(166,000,000)	(166,000,000)
<b>31 December 2013</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>3,002,457</b>	<b>3,002,557</b>

**Cash Flow Statement**

**For the year ended 31 December 2013**

	2013 £	2012 £
<b>Net cash flow used in operating activities</b>	<b>166,000,000</b>	<b>-</b>
<b>Financing activities</b>		
Dividends paid	(166,000,000)	-
<b>Net cash flow used in financing activities</b>	<b>(166,000,000)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of the year	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>-</b>

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



**ALLIANCE & LEICESTER LIMITED**  
**(FORMERLY ALLIANCE & LEICESTER plc)**  
**COMPANY NUMBER: 03263713**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**1. Accounting policies**

**Basis of preparation**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as approved by the International Accounting Standards Board ('IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB that, under European Regulations, are effective and available for early adoption at the Company's reporting date. Alliance & Leicester Limited (the 'Company') have complied with IFRS as issued by the IASB in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union.

The financial statements have been prepared under the historical cost convention and on the going concern basis as disclosed in the Directors' Statement of Going Concern set out in the Report of the Directors.

**Recent accounting developments**

In 2013, the Company adopted the following amendments to standards which became effective for financial years beginning on 1 January 2013.

- (a) IAS 1 'Presentation of Financial Statements' – In June 2011, the IASB issued amendments to IAS 1 that retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss; and (ii) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 had no impact on these financial statements.
- (b) There are a number of other changes to IFRS that were effective from 1 January 2013. Those changes did not have a significant impact on the Company's financial statements.

**Future accounting developments**

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

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

**Foreign currency translation**

Items included in the Financial Statements of the Company are measured using the currency that best reflects the economic substance of the underlying events and circumstances ('the functional currency'). The Financial Statements are presented in pounds sterling, which is the functional currency of the Company. Foreign currency transactions are translated into the functional currency of the Company at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**ALLIANCE & LEICESTER LIMITED**  
**(FORMERLY ALLIANCE & LEICESTER plc)**  
**COMPANY NUMBER: 03263713**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**1. Accounting policies (continued)**

**Revenue recognition**

**Interest income and expense**

Income on financial assets that are classified as loans and receivables or available-for-sale, 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 net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument excluding future 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 loans and receivables or available-for-sale, interest expense on liabilities classified at amortised cost and interest income and expense on hedging derivatives are recognised in interest and similar income and interest expense and similar charges in the income statement.

**Financial assets**

The Company classifies its financial assets as loans and receivables. Management determines the classification of its investments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market and which are not classified as available-for-sale or fair value through profit or loss. They arise when the Company provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all of the risks and rewards of ownership. Loans and receivables consist of Loans and advances to banks, Loans and advances to customers and Loans and receivables securities.

**Impairment of financial assets**

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

**Income taxes, including deferred taxes**

The tax expense represents the sum of the income tax currently payable and deferred income tax. Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. Taxable profit differs from net profit as reported in the income statement 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. Deferred income tax is provided in full, using the liability method, on income tax losses available to carry forward and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the assets may be utilised as they reverse. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill and the initial recognition of other assets (other than in a business combination) and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future. The Company reviews the carrying amount of deferred tax assets at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**ALLIANCE & LEICESTER LIMITED**  
**(FORMERLY ALLIANCE & LEICESTER plc)**  
**COMPANY NUMBER: 03263713**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**1. Accounting policies (continued)**

**Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with central banks, and loans and advances to banks.

**Share capital**

Incremental external costs directly attributable to the issue of new shares are deducted from equity net of related income taxes.

**Dividends**

Dividends on ordinary shares are recognised in equity in the period in which the right to receive payment is established.

**2. Audit services**

The statutory audit fee for the current year and prior year has been paid on the Company's behalf by the intermediate UK parent company, Santander UK plc, in accordance with company policy, for which no recharge has been made. The statutory audit fee for the current year is £5,000 (2012: £5,100).

**3. Tax**

	2013 £	2012 £
<b>Current tax:</b>		
UK corporation tax on profit of the year	215,333	314,924
	215,333	314,924

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 24% to 23% with effect from 1 April 2013.

The Finance Act 2013, which provides for reductions in the main rate of UK corporation tax to 21% effective from 1 April 2014, and 20% effective from 1 April 2015, was enacted on 17 July 2013.

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

	2013 £	2012 £
<b>Profit before tax:</b>	926,164	1,285,406
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	215,333	314,924
<b>Tax charge on profit for the year</b>	215,333	314,924

**ALLIANCE & LEICESTER LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**4. Share capital and share premium**

(a) Share capital

	2013 £	2012 £
<b>Issued and fully paid:</b>		
200 ordinary shares of £0.50 each	100	1,228,543,563
<b>At 31 December</b>	<b>100</b>	<b>1,228,543,563</b>

During the year the Company undertook a capital reduction by cancelling and extinguishing 2,457,086,927 £0.50 ordinary shares resulting in a corresponding transfer to the Company's distributable reserves.

(b) Share premium

	2013 £	2012 £
<b>At 1 January</b>	-	123,930,164
<b>At 31 December</b>	-	123,930,164

During the year share premium account was cancelled and extinguished in its entirety and was transferred to distributable reserves.

**5. Directors' emoluments and interests**

The remuneration of the Directors of the Company is set out in the 'Directors' Remuneration' table in the Santander UK plc 2013 Annual Report and Accounts. Any loans, quasi loans and credit transactions entered into or agreed by the Company with persons who are or were Directors, Other Key Management Personnel and each of their connected persons during the year are set out in the Santander UK plc Annual Report and Accounts 2013 and 2012. No directors were remunerated for their services to the Company. Directors' emoluments are borne by the intermediate UK parent company Santander UK plc. No emoluments were paid by the Company to the Directors during the year (2012: £nil).

**6. Related party disclosures**

**Transactions with Directors, Other Key Management Personnel and each of their connected persons**

Any transactions undertaken by Directors, Other Key Management Personnel and their connected persons with the Company in the course of normal banking for 2013 and 2012 are set out in the Santander UK plc Annual Report and Accounts.

**Remuneration of Key Management Personnel**

The remuneration of the Directors and Other Key Management Personnel of the Company, in aggregate for each of the categories specified in IAS 24 Related Party Disclosures for 2013 and 2012 is set out in the Santander UK plc Annual Report and Accounts. Further information about the aggregate remuneration of the Directors in 2013 and 2012 is provided in the 'Directors' Remuneration' table in the Santander UK plc Annual Report and Accounts.

**Transactions with related parties**

Transactions with related parties during the year and balances outstanding at the year end:

	Interest, fees and other income received		Interest, fees and other expenses paid		Amounts owed by related parties	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Parent company	926,706	1,460,000	-	(172,752)	3,008,920	168,602,834
	926,706	1,460,000	-	(172,752)	3,008,920	168,602,834

**ALLIANCE & LEICESTER LIMITED**  
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**COMPANY NUMBER: 03263713**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**7. Loans and receivables**

	2013 £	2012 £
<b>Non-current</b>		
Amounts due from group companies	3,008,920	168,602,834

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

**8. 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 and market risk. The Company manages its risk in line with the central risk management function of the 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 plc Board to the Chief Executive Officer and from her 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 plc Annual Report which does not form part of this Report.

**Credit risk**

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held.

The Company is exposed to credit risk on receivables relating to amounts due from its immediate parent company. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Balance Sheet, refer to note 7 to the financial statements.

**Market risk**

Market risk is the potential for loss of income or decrease in the value of net assets caused by movements in the levels and prices of financial instruments. The majority of market risk arises as a result of interest rate risk on the receivable balance and their corresponding interest income.

**9. Capital management and resources**

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

Capital held by the Company and managed centrally as part of the Santander UK Group, comprises share capital and reserves which can be found in the Balance Sheet on page 6.

**10. Parent undertaking and controlling party**

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

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

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