ALLIANCE & LEICESTER LIMITED

Registered in England and Wales
Company Number 03263713

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018.

This Report of the Directors has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemptions provided in section 414B (as incorporated to the Act by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) of the Act.

Principal activities and review of the year

The principal activity of Alliance & Leicester Limited (the "Company") is to make and hold loans.

As part of a wider legal reorganisation under Banking Reform, Santander UK Group Holdings plc (together with its subsidiaries, the HoldCo Group) was required to separate certain retail banking activities from certain wholesale or investment banking activities by 1 January 2019. As part of the reorganisation the Company was transferred out of the ring-fenced bank on 28 June 2018 to Santander Equity Investments Limited.

Results and dividends

The profit for the year after taxation amounted to £292 (2017: loss of £3,367).

The Directors made a payment of an interim dividend amounting to £3,012,800 (2017: nil). The Directors do not recommend the payment of a final dividend (2017: nil).

Impact of Brexit

The process for the UK leaving the EU impacts the economic, legal and regulatory environment across the financial services industry. The Santander UK group has put in place appropriate plans to address the potential risks and will update and implement in this Company as necessary.

Post Balance Sheet Events

No adjusting or significant non-adjusting events have occurred between the 31 December 2018 and the date of authorisation of the financial statements.

Directors

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

AR Honey
RJ Morrison

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Statement of Going Concern and Financial Management

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 2 and 9 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 from the date the financial statements are authorised for issue. However as a result of a subsidiary optimisation programme undertaken by the parent, a decision has been made to liquidate the company in the near future. As required by IAS 1 'Presentation of Financial Statements', management has prepared the financial statements on the basis that the company is no longer a going concern. Preparation of the financial statements on an "other than going concern" basis has resulted in all assets and liabilities being classified as current. Adjustments as a result of the change in preparation on a basis other than going concern were made in prior periods.

REPORT OF THE DIRECTORS *(continued)*

Qualifying Third Party Indemnities

On 23 January 2019 Santander UK Group Holdings plc provided enhanced indemnities to the directors of the Company against liabilities and associated costs which they could incur in the course of their duties to the Company. Before this date enhanced indemnities on similar terms were provided to the directors of the Company by Santander UK plc. All of the indemnities remain in force as at the date of this Annual Report and Financial Statements and during the financial year. 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 s418 of the Companies Act 2006.

Independent auditors

In accordance with Sections 485 and 487 of the Companies Act 2006, PricewaterhouseCoopers LLP are re-appointed as auditors of the Company.

By order of the Board

Jennifer Cheung

For an on behalf of
Santander Secretariat Services Limited, Secretary

21 September 2019

Registered office address: 2 Triton Square, Regent's Place, London, NW1 3AN

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE & LEICESTER LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Alliance & Leicester Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 Act 2006.

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 2018; 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.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than 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, except to the extent otherwise explicitly stated in this report, 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.

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE & LEICESTER 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 in respect of the financial statements 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 Chapter 3 of Part 16 of the Companies Act 2006 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 Act 2006 exception reporting

Under the Companies Act 2006 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
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Liam Thompson-Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27September 2019

STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

Discontinued operations	Note	2018 £	2017 £
Net trading and other income/(losses)		361	(4,168)
Total operating income/(loss)		**361**	(4,168)
Profit/(Loss) before tax		**361**	(4,168)
Tax (charge)/credit	4	**(69)**	801
Profit/(Loss) after tax for the year		**292**	(3,367)

The Company has no comprehensive income or expenses attributable to the equity holders other than the profit of £292 (2017: loss of £3,367) for the current and previous year.

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 as at 1 January 2017	100	3,015,886	3,015,986
Loss and total comprehensive expense for the year	-	(3,367)	(3,367)
Balance as at 31 December 2017	100	3,012,519	3,012,619
Balance as at 1 January 2018	**100**	**3,012,519**	**3,012,619**
Profit and total comprehensive income for the year	**-**	**292**	**292**
Dividend	**-**	**(3,012,800)**	**(3,012,800)**
Balance as at 31 December 2018	**100**	**11**	**111**

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

CASH FLOW STATEMENT

For the years ended 31 December

	Note	2018 £	2017 £
Net cash generated from/(used in) operating activities	7	**4,170**	(4,161)
Financing activities			
Dividends		**(3,012,800)**	-
Net cash used in financing activities		**(3,012,800)**	-
Net decrease in cash and cash equivalents		**(3,008,630)**	(4,161)
Cash and cash equivalents at beginning of the year		**3,009,991**	3,014,152
Cash and cash equivalents at the end of the year	7	**1,361**	3,009,991

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

BALANCE SHEET

As at 31 December

	Note	2018 £	2017 £
Current assets			
Loans and advances to customers		-	3,809
Cash		**1,361**	267,826
Loans and receivables	5	-	2,742,165
Total current assets		**1,361**	3,013,800
Total assets		**1,361**	3,013,800
Current liabilities			
Amount due to related companies - group relief		**(1,250)**	(1,181)
Total current liabilities		**(1,250)**	(1,181)
Total liabilities		**(1,250)**	(1,181)
Net assets		**111**	3,012,619
Equity			
Share capital	6	**100**	100
Retained earnings		**11**	3,012,519
Total equity		**111**	3,012,619

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

These financial statements have been prepared in accordance with the special provisions relating to the small companies regime and the directors make this statement in accordance with section 414(3) of the Companies Act 2006.

The financial statements on pages 5 to 11 were approved by the board of directors, authorised for issue and signed on its behalf by:

R J Morrison
Director
27 September 2019

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. ACCOUNTING POLICIES

Alliance & Leicester Limited is a private company limited by shares, incorporated and domiciled in England and Wales. The registered office is Carlton Park, Narborough, Leicester, LE19 0AL.

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

Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

IAS 1 requires that financial statements for any Company that has ceased to trade, or where there is an intention for the Company to cease to trade in the foreseeable future, are prepared on an "other than going concern" basis. Accordingly, the financial statements have been prepared under the historical cost convention and on an "other than going concern" basis as disclosed in the Directors' Statement of Going Concern and Financial Management set out in the Report of the Directors. This has resulted in all assets and liabilities being classified as current. Adjustments as a result of the change in preparation on a basis other than going concern were made in prior periods.

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 Sterling, which is the functional currency of the Company.

Future accounting developments

At 31 December 2018, there were no significant new or revised standards and interpretations, and amendments, which had been issued but which are not yet effective for Alliance and Leicester Limited.

On 1 January 2018, the Company adopted IFRS 9 'Financial Instruments' (IFRS 9) and IFRS 15 'Revenue from Contracts with Customers' (IFRS 15). The new or revised accounting policies are set out below. The application of IFRS 9 had no material impact on the Company. The application of IFRS 15 had no material impact on the Company as there were no significant changes in the recognition of income.

Revenue and expense recognition

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities is determined using the effective interest rate method. The effective interest rate is the rate that exactly 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 but not 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 a financial instrument and all other premiums or discounts.

Income taxes, including deferred income taxes

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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.

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, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, short term investments in securities and bank overdrafts repayable on demand.

Financial Instruments

a) 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. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2018

1. ACCOUNTING POLICIES *(continued)*

Financial Instruments (continued)

b) Financial assets and liabilities (continued)

Classification and subsequent measurement
From 1 January 2018, the Company has applied IFRS 9 Financial Instruments and classifies its financial assets in the measurement categories of amortised cost. At the balance sheet date, financial assets were measured at amortised cost.

All financial liabilities are measured at amortised cost.

c) 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 and government and corporate bonds. 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. If neither of these is applicable, such as where the financial assets are held for trading purposes, then the financial assets are classified as part of an 'other' business model and measured at FVTPL. 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.

Based on these factors, the Company classifies its debt instruments into the following measurement category:

Amortised cost - 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. The carrying amount of these assets is adjusted by any ECL recognised. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method. When the estimates of future cash flows are revised, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the income statement.

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.

Impairment of debt instrument financial assets

Expected credit losses are recognized 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.

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

Share capital

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2018

1. ACCOUNTING POLICIES *(continued)*

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.

Critical accounting judgements and key sources of estimation uncertainty

There are no critical judgements that the directors have made in the process of applying the Company's accounting policies that have significant effect on the amounts recognised in financial statements. There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. 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 and liquidity risk. The Company manages its risk in line with the central risk management function of the HoldCo Group. The HoldCo's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the HoldCo Group's regulators.

Effective and efficient risk governance and oversight provide management with assurance that the HoldCo 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 HoldCo Group's strategic objectives.

Authority flows from the HoldCo 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 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. It occurs in intercompany assets held by the Company.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in notes 5 to the financial statements.

As at 31 December 2018 there were no assets that were either past due or impaired (2017: £nil).

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 result of interest rates.

Sensitivity analysis

A 50 basis point adverse movement in interest rates would result in an decrease in operating profit of £0 (2017: £0 increase in operating loss) and a 50 basis point favourable movement in interest rates would result in an increase in operating profit by £0 (2017: £693 fall in operating loss). The fall in operating profit is not linear with the increase in operating profit because interest rate decreases are capped at zero.

3. RESULT FROM OPERATIONS

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by Santander UK plc, a UK fellow subsidiary of the company's parent company. The Directors' services to the Company are an incidental part of their duties. No emoluments were paid by the Company to the Directors during the year (2017: £nil).

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

The statutory audit fee for the current year was £5,500 (2017: £5,500), in the current year this was paid on the Company's behalf by its UK parent company, Santander Equity Investments Limited (2017: Santander UK plc), in accordance with Company policy and no recharge has been made.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2018

4. TAX (CHARGE)/CREDIT

	2018 £	2017 £
Current tax:		
UK corporation tax for the year	69	(801)
Tax charge/(credit) for the year	**69**	(801)

UK corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable profits/(losses) for the year.

The Finance Act 2016 introduced a further reduction in the corporation tax rate to 17.00% from 2020. The effects have been reflected in the deferred tax balances at both 31 December 2018 and 2017.

The tax on the Company's profit/(loss) before tax differs from (2017: equal to) the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2018 £	2017 £
Profit/(loss) before tax:	**361**	(4,168)
Tax calculated at a tax rate of 19.00% (2017: 19.25%)	69	(801)
Tax charge/(credit) for the year	**69**	(801)

5. LOANS AND RECEIVABLES

	2018 £	2017 £
Current:		
Amounts due from group companies	-	2,742,165
Total	-	2,742,165

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

Amounts due from group companies are repayable on demand and are non-interest bearing.

6. SHARE CAPITAL

	2018 £	2017 £
Issued and fully paid:		
200 ordinary shares at £0.50 each (2017: 200 ordinary shares at £0.50 each)	**100**	100

7. NOTE TO THE CASH FLOW STATEMENT

	2018 £	2017 £
Profit/(loss) after tax for the year	**292**	(3,367)
Add back tax charge/(credit)	**69**	(801)
Profit/(loss) before tax	**361**	(4,168)
Changes in operating assets and liabilities:		
Change in receivables	**3,809**	7
Change in payables	-	-
Cash flows generated from/(used in) operating activities	**4,170**	(4,161)
Tax paid	-	-
Net cash generated from/(used in) operating activities	**4,170**	(4,161)

Where tax liabilities have been group relieved, they are accounted for as operating payables.

Reconciliation of cash and cash equivalents:

	2018 £	2017 £
Cash (excluding bank overdrafts)	**1,361**	267,826
Loans and receivables	-	2,742,165
Cash and cash equivalents	**1,361**	3,009,991

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. RELATED PARTY TRANSACTIONS

Trading transactions

The trading transactions with related parties relate to interest received on amounts due from group entities.

Related party transactions at balance sheet date are as follows:

		Income		Amounts due from related parties		Amounts due to related parties
	2018	2017	**2018**	2017	**2018**	2017
	£	£	**£**	£	**£**	£
Immediate UK parent company (1)	-	-	-	2,742,165	-	1,181
Fellow Subsidiary company	-	-	-	3,809	**1,250**	-

(1) In 2018, the immediate parent of the Company changed following its transfer from Santander UK plc to Santander Equity Investments Limited. Comparatives have not been restated for this change in ownership.

There were no related party transactions during the year, or existing at the balance sheet date, with the Company's or parent company's key management personnel.

9. CAPITAL MANAGEMENT AND RESOURCES

The Company's 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. The Company has no non-centralised process for managing its own capital. Disclosures relating to the Santander UK Group's capital management can be found in the Santander UK 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 6.

10. PARENT UNDERTAKING AND CONTROLLING PARTY

Up until 28 June 2018, the Company's immediate parent company was Santander UK plc, a company registered in England and Wales. On 28 June 2018, the Company was transferred to Santander Equity Investments Limited, a company registered in England and Wales and a subsidiary of Santander UK Group Holdings plc.

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 parent undertaking of the smallest group of undertakings for which the 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 Secretariat, Santander UK plc, 2 Triton Square, Regent's Place, London NW1 3AN.

11. POST BALANCE SHEET EVENTS

No adjusting or significant non-adjusting events have occurred between the 31 December 2018 and the date of authorisation of the financial statements.