

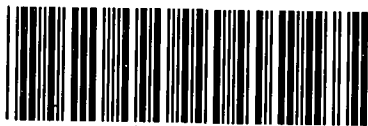
CATER ALLEN LLOYD'S HOLDINGS LIMITED

**Registered in England and Wales
Company Number 2140745**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2013**

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 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 Cater Allen Lloyd's Holdings Limited ("the Company") is to act as a holding company to Cater Allen Syndicate Management Limited.

Result and dividends

The loss for the year on ordinary activities after taxation amounted to £194,794 (2012: loss of £19,223). 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 were as follows:

David M Green
Mark C Jackson
Shaun P Coles

Statement of Directors' responsibilities

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

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

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

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

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 above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 17 and 12 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, liquidity risk and market risk.

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 the Santander UK plc and group 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 enquiries made of the Directors of Santander UK plc, 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 the annual report and accounts.

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 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 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

28 April 2014

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CATER ALLEN LLOYD'S HOLDINGS LIMITED

We have audited the financial statements of Cater Allen Lloyd's Holdings Limited ("the Company") for the year ended 31 December 2013 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss 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.

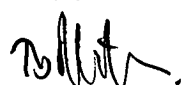
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

CATER ALLEN LLOYD'S HOLDINGS LIMITED
COMPANY NUMBER: 2140745

FINANCIAL STATEMENTS
For the year ended 31 December 2013

Income Statement

For the year ended 31 December 2013

	Notes	2013 £	2012 £
Continuing operations			
Interest income	3	103,632	105,489
Other operating income	4	459,209	752,073
Administrative expenses	5	(847,225)	(915,813)
Loss before tax		(284,384)	(58,251)
Tax	7	89,590	39,028
Net loss attributable to equity holders of the Company		(194,794)	(19,223)

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

Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 £	2012 £
Loss for the year	(194,794)	(19,223)
Total comprehensive loss for the year	(194,794)	(19,223)
Attributable to equity holders of the Company	(194,794)	(19,223)

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

Statement of Changes in Equity

For the year ended 31 December 2013

	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2012	10,730,000	(19,611,228)	(8,881,228)
Loss for the year	-	(19,223)	(19,223)
Balance at 31 December 2012	10,730,000	(19,630,451)	(8,900,451)
Balance at 1 January 2013	10,730,000	(19,630,451)	(8,900,451)
Loss for the year	-	(194,794)	(194,794)
Balance at 31 December 2013	10,730,000	(19,825,245)	(9,095,245)

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

Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 £	2012 £
Net cash flows generated from operating activities	14	103,559	105,466
Net increase in cash and cash equivalents		103,559	105,466
Cash and cash equivalents at beginning of year		1,032,210	926,744
Cash and cash equivalents at end of year		1,135,769	1,032,210

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

CATER ALLEN LLOYD'S HOLDINGS LIMITED
COMPANY NUMBER: 2140745

FINANCIAL STATEMENTS
For the year ended 31 December 2013

Balance Sheet
At 31 December 2013

	Notes	2013 £	2012 £
Non-current assets			
Loans and receivables	8	1,015,000	1,015,000
Investment in subsidiary undertaking	9	-	-
Deferred tax assets	10	860	1,207
Total non-current assets		1,015,860	1,016,207
Current assets			
Loans and receivables	8	89,976	39,454
Cash and cash equivalents		1,135,769	1,032,210
Total current assets		1,221,102	1,071,664
Total assets		2,241,605	2,087,871
Current liabilities			
Provisions	11	(525,174)	(526,590)
Trade and other payables	12	(10,507,986)	(9,465,756)
Total current liabilities		(11,033,160)	(9,992,346)
Non-current liabilities			
Provisions	11	(303,690)	(995,976)
Total non-current liabilities		(303,690)	(995,976)
Total liabilities		(11,336,850)	(10,988,322)
Net liabilities		(9,095,245)	(8,900,451)
Equity			
Share capital	13	10,730,000	10,730,000
Retained earnings		(19,825,245)	(19,630,451)
Total equity attributable to equity holders of the Company		(9,095,245)	(8,900,451)

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

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 28 April 2014.
They were signed on its behalf by: *D. Green*


Director

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

1. Accounting policies

The principal accounting policies applied in the preparation of 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 (IFRSs) as adopted for use in 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 as adopted for use in 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 convention and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

Recent accounting developments

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

- a) IAS 1 'Presentation of Financial Statements' – In June 2011, the IASB issued amendments to IAS 1 that retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss; and (ii) items that 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 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.

- 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.

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

1. Accounting policies (continued)

Recent accounting developments (continued)

- > 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 adoption of IFRS 10 has had no material impact on the Company and these financial statements except for the deconsolidation from the Santander UK Group as disclosed in Note 5.

- > 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 January 2013. 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.

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

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

1. Accounting policies (continued)

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 January 2013. Those changes did not have a significant impact on the Company's financial statements.

Future accounting developments

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

- a) 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. IFRS 9 is required to be applied retrospectively but prior periods need not be restated.

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 proposing limited improvements to IFRS 9. The exposure draft proposes a new category for debt instruments which is 'fair value through other comprehensive income' when certain criteria are met. The proposals were finalised in November 2013 and it is not yet possible to estimate the financial effects.

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

Rental income is recognised on an accrual basis in accordance with the lease agreements.

Interest income is accrued daily, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasehold property rental costs

Where the Company is committed under non-cancellable property leases to pay rentals in excess of current market levels, provision is made for the full amount of the excess over the life of the lease. The provision is released to the profit and loss account in instalments over the same period.

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

1. Accounting policies (continued)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non restricted balances with central banks, treasury bills and other eligible bills, net loans and advances to banks, net securities financing amounts and short-term investments in securities.

Financial assets

The Company classifies its financial assets, including intercompany financial assets, as loans and receivables. Management determines the classification at initial recognition.

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

Impairment of financial assets

At each balance sheet date, the Company assess 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 or are experiencing significant financial difficulty.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial asset is reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

A write-off is made when all collection procedures have been completed and is charged against previously established provisions for impairment.

Investment in subsidiary undertaking

Investment in subsidiary undertaking is carried at cost less any provision for impairment.

Financial liabilities

The Company classifies its financial liabilities, including intercompany financial liabilities, as deposits and payables which are held at amortised cost unless designated as held at fair value through profit and loss. The carrying value of financial liabilities are a fair approximation of their fair values.

Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

When a leasehold property ceases to be used in the business, provision is made where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income. The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Contingent liabilities are possible obligations whose existence will be confirmed only by certain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless the likelihood of a transfer of economic benefit is considered remote.

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

1. Accounting policies (continued)

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.

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.

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, liquidity risk and market risk. The Company manages its risk in line with the central risk management function of the Santander UK Group. Santander UK Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Santander UK Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Santander UK Group's strategic objectives.

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

Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held. 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 note 8 to the financial statements.

Liquidity risk

Liquidity risk is the potential that, although remaining solvent, the Company does not have sufficient liquid financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

The Company manages liquidity risk with the support of its parent company, ensuring that the Company will have sufficient liquid resources to meet its obligations as they fall due.

Maturities of financial liabilities can be found in note 12 to the financial statements.

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

2. Financial risk management (continued)

Market risk

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

A small proportion of the Company's income is exposed to movements in LIBOR interest rate. The remaining interest income is of fixed coupon derived from the preference shares carried at amortised cost.

Sensitivity analysis

The Directors do not consider the fair value interest rate risk to be significant as a significant portion of the investments bear fixed interest rates and the intercompany payables are non-interest bearing. For further details refer to notes 8 and 12.

3. Interest income

	2013	2012
	£	£
Interest received on preference shares	101,500	101,500
Interest received on amounts due from group related entities	2,132	3,989
	103,632	105,489

4. Other operating income

	2013	2012
	£	£
Rental income	459,209	752,073

5. Administrative expenses

	2013	2012
	£	£
Rental expense on sublet property	1,541,757	1,583,496
Utilisation of onerous lease provision	(1,082,548)	(780,315)
Increase in onerous lease provision	388,015	112,632
	847,224	915,813

6. Profit from operations

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)

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

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

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

7. Tax

	2013 £	2012 £
Current tax:		
UK corporation tax on loss/profit of the year	(89,937)	(39,431)
Adjustments in respect of prior years	-	-
Total current tax	(89,937)	(39,431)
Deferred tax:		
Origination and reversal of temporary differences	219	293
Change in rate of UK Corporation tax	128	110
Total deferred tax	347	403
Tax credit on profit for the year	(89,590)	(39,028)

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

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

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

	2013 £	2012 £
Loss before tax:	(284,383)	(58,251)
Tax calculated at a tax rate of 23.25% (2012: 24.5%)	(66,119)	(14,271)
Non taxable dividend income	(23,599)	(24,867)
Effect of change in tax rate on deferred tax provision	128	110
Adjustments to prior year provisions	-	-
Tax credit for the year	(89,590)	(39,028)

8. Loans and receivables

	2013 £	2012 £
Non current		
Preference shares held in subsidiary	1,015,000	1,015,000
Current		
Amounts due from group companies	89,976	39,454
	1,104,976	1,054,454

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

The investment bear a fixed coupon of 10% and are redeemable at par any time at the option of the subsidiary, but subject to the consent of the Council of Lloyds. There is no current intention by the subsidiary to redeem these shares in less than one year.

The amounts due from group companies includes group relief of £89,937 (2012 - £39,431) which is non interest bearing and callable on demand.

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For the year ended 31 December 2013

9. Investment in subsidiary undertaking

	2013 £	2012 £
Costs		
1 January	6,197,382	6,197,382
At 31 December	6,197,382	6,197,382
Provision for impairment		
At 1 January	(6,197,382)	(6,197,382)
At 31 December	(6,197,382)	(6,197,382)
Net book value		

The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affects the results of the group:

Name of subsidiaries	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment	Principal Activity
Directly held:					
Cater Allen Syndicate Management Limited	England and Wales	100	100	Cost less provision for impairment	Trading

In the opinion of the Directors, the fair value of the equity investment in subsidiary undertakings is not less than their book value.

Investment in subsidiaries are shown at cost less provision for impairment. The Company has exercised the exemption under Section 400 of the Companies Act 2006, which dispenses with the requirement to prepare group accounts. This is also in line with the exemption in Paragraph 4a of IFRS 10 'Consolidated Financial Statements'.

10. Deferred tax assets

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 January	1,207	1,610
Charge to income	(347)	(403)
At 31 December	860	1,207

11. Provisions

In accordance with the 'Leasehold property rental costs' accounting policy described in note 1, the Company has provided for the excess of future rentals due over current market levels. The provision is discounted at 11.07% (2012: 11.07%). Rental payments are made quarterly and will run until 2015. Rental expense has been assumed not to rise to a level greater than the current level as per the non-cancellable property lease. The movement in the provision during the year was as follows:

	2013 £	2012 £
At 1 January	1,522,566	2,135,336
Increase/(decrease) due to change in discount rates	-	54,913
Increase in provision in the year	388,847	112,632
Utilisation of provision	(1,082,548)	(780,315)
At 31 December	828,864	1,522,566
Included in current liabilities	525,174	526,590
Included in non-current liabilities	303,690	995,976
	828,864	1,522,566

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

12. Trade and other payables

	2013 £	2012 £
Amounts due to parent company	6,426,635	6,426,635
Amounts due to fellow group companies	4,081,351	3,039,121
	10,507,986	9,465,756

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

Amounts due to parent and fellow subsidiary companies are non-interest bearing and are repayable on demand.

13. Share capital

	2013 £	2012 £
Issued and fully paid:		
10,730,000 ordinary shares of £1 each	10,730,000	10,730,000

14. Cash Flow Statement

Reconciliation of profit before tax to net cash inflow from operating activities:

	2013 £	2012 £
(Loss)/profit before tax	(284,383)	(58,251)
Adjustments for:		
Increase in provision	388,846	167,545
(Increase)/ decrease in receivables	(50,175)	6,598
Increase in payables	1,131,819	769,889
Decrease in provision	(1,082,548)	(780,315)
Net cash generated from operating activities	103,559	105,466

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

15. Operating Lease Commitments

The Company has a non-cancellable operating lease in respect of a property. The legal obligation of this lease remains with the Company.

The future aggregate minimum lease payments under the non-cancellable operating lease are as follows:

	2013 £	2012 £
Not later than 1 year	1,297,370	1,297,370
Later than 1 year and no later than 5 years	648,700	1,946,070
	1,946,070	3,243,440

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

16. Related party transactions

Trading transactions

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

Related party transactions at balance date are as follows:

	Income		Amounts due from related parties		Amounts due to related parties	
	2013	2012	2013	2012	2013	2012
	£	£	£	£	£	£
Immediate parent company	-	-	-	-	6,426,635	6,426,635
Fellow group companies	103,632	105,489	1,104,976	1,054,454	4,081,351	3,039,121
	103,632	105,489	1,104,976	1,054,454	10,507,986	9,465,756

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.

17. Capital management and resources

The Company's intermediate parent company, Santander UK plc ("Santander UK"), 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 Annual Report and Accounts.

Capital held by the Company and managed centrally as part of the Santander UK Group, comprises share capital and reserves which can be found in the Balance Sheet on page 5.

18. Parent undertaking and controlling party

The Company's immediate parent company is Abbey National Treasury Services 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. Abbey National Treasury Services plc is the parent undertaking of the smallest group of undertakings for which the group accounts are drawn up and of which the Company is a member.

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