

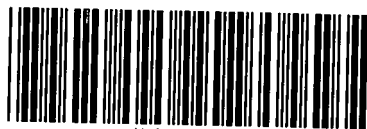
**A & L CF SEPTEMBER (4) LIMITED**

**Registered in England and Wales  
Company Number 2095545**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
30 SEPTEMBER 2013**

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# **A & L CF SEPTEMBER (4) LIMITED - 2095545**

## **REPORT OF THE DIRECTORS**

The Directors submit their Report together with the audited financial statements for the year ended 30 September 2013.

This directors' report has been prepared in accordance with the special provisions relating to small companies under Sections 415 (A) (1) & (2) of the Companies Act 2006.

## **PRINCIPAL ACTIVITY AND REVIEW OF THE YEAR**

The principal activity of A & L CF September (4) Limited (the "Company") is that of lessors and financiers of assets for the corporate sector.

## **RESULTS AND DIVIDENDS**

The profit for the year on ordinary activities after taxation amounted to £731,686 (2012: £672,541). The Directors do not recommend the payment of a final dividend (2012: £Nil).

## **DIRECTORS**

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

M W Evans	
C R Morley	
G A Faulkner	(resigned 26 October 2012)
A N Mussert	(appointed 4 December 2012)

## **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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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.

# A & L CF SEPTEMBER (4) LIMITED - 2095545

## REPORT OF THE DIRECTORS (continued)

### 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 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 to the financial statements includes the Company's objectives, policies and processes for managing its financial risk management objectives and its exposures to credit risk, market risk, liquidity risk and other risks.

The Company is part of the Santander UK Group. The Company has net liabilities and is reliant on other companies in the Santander UK Group for a significant proportion of 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 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 parent Santander UK 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 plc to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the confirmations by the directors of Santander UK plc outlined above, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing this Report and financial statements.

### 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.

### AUDITORS

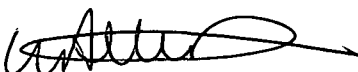
Each of the Directors as at the date of approval of this Report confirms that:

- 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 the steps that he/she ought to have taken as a Director in order 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 Section 418 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

7 April 2014

Registered Office Address: 2 Triton Square, Regent's Place, London NW1 3AN

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A & L CF SEPTEMBER (4) LIMITED**

We have audited the financial statements of A & L CF September (4) Limited for the year ended 30 September 2013 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

## **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 30 September 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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A & L CF SEPTEMBER (4) LIMITED (continued)**

## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



Tom Millar  
(Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
United Kingdom

7 April 2014

# A & L CF SEPTEMBER (4) LIMITED - 2095545

## INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	2013 £	2012 £
Revenue		1,990,421	2,282,123
<b>GROSS PROFIT</b>		<b>1,990,421</b>	<b>2,282,123</b>
Administrative expenses		(37,142)	(49,464)
<b>PROFIT FROM OPERATIONS</b>	4	<b>1,953,279</b>	<b>2,232,659</b>
Finance costs	5	(1,892,729)	(1,935,841)
<b>PROFIT BEFORE TAX</b>		<b>60,550</b>	<b>296,818</b>
Tax	6	671,136	375,723
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF A &amp; L CF SEPTEMBER (4) LIMITED</b>		<b>731,686</b>	<b>672,541</b>

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

The accompanying notes on form an integral part of these accounts.

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2013

The Company has no comprehensive income or expenses attributable to the equity holders other than the profit for the current and previous year as set out in the Income Statement.

The accompanying notes form an integral part of these accounts.

# A & L CF SEPTEMBER (4) LIMITED - 2095545

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 SEPTEMBER 2013

	<b>Issued capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
Balance at 1 October 2012	2	(758,779)	(758,777)
Profit for the year	-	731,686	731,686
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2013	2	(27,093)	(27,091)
	<hr/>	<hr/>	<hr/>

	<b>Issued capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
Balance at 1 October 2011	2	(1,431,320)	(1,431,318)
Profit for the year	-	672,541	672,541
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2012	2	(758,779)	(758,777)
	<hr/>	<hr/>	<hr/>

The accompanying notes form an integral part of these accounts.

# A & L CF SEPTEMBER (4) LIMITED - 2095545

## BALANCE SHEET

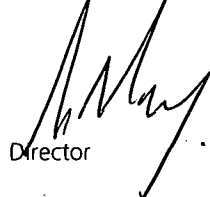
AS AT 30 SEPTEMBER 2013

	Notes	2013 £	2012 £
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Operating lease assets	7	9,910,699	9,910,699
Trade and other receivables	8	26,070,678	28,237,071
		<u>35,981,377</u>	<u>38,147,770</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	8	1,993,015	1,831,757
		<u>1,993,015</u>	<u>1,831,757</u>
<b>TOTAL ASSETS</b>		<u><b>37,974,392</b></u>	<u><b>39,979,527</b></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	(33,391,008)	(35,150,746)
		<u>(33,391,008)</u>	<u>(35,150,746)</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities	13	(4,610,475)	(5,587,558)
		<u>(4,610,475)</u>	<u>(5,587,558)</u>
<b>TOTAL LIABILITIES</b>		<u><b>(38,001,483)</b></u>	<u><b>(40,738,304)</b></u>
<b>TOTAL NET LIABILITIES</b>		<u><b>(27,091)</b></u>	<u><b>(758,777)</b></u>
<b>EQUITY</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
Issued share capital	15	2	2
Retained loss		(27,093)	(758,779)
		<u>(27,093)</u>	<u>(758,779)</u>
<b>DEFICIT ATTRIBUTABLE TO EQUITY HOLDERS OF A &amp; L CF SEPTEMBER (4) LIMITED</b>		<u><b>(27,091)</b></u>	<u><b>(758,777)</b></u>

The accompanying notes form an integral part of these accounts.

These accounts 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 were approved by the Board of Directors and authorised for issue on 7 April 2014. They were signed on its behalf by: **COLIN MORLEY**

  
Director



# A & L CF SEPTEMBER (4) LIMITED - 2095545

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	2013 £	2012 £
<b>Total profit for the year</b>		<b>731,686</b>	672,541
<b>NON-CASH ADJUSTMENTS</b>			
Decrease in trade and other receivables		<b>2,005,135</b>	1,759,723
Decrease in deferred tax liability		<b>(977,083)</b>	(646,618)
Increase in group relief		<b>305,948</b>	270,895
		<b>1,334,000</b>	1,384,000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,065,686</b>	2,056,541
Interest paid to parent undertakings		<b>(1,892,729)</b>	(1,935,841)
Management charges paid to parent undertakings		<b>(37,142)</b>	(49,464)
		<b>(1,929,871)</b>	(1,985,305)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>135,815</b>	71,236
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash advances paid to parent undertakings		<b>(135,815)</b>	(71,236)
		-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		-	-
Cash and cash equivalents as at 1 October		-	-
<b>CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER</b>	14	-	-

The accompanying notes form an integral part of these accounts.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 2013

#### 1. ACCOUNTING POLICIES

##### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union that are effective or available for early adoption at the Company's reporting date. The Company, in addition to complying with its legal obligation to comply with IFRSs adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost basis, except for the revaluation of financial instruments and on the going concern basis as disclosed in the Director's statement of going concern set out in the Report of the Directors.

The functional and presentation currency of the Company is Sterling.

##### **Recent accounting developments**

In 2013, the Company adopted the following amendments to standards which became effective for financial years beginning on 1 October 2012:

- 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 may 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) IAS 19 'Employee Benefits' – In June 2011, the IASB issued amendments to IAS 19 that change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, IAS 19 (2011) introduces more extensive disclosures in the presentation of the defined benefit cost.

These amendments to IAS 19 had no significant impact on the Company's profit or loss or financial position.

- c) IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' - In December 2011, the IASB issued amendments to IFRS 7 which require disclosure about the effect or potential effects of netting arrangements on an entity's financial position. The Santander UK plc group adopted the amendments to IFRS 7 effective for annual periods beginning on or after 1 October 2012.

The Company has no offsetting arrangements in place for financial assets and financial liabilities and therefore the application of the amendments to IFRS 7 has had no impact on the disclosures or on the amounts recognised in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

**1. ACCOUNTING POLICIES (continued)**

**Recent accounting developments (continued)**

- d) IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – In May 2011, the package of five standards on consolidation, joint arrangements, associates and disclosures was issued. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.
- > Under IFRS 10, control is the single basis for consolidation, irrespective of the nature of the investee; this standard therefore eliminates the risks-and-rewards approach. IFRS 10 identifies the three elements of control as power over the investee, exposure, or rights, to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of the investor's returns. An investor must possess all three elements to conclude that it controls an investee. The assessment of control is based on all facts and circumstances, and the conclusion is reassessed if there are changes to at least one of the three elements. Retrospective application is required subject to certain transitional provisions.

The Company has no holdings in subsidiaries or investees and so there is no impact from the IFRS 10 requirements.
  - > IFRS 11 applies to all entities that are parties to a joint arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. IFRS 11 establishes two types of joint arrangements, joint operations and joint ventures, which are distinguished by the rights and obligations of the parties to the arrangement. In a joint operation, the parties to the joint arrangement (referred to as 'joint operators') have rights to the assets and obligations for the liabilities of the arrangement. By contrast, in a joint venture, the parties to the arrangement (referred to as 'joint venturers') have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognise its share of the assets, liabilities, revenues and expenses in accordance with applicable IFRSs; however, a joint venturer would account for its interest by using the equity method of accounting under IAS 28 (2011). The amendments to IAS 28 did not affect the Company.

The Company has no joint arrangements and so there is no impact from the IFRS 11 requirements.
  - > IFRS 12 integrates the disclosure requirements on interests in other entities, currently included in several standards to make it easier to understand and apply the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard also contains additional requirements on a number of topics. Under IFRS 12, an entity should disclose information about significant judgements and assumptions (and any changes to those assumptions) made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement. IFRS 12 also requires additional disclosures to provide information to enable users to assess the nature of, and risks associated with the Company's interests in other entities and the effect of those interests on the Company's financial position, performance and cash flow. Disclosures shall be aggregated or disaggregated so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics. The standard has been applied prospectively from 1 January 2013.

The Company has no interests in other entities and so there is no impact from the IFRS 12 requirements.
- e) IFRS 13 'Fair Value Measurement' - In May 2011, the IASB issued IFRS 13, which establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. IFRS 13 applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

IFRS 13 requires prospective application from 1 October 2012. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS 13 for the comparative periods.

The application of IFRS 13 had no impact on the measurements of the Company's assets and liabilities.
- f) There are a number of other changes to IFRS that were effective from 1 October 2013. Those changes did not have a significant impact on the Company's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

**1. ACCOUNTING POLICIES (continued)**

**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) IFRS 9 'Financial Instruments' – In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9') which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued an amendment to IFRS 9 incorporating requirements for financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments.

The second and third phases in the IASB's project to replace IAS 39 will address impairment of financial assets measured at amortised cost and hedge accounting.

The IASB re-opened the requirements for classification and measurement in IFRS 9 in 2012 to address practice and other issues, with an exposure draft of revised proposals issued in November 2012. The proposals have yet to be finalised and it is therefore not yet possible to estimate the financial effects. The effective date has now been delayed beyond 1 January 2015.

With a tentative vote in a separate meeting held on 24 July 2013, the IASB decided to eliminate IFRS 9's current mandatory effective date of January 1, 2015, and will not specify a new mandatory effective date at this time. Instead, the Board plans to set an effective date when other phases of its project to replace IAS 39 are complete (i.e., when it completes its projects to (1) amend the guidance in IFRS 9 related to classification and measurement and (2) finalise guidance on the impairment of financial assets).

- b) In December 2011, the IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively. It is not practicable to quantify the effect as at the date of the publication of these financial statements.
- c) 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.

**Revenue recognition**

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

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

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

**Finance lease agreements**

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

**Finance lease receivables**

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

# **A & L CF SEPTEMBER (4) LIMITED - 2095545**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 SEPTEMBER 2013**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Operating lease assets**

Assets acquired for the purpose of renting out under operating lease agreements are capitalised and depreciation is provided at rates calculated to write off the cost of the assets, less estimated residual value, on a straight line basis over the estimated useful life. Land is not depreciated.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

##### **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.

##### **Income taxes including deferred taxes (continued)**

Deferred income tax is the tax expected to be payable or recoverable 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 and is accounted for using the balance sheet liability method. 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. Deferred tax assets and liabilities are not recognised from 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 recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

##### **Cash and cash equivalents**

The Company does not hold cash or cash equivalents.

##### **Financial instruments**

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

##### **Financial assets**

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

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

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 rate method, less any impairment. Interest calculated using the effective interest rate method is recognised in the income statement. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

**1. ACCOUNTING POLICIES (continued)**

**Financial liabilities**

Financial liabilities are initially recognised when the Company becomes contractually bound to the transfer of economic benefits in the future. Financial liabilities are derecognised when extinguished.

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

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

**Effective interest method**

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

**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 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. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 2013

#### 2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF SIGNIFICANT MANAGEMENT JUDGEMENT

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

##### **Residual values**

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

##### **Impairment loss allowance**

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

##### **Effective interest method**

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

#### 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 operational risk, credit risk, market risk, interest rate risk and liquidity 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 and 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.

##### **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. An independent central operational risk function (Enterprise and Operational Risk) has responsibility for establishing the framework within which these risks are managed and is aligned to operational risk professionals within business areas (co-ordinated by IT and Operational Risk) to ensure consistent approaches are applied across the Group. The primary purpose of the framework is to define and articulate the Group-wide policy, processes, roles and responsibilities. The framework incorporates industry practice and regulatory requirements. The day-to-day management of operational risk is the responsibility of business managers who identify, assess and monitor the risks, in line with the processes described in the framework. The operational risk function ensures that all key risks are regularly reported to the Group's risk committee and board of directors.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

**3. FINANCIAL RISK MANAGEMENT (continued)**

**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. 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.

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

The class of financial instrument that is most exposed to credit risk in the Company is net investment in operating leases (note 7) and finance leases (note 9).

	<b>2013</b>	2012
	<b>£</b>	£
Net investment in finance leases agreements	<b>28,063,693</b>	30,068,828
Operating lease assets	<b>9,910,699</b>	9,910,699
	<b>37,974,392</b>	39,979,527

All company exposures are to a corporate customer in distribution industry.

For the Company 100% (2012: 100%) of the balances are secured. The main types of security are charges over assets being financed, of which £Nil (2012: £Nil) of finance and operating leases are secured by bank guarantees.

**Arrears and impairment**

Asset quality remains good with no lending balances in arrears at 30 September 2013 (2012: Nil).

The carrying value of repossessed stock at 30 September 2013 was £Nil (2012: £Nil).

The fair value of collateral on impaired assets at 30 September 2013 was £Nil (2012: £Nil).

Interest accrued on impaired assets at 30 September 2013 was £Nil (2012: £Nil).

The portfolio is subject to regular monitoring for potential impairment under the impairment of financial assets policy set out in note 1.

£Nil (2012: £Nil) of lending that would have been past due or impaired, have had their terms renegotiated.

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



# A & L CF SEPTEMBER (4) LIMITED - 2095545

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 2013

#### 3. FINANCIAL RISK MANAGEMENT (continued)

##### 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 plc Annual Report – Risk management which does not form part of this Report.

##### Interest rate risk

Interest rate risk is the most significant market risk to which the Company is exposed. This risk mainly arises from mismatches between the re-pricing dates of the interest bearing assets and liabilities on the Company's Balance Sheet, and from the investment of the Company's reserves.

Interest rate risk primarily arises in the Company's leasing trade. The exposure in this area is hedged with Santander UK plc Treasury function using fixed rate loans and other appropriate instruments.

Changes in interest rates would result in no impact on either the equity of the Company or on the profit before tax as interest is allocated on a lease agreement by lease agreement basis within the Company and all interest rate risk is borne by the intermediate UK parent company, Santander UK plc.

##### 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 day to day management of liquidity is the responsibility of the Santander UK plc Treasury function, which provides funding to and takes surplus funds from the Company as required.

#### 4. PROFIT FROM OPERATIONS

##### Directors' emoluments

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).

##### Auditors' remuneration

Auditors' remuneration of £5,000 (2012: £4,845) was borne by the intermediate UK parent company Santander UK plc.

No non-audit fees were borne on the Company's behalf in either the current or preceding year.

##### Particulars of employees

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

#### 5. FINANCE COSTS

	2013	2012
	£	£
Amounts payable to immediate parent undertakings	1,892,729	1,935,841
	<u>1,892,729</u>	<u>1,935,841</u>

# A & L CF SEPTEMBER (4) LIMITED - 2095545

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 2013

#### 6. TAX

	2013 £	2012 £
<b>Current tax:</b>		
UK Corporation tax on profit of the year	305,947	270,902
Adjustments in respect of prior years	-	(7)
Total current tax	<u>305,947</u>	<u>270,895</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(291,718)	(196,697)
Change in rate of UK Corporation tax	(685,364)	(485,875)
Adjustments in respect of prior years	(1)	35,954
Total deferred tax	<u>(977,083)</u>	<u>(646,618)</u>
Tax credit on profit for the year	<u>(671,136)</u>	<u>(375,723)</u>

UK corporation tax is calculated at 23.5% (2012: 25%) of the estimated assessable profit 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. As the change in rates were substantively enacted prior to 30 September 2013, they have been reflected in the deferred tax liability at 30 September 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 £
Profit before tax	<u>60,550</u>	<u>296,818</u>
Tax calculated at a rate of 23.5% (2012:25%)	14,229	74,205
Effect of change in tax rate on deferred tax provision	(685,364)	(485,875)
Adjustment to prior year provisions	(1)	35,947
Tax credit for the year	<u>(671,136)</u>	<u>(375,723)</u>

# A & L CF SEPTEMBER (4) LIMITED - 2095545

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 2013

#### 7. OPERATING LEASE ASSETS

The Company enters into operating lease arrangements with customers in the corporate sector.

	2013 £	2012 £
<b>Cost</b>		
At 1 October	9,910,699	9,910,699
At 30 September	9,910,699	9,910,699
<b>Depreciation</b>		
At 1 October	-	-
At 30 September	-	-
<b>Net book value</b>		
At 1 October	9,910,699	9,910,699
At 30 September	9,910,699	9,910,699

#### 8. TRADE AND OTHER RECEIVABLES

	2013 £	2012 £
<b>Non current</b>		
Finance lease receivables	26,070,678	28,237,071
<b>Current</b>		
Finance lease receivables	1,993,015	1,831,757
<b>Total trade and other receivables</b>	<b>28,063,693</b>	<b>30,068,828</b>

#### 9. FINANCE LEASES

The Company enters into finance lease arrangements with a customer in the distribution industry.

	Gross investment in the lease		Present value of minimum lease payments	
	2013 £	2012 £	2013 £	2012 £
Less than one year	3,788,641	3,922,363	1,993,015	1,831,757
Later than one year but less than five years	15,154,563	15,689,451	9,264,136	8,545,235
Later than five years	31,527,727	36,965,830	16,806,542	19,691,836
	50,470,931	56,577,644	28,063,693	30,068,828
Less:				
Unearned finance income	(22,407,238)	(26,508,816)		
Net investment in finance leases	28,063,693	30,068,828		
Non-current			26,070,678	28,237,071
Current			1,993,015	1,831,757
			28,063,693	30,068,828

Residual values of assets leased under finance leases at 30 September 2013 are £Nil (2012: £Nil). The directors consider that the net investment in finance leases is approximately equal to their fair value.

# A & L CF SEPTEMBER (4) LIMITED - 2095545

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 2013

#### 10. CAPITAL

The Company's intermediate UK 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. Disclosures relating to the Company's capital management can be found in the Santander UK plc Annual Report which does not form part of this Report.

#### 11. RELATED PARTY TRANSACTIONS

##### Trading activities

##### Payable to related parties

	2013 £	2012 £
Current tax Group relief	1,842,375	1,536,427
Amounts owed to parent undertakings	31,548,633	33,613,524
	<u>33,391,008</u>	<u>35,149,951</u>

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

	2013 £	2012 £
<b>Amount owed to parent undertakings</b>		
As at 1 October	35,149,951	36,936,392
Net movements	(1,758,943)	(1,786,441)
	<u>33,391,008</u>	<u>35,149,951</u>
<b>Interest paid to parent undertakings</b>	<u>1,892,729</u>	<u>1,935,841</u>

##### Key management compensation

No Director or management personnel received any remuneration (2012: £Nil).

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.

##### Administration expenses

During the current year the Company paid administrative cost recharges to parent undertakings of £37,142 (2012: £49,464).

#### 12. TRADE AND OTHER PAYABLES

	2013 £	2012 £
Payable to related parties (note 11)	33,391,008	35,149,951
Accruals	-	795
	<u>33,391,008</u>	<u>35,150,746</u>

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

# A & L CF SEPTEMBER (4) LIMITED - 2095545

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 2013

#### 13. DEFERRED TAX LIABILITIES

Deferred taxes are calculated on temporary differences under the liability method using the tax rates expected to apply when the liability is settled or the asset is realised. The movement on the deferred tax account was as follows:

	2013 £	2012 £
At 1 October	(5,587,558)	(6,234,176)
Income Statement credit (note 6)	977,083	646,618
At 30 September	<u>(4,610,475)</u>	<u>(5,587,558)</u>

Deferred tax liabilities are attributable to the following items:

	Balance Sheet		Income Statement	
	2013 £	2012 £	2013 £	2012 £
<b>Deferred tax liabilities</b>				
Accelerated tax depreciation	(4,610,475)	(5,587,558)	977,083	646,618
	<u>(4,610,475)</u>	<u>(5,587,558)</u>	<u>977,083</u>	<u>646,618</u>

#### 14. CASH AND CASH EQUIVALENTS

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

	2013 £	2012 £
Cash at bank	-	-

#### 15. ISSUED SHARE CAPITAL

	2013 No	2013 £	2012 No	2012 £
<b>Issued and fully paid</b>				
Ordinary shares of £1 each	2	2	2	2

All issued share capital is classified as equity.

#### 16. Parent undertaking and controlling party

The Company's immediate parent company is Santander Asset Finance 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 parent undertaking of the smallest Group of undertakings for which 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.