

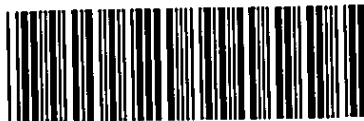
SANTANDER CONSUMER (UK) PLC

**Registered in England and Wales
No: 2248870**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2012**

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REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 31 December 2012

Principal activity and Business Review

The principal activity of Santander Consumer (UK) plc, (the "Company") is the provision of finance facilities including finance leases and unsecured personal loans to retail customers for the purchase of motor vehicles and equipment. The Company also provides wholesale funding, which is a facility that offers dealer funding in the UK.

The Company achieved results slightly above expectations in 2012. In September 2012 the Company entered into its second securitisation with securitised assets totalling £1.0bn, the securitisation was a public placement to multiple investors. The pool of securitised assets is static and the risks and rewards of ownership were retained by the Company and are therefore still recognised in the balance sheet on page 7. The Company is looking to diversify its funding in line with group strategy and will continue to look at alternative forms of borrowing.

The Company entered into a joint venture, Hyundai Capital UK Limited, with the Hyundai/Kia group. The Company has an investment of £10,002,000 which represents 50.01% of the share capital. The joint venture provides finance for new and used Hyundai and Kia vehicles. The Company has agreed to provide the joint venture with its operational and funding requirements.

It is anticipated that the market will be flat in 2013 as the UK economy continues to experience slow growth which impacts on new and used car sales. It is expected that the UK car market will remain static with new and used car volumes in line with 2012. The directors are satisfied with the Company's overall performance.

The principal risk associated with the Company is a further deterioration in the UK economy, which would put increased pressures on consumers' ability to repay their debt and could reduce demand for the Company's products. The Company uses derivative financial instruments to manage interest rate risk and various measures are in place to manage bad debt risk. A further review of the Company's risks is included in Note 2 to the financial statements.

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

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

Principal risks and uncertainties

The Company's principal risk and uncertainties together with the processes that are in place to monitor and mitigate those risks where possible can be found in Note 2.

Results and dividends

The profit for the year ended 31 December 2012 on ordinary activities after taxation amounted to £83,815,000 (2011 profit £64,583,000).

The Company did not pay an interim dividend for the year (2011: £55,500,000). The directors do not recommend the payment of a final dividend (2011: £nil).

REPORT OF THE DIRECTORS (continued)

Directors

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

J Anton San Pablo	
V T Hill	Appointed 10 Jan 2012 (Alternate Director to F J San Felix Garcia (resigned 22 May 2012), Alternate Director to J Anton San Pablo)
M Cueva Diaz	Appointed 1 May 2012
B Montalvo Wilmot	Appointed 17 Oct 2012
F J San Felix Garcia	Resigned 22 May 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. The Company's objectives, policies and processes for managing its capital are described in Note 3 to the financial statements.

Details of the Company's financial risk management objectives, its financial instruments and hedging activities, and its exposures to credit risk, market risk, liquidity risk and other risks are set out in Note 2 to the financial statements.

The Company is part of the Santander UK plc group. The directors have taken account of the fact that the board of directors of Santander UK plc has confirmed that Santander UK plc is a going concern.

As highlighted in Note 21 to the financial statements, the Company meets its day to day working capital requirements through a borrowing facility provided by Abbey National Treasury Services plc which is renewed on a three month rolling basis. The Company has also entered into two securitisations, and it is the directors' intention to continue to raise funds from internal and external sources.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current borrowing facilities. The Company concluded renewal negotiations in 2011 with Abbey National Treasury Services plc resulting in the existing facility being renewed for a two year period. During the discussions held between the Company and Abbey National Treasury Services plc about its future borrowing needs, no matters have been drawn to its attention to suggest that funding may not continue to be forthcoming on acceptable terms.

The Company is reliant on companies in the Santander UK plc Group for a significant proportion of its funding. 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.

Santander Consumer (UK) plc – Company number 2248870

REPORT OF THE DIRECTORS (continued)

On the basis of the assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

Financial Instruments

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

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

Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found in Note 2.

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.

Payment Policy

The Company has cost management and procurement policies that explicitly promote competitive tendering and dealing with suppliers in a fair and open manner. The Company does not operate a single payment policy in respect of all classes of suppliers. Payment terms vary depending on the supplier and the type of spend, and the supplier is made aware of these before engagement.

It is the Company's policy to ensure payments are made in accordance with the terms and conditions agreed, except where the supplier fails to comply with those terms and conditions. The Company's practice on payment of creditors has been quantified under the terms of Schedule 7 of the Accounting Regulations. Based on the ratio of the aggregate amounts owed to trade creditors at the end of the year to the aggregate amounts invoiced by suppliers during the year at 31 December 2012, trade creditor days for the Company were 28 days (2011: 28 days).

Employees

Details of the number of employees and related costs can be found in Note 8 to the financial statements.

The Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings, newsletters and the Intranet. Employee representatives are consulted regularly on a wide range of matters affecting their interests. Employees are encouraged to be involved in the Company's performance through Group sharesave schemes and are also encouraged to achieve a common awareness of the financial and economic factors affecting the performance of the Company and Group.

The Group is committed to equality of access and quality of service for disabled people and embraces the spirit of the UK Equality Act 2010 throughout its business operations. The Group has processes in place to help recruit, train, develop, retain and promote employees with disabilities and is committed to giving full and fair consideration to applications for employment made by disabled persons, and for continuing the employment of, and arranging appropriate training for, existing employees who have become disabled.

Pillar 3

The Santander UK plc group's Pillar 3 disclosures are available in the Santander UK plc group Annual Report and Accounts.

REPORT OF THE DIRECTORS (continued)

Auditor

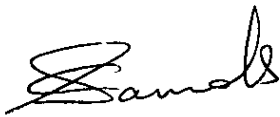
Each of the directors as at the date of approval of this report confirms that

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the Company's forthcoming Annual General Meeting

By Order of the Board



For and on behalf of
Santander Secretariat Services Limited, Secretary

21 March 2013

Registered Office Address 3 Princess Way, Redhill, Surrey RH1 1SR

Santander Consumer (UK) plc – Company number 2248870

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANTANDER CONSUMER (UK) PLC

We have audited the financial statements of Santander Consumer (UK) plc for the year ended 31 December 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and international Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 2012 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.

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.

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.

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.



Caroline Britton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

21 March 2013

Santander Consumer (UK) plc – Company number 2248870

Income Statement

For the year ended 31 December 2012 and 2011

	NOTES	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Revenue	4	305,464	299,332
Commissions payable		(84,033)	(88,443)
Finance costs	5	(66,110)	(55,666)
Gross profit		155,321	155,223
Other operating income		20,970	17,567
Administrative expenses		(36,540)	(36,856)
Impairment losses	6	(28,997)	(50,161)
Operating profit	7	110,754	85,773
Investment gain / (loss)	10	618	(229)
Profit before tax		111,372	85,544
Tax	11	(27,557)	(20,961)
Profit for the year attributable to equity holders of the Company		83,815	64,583

All the activities of the Company are classed as continuing

The accompanying Notes 1 to 28 form an integral part of the accounts

Statement of Comprehensive Income

For the year ended 31 December 2012

The Company has no comprehensive income or expenses other than the result for the current and previous year as set out in the Income Statement

Santander Consumer (UK) plc – Company number 2248870

Balance Sheet

At 31 December 2012 and 2011

	NOTES	2012 £000	2011 £000
Non-current assets			
Intangible assets	12	-	242
Fixtures and equipment	13	-	-
Investment in joint venture	14	10,002	-
Finance lease receivables	15	1,121,446	894,856
Loans and receivables	16	730,121	861,847
Trade and other receivables	17	46,690	52,775
Deferred tax	18	935	1,154
		1,909,194	1,810,874
Current assets			
Finance lease receivables	15	679,361	754,409
Loans and receivables	16	1,021,717	976,466
Trade and other receivables	17	399,791	61,556
Derivative financial instruments	19	3,246	352
Cash and cash equivalents		23,554	37,906
		2,127,669	1,830,689
Total assets		4,036,863	3,641,563
Current liabilities			
Trade and other payables	20	(72,330)	(76,320)
Derivative financial instruments	19	(7,545)	-
Bank overdrafts and loans	21	(3,269,391)	(2,916,396)
		(3,349,266)	(2,992,716)
Net current liabilities		(1,221,597)	(1,162,027)
Non-current liabilities			
Bank overdrafts and loans	21	(388,803)	(433,868)
Total liabilities		(3,738,069)	(3,426,584)
Net assets		298,794	214,979
Equity			
Capital and reserves			
Share capital	22	150,000	150,000
Retained profits		148,794	64,979
Equity attributable to equity holders of the parent		298,794	214,979

The accompanying Notes 1 to 28 form an integral part of the accounts

The financial statements of Santander Consumer (UK) plc were approved by the Board of directors and authorised for issue on March 2013. They were signed on its behalf by *V Hill*

Director



Santander Consumer (UK) plc – Company number 2248870

Cash Flow Statement

For the year ended 31 December 2012

	NOTE	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Net cash used in operating activities	24	(312,280)	(705,484)
Investing activities			
Acquisition of investment in joint venture	14	(10,002)	-
Net cash used in investing activities		(10,002)	-
Financing activities			
Dividends paid		-	(55,500)
Cash flow from securitisation		785,665	979,846
Repayments of obligations on securitised notes		(414,635)	(166,954)
Securitised loans		(371,030)	(812,891)
Increase in bank overdrafts and loans		307,930	769,950
Net cash from financing activities		307,930	714,451
Net (decrease)/increase in cash and cash equivalents		(14,352)	8,967
Cash and cash equivalents at beginning of year		37,906	28,939
Cash and cash equivalents at end of year		23,554	37,906

Statement of Changes in Equity

For the years ended 31 December 2012 and 2011

	Share Capital £000	Retained earnings £000	Total £000
Balance at 1 January 2011	150,000	55,896	205,896
Profit for the period	-	64,583	64,583
Dividends	-	(55,500)	(55,500)
Balance at 31 December 2011	150,000	64,979	214,979
Profit for the period	-	83,815	83,815
Balance at 31 December 2012	150,000	148,794	298,794

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies

Basis of preparation

The financial statements of Santander Consumer (UK) plc ("the Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost basis, except for by the revaluation of financial instruments. The financial statements have been prepared on the going concern basis as disclosed in the directors' Statement of Going Concern set out in the Report of the Directors on page 2. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Recent accounting developments

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

- a) IFRS 7 'Financial Instruments: Disclosures' – In October 2010, the IASB issued amendments to IFRS 7 that increase the disclosure requirements for transactions involving transfers of financial assets. The amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 July 2011, with earlier application permitted. Disclosures are not required for comparative periods before the date of initial application of the amendments.

These changes did not have an impact on the Company's financial statements.

- b) There are a number of other changes to IFRS that were effective from 1 January 2012. 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) IAS 1 'Presentation of Financial Statements' – In June 2011, the IASB issued amendments to IAS 1 that retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss, and (ii) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012.

The Company anticipates that IAS 1 (2011) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013 and that the application of the new Standard will modify the presentation of items of other comprehensive income accordingly. Retrospective application is required. The Company does not anticipate that these amendments to IAS 1 will have a significant impact on the Company's disclosures.

- b) 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 IASB issued new and amended guidance on consolidated financial statements and joint arrangements. IFRS 10, IFRS 11 and IFRS 12 were new standards issued while IAS 27 and IAS 28 were amended. Each of the standards issued is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted as long as each of the other standards is also applied earlier.

- > Under IFRS 10 'Consolidated Financial Statements', 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.

1. Accounting policies (continued)

- > 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). Transitional provisions vary depending on how an interest is accounted for under IAS 31 and what its nature is under IFRS 11.
- > 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 applies prospectively from the beginning of the annual period in which it is adopted.

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 that clarify the transitional guidance in IFRS 10 Consolidated Financial Statements, IFRS 11 Joints Arrangements and IFRS 12 Disclosure of Interest in Other Entities. The amendments provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information to only the preceding comparative period, and are in response to constituent requests for clarification on certain aspects of the transition guidance.

The Company anticipates that IFRS 10, IFRS 11 and IFRS 12 will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013.

The Company does not anticipate that the application of the new standards will have a significant impact on its profit or loss or financial position but expects to enhance its disclosures around holdings of structured entities as a result of IFRS 12.

- > IAS 27 was amended for the issuance of IFRS 10 but retains the current guidance on separate financial statements.
 - > IAS 28 was amended for conforming changes on the basis of the issuance of IFRS 10 and IFRS 11.
- The Company anticipates that IAS 27 (2011) and IAS 28 (2011) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013. The Company does not anticipate that these amendments to IAS 27 and IAS 28 will have a significant impact on its disclosures and on amounts reported in respect of the Company's profit or loss, financial position or disclosures.

- c) IFRS 13 'Fair Value Measurement' - In May 2011, the IASB issued IFRS 13, which establishes a single source of guidance for fair value measurement. 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. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current accounting standards. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with early adoption permitted, and applies prospectively from the beginning of the annual period in which it is adopted.

The Company anticipates that IFRS 13 will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013. The Company does not anticipate that the application of the new standards will have a significant impact on its profit or loss, financial position or disclosures.

- d) 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.

Following the IASB's decision in December 2011 to defer the effective date, the standard is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. IFRS 9 is required to be applied retrospectively but prior periods need not be restated.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

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 Company anticipates that IFRS 9 will be adopted in the Company's financial statements for the annual period beginning on 1 January 2015 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed

- e) 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 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. The amendments require all actuarial gains and losses to be 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. The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions

The Company anticipates that IAS 19 (2011) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013. The Company does not anticipate that these amendments to IAS 19 will have a significant impact on its profit or loss or financial position as the Company does not utilise the 'corridor approach'

- f) In December 2011, the IASB issued amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' which requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are required to be applied retrospectively
- g) 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

The Company is currently assessing the impact of these clarifications but it is not practicable to quantify the effect as at the date of the publication of these financial statements

- h) 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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and other sales-related taxes

Interest income is recognised using the effective interest rate method. The effective interest rate method is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's initial net carrying amount. The calculation includes all fees paid or received that are integral to the contract and all other premiums and discounts. See lease policy for recognition of income regarding leases

Pensions and other post retirement benefits

The Company participates in a group defined benefit scheme run by Santander UK. However, it is not possible to identify the Company's share of the assets and liabilities of the scheme, therefore it is accounted for as a defined contribution scheme. The pension charge in the profit and loss reflects the contributions payable during the year

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

Intangible assets

Intangible assets are recognised if they arise from contracted or other legal rights or if they are capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged. The value of such intangible assets is amortised over the useful economic life of the assets which is three years. Any intangible assets with indefinite useful economic lives are subjected to an impairment review at least annually and whenever there is an indication that the intangible asset may be impaired.

Software development costs are capitalised when they are direct costs associated with identifiable and unique software products that are expected to provide future economic benefits and the cost of these products can be measured reliably. These costs include payroll, the costs of materials and services, and directly attributable overheads. Internally developed software meeting these criteria and externally purchased software are classified in fixtures and equipment on the balance sheet where the software is an integral part of the related computer hardware. Capitalisation of costs ceases when the software is capable of operating as intended. Costs associated with maintaining software programmes are expensed as incurred.

Fixtures and equipment

Fixtures and equipment include office fixtures and equipment. Fixtures and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. A review for indications of impairment is carried out at each reporting date. Gains and losses on disposal are determined by reference to the carrying amount and are reported in net trading and other income. Repairs and renewals are charged to the income statement when the expenditure is incurred. Classes of fixtures and equipment are depreciated on a straight-line basis over their useful life as follows:

Office fixtures and equipment

3 to 15 years

Financial assets

The entity classifies its financial assets in the following categories: financial assets at fair value through profit and loss account and loans and receivables. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through the profit and loss

A financial asset classified in this category may be either held for trading or otherwise designated as held at fair value on inception. Derivatives are categorised as held for trading unless they are designated as hedges (see below).

The assets are recognised initially at fair value and transaction costs are taken directly to the income statement. Gains and losses arising from changes in fair value are included directly in the income statement. The assets are derecognised when the rights to receive cash flows have expired or the entity has transferred substantially all the risks and rewards of ownership.

(b) Loans and receivables

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

Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Company designates certain derivatives as hedging instruments of the fair value of recognised assets (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the time a financial instrument is designated as a hedge, the Company formally documents the relationship between the hedging instrument and the hedged item. Documentation includes risk management objectives and the strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Accordingly, the Company formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives have been and will be highly effective in offsetting changes in the fair value of the hedged items. A hedge is normally regarded as highly effective if, at inception and throughout its life, the Company can expect and actual results indicate that changes in the fair value of the hedged items are effectively offset by changes in the fair value of the hedging instrument, and actual results are within a range of 80% to 125%.

The Company discontinues hedge accounting when it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, when the derivative expires or is sold, terminated or exercised, or when the hedged item matures or is sold or repaid.

The fair value hedge adjustment is classified in the balance sheet in the same category as the hedged items: loans and receivables and finance leases.

Changes in the fair value of the hedged risk and hedged item are recognised in investment gains and losses (see Note 10). Hedge ineffectiveness represents the amount by which the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged item.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Impairment of financial assets

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

Financial assets carried at amortised cost

Impairment losses are assessed individually for the financial assets that are individually significant and individually or collectively for assets that are not individually significant.

For individually assessed assets, the entity measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of the estimated future cash flows from the asset or group of assets discounted at the original effective interest rate of the asset.

In making collective assessment for impairment, financial assets are assessed for each portfolio segmented by similar risk characteristics. Future cash flows from these portfolios are estimated based on historical loss experience. The historical loss experience is adjusted for current observable data, to reflect the effects of current conditions not affecting the period of historical experience. The loss is discounted at the effective interest rate, except where portfolios meet the criteria for short-term receivables. The impact of the discounting is reported through interest receivable within the income statement and represents the unwind of the discount.

Once an impairment loss has been recognised on a financial asset or group of financial assets, interest income continues to be recognised based on the original effective interest rate basis.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets 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.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

A write off is made when the financial asset is considered uncollectible and is charged against previously established provisions for impairment

Impairment of intangible assets

At each balance sheet date or more frequently when events or changes in circumstances dictate intangible assets are assessed for indicators of impairment. The intangible assets are amortised on a straight-line basis over the estimated economic life of three years. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount, the higher of the assets or the cash-generating unit's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis.

Leases

The Company as a Lessor: Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership to the lessee, are classified as finance leases. Assets held under finance leases are recognised in the Balance Sheet as a receivable amount equal to the net investment in leases. The net investment in leases represents the present value of the minimum lease payments receivable under finance leases or the life of the asset if shorter, at the inception of the lease, together with any unguaranteed residual value accruing to the lessor discounted at the rates of interest implicit in the leases. Income from finance leases is recognised using the effective interest rate method to give a constant periodic rate of return on the net investment.

Operating leases

The Company as a Lessee: The Company enters into operating leases for the rental of motor vehicles. Payments made under such leases are charged to the income statement principally on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

If the lease agreement transfers the risk and rewards of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recorded at the lower of the present value of the minimum lease payments or fair value and depreciated over its estimated useful life. The corresponding rental obligations are recorded as borrowings.

The aggregate benefit of incentives, if any, is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Commissions payable

Third party intermediaries including dealerships and brokers write all new business. Commission is paid to these intermediaries for their services, the commission is spread using the effective interest rate method over the expected life of the agreements.

Taxation

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 Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

Deferred and current tax assets and liabilities are only offset where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously

Cash and cash equivalents

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

Financial Liabilities, including borrowings and trade and other payables

Financial liabilities are recognised initially at fair value, being the proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost, any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method

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 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 of oversight. Their authority is derived from the person they are intended to assist. Further information can be found in the Santander UK plc Annual Report which does not form part of this Report.

Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. All new business is subject to credit scoring and/or underwriting policy criteria designed to assess creditworthiness. Loans and receivables to third parties are unsecured.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The maximum exposure is the amount recorded in the balance sheet and disclosed in Notes 15 and 16.

A description of how impairment is measured can be found in the accounting policies in Note 1.

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 reviews on a regular basis its cash flow obligations, and through the utilisation of inter group lending and the expected maturities on the finance lease receivables and unsecured personal loans, they are able to meet all of its current cash flow obligations.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

2 Financial Risk Management (continued)

Maturities of financial liabilities

The table below analyses the maturities of the undiscounted cash flows relating to financial liabilities of the Company based on the remaining period to the contractual maturity date at the balance sheet date. There are no significant financial liabilities related to financial guarantee contracts. This table is not intended to show the liquidity of the Company.

At 31 December 2012	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000
Intercompany liabilities	1,463	2,464,872	795,119	388,803	-	3,650,257
Other liabilities	7,937	-	-	-	-	7,937
Total financial liabilities	9,400	2,464,872	795,119	388,803	-	3,658,194

At 31 December 2011	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000
Intercompany liabilities	1,497	2,519,180	379,024	433,868	-	3,333,569
Other liabilities	16,695	-	-	-	-	16,695
Total financial liabilities	18,192	2,519,180	379,024	433,868	-	3,350,264

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 Company's retail business is subject to fair value interest rate risk as the finance leasing agreements and unsecured personal loans all bear fixed interest and as such the value of these assets fluctuates with changes in market interest rates. To mitigate this risk, lease arrangements and lending are economically hedged with derivatives from another Santander UK group Company. The balance on unsecured personal loans totals £753,773,000 (2011 £703,671,000) and the directors have hedged the book value of these loans in its entirety against the risk of fluctuations in interest rates through the use of a number of interest rate swaps.

Sensitivity analysis

A 100bp adverse movement in interest rates would result in a reduction in operating profit of £6,279,000 (2011 £5,551,000) over the remaining life of the asset portfolio.

The Company only lends in sterling to UK individuals and businesses and so is not exposed to foreign currency risk.

3 Capital management and resources

The Company's shareholders adopt a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Santander group. The Company has no non-centralised process for managing its own capital.

Capital held by the Company and managed centrally as part of the Santander group, comprises share capital and reserves which can be found in the Balance Sheet on page 7.

4 Revenue

An analysis of the Company's revenue is as follows:

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Interest revenue		
Finance leasing income	197,052	181,468
Unsecured personal loan income	92,196	103,148
Wholesale funding income	14,872	14,716
Interest receivable on borrowings loaned to Joint Venture	1,344	-
Total revenue	305,464	299,332

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

5. Finance costs

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Interest payable on securitisation	15,476	14,907
Guarantee payments to Santander Consumer Finance S A	-	718
Interest payable on borrowings held with Abbey National Treasury Services plc	40,960	21,400
Fair value loss on interest rate swaps	9,578	18,265
Interest on bank overdrafts and loans	96	376
Total	66,110	55,666

The interest rate payable on bank overdrafts is variable and based on the base rate plus 1%, as at the end of 2012 the rate was 1.50% (2011: 1.50%)

Interest payable on securitisation includes a fair value loss of £4,650,000 relating to interest rate swaps transacted with Abbey National Treasury Services plc

6 Impairment losses

Movement in allowance for losses on finance lease receivables, unsecured personal loans and wholesale funding

	2012 £000	2011 £000
Balance at 1 January	88,702	79,301
Increase in impairment provisions	28,997	50,161
Write offs	(32,129)	(40,760)
Balance as at 31 December	85,570	88,702

7 Operating profit

The profit from operations has been arrived at after charging

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Staff costs (see Note 8)	17,922	15,504
Amortisation of intangible assets (see Note 12)	242	463
Depreciation of fixed assets (see Note 13)	-	3
Auditor remuneration for audit services	106	96

8. Staff costs

The average monthly number of employees (including executive directors) was

	Year ended 31 December 2012	Year ended 31 December 2011
	No	No
Sales and customer service	279	269
Administration and support	197	233
Total	476	502

Their aggregate remuneration comprised

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Wages and salaries	15,276	12,729
Social security costs	1,466	1,567
Other pension costs (see Note 26)	1,180	1,208
Total	17,922	15,504

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

9 Directors' Emoluments

The aggregate emoluments received by the directors of the Company were

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Salaries and fees	209	209
Performance related payments	210	265
Total emoluments excluding pension contributions	419	474
Pension contributions	89	90
	508	564

The aggregate emoluments above exclude emoluments received by directors in respect of their primary duties as directors or officers of Banco Santander, S A and Santander UK plc. No apportionment of this remuneration has been made.

Remuneration of highest paid Director

The emoluments excluding pension contributions of the highest paid Director were £418,759 (2011 £474,179) of which £209,472 was performance related (2011 £265,020). The accrued pension benefit for the highest paid Director was £89,006 (2011 £90,486). The accrued lump sum of the highest paid director as at 31 December 2012 was £375,000 (2011 £375,000). One Director will be receiving benefits under a defined benefits scheme and no directors will be receiving benefits under a defined contribution scheme.

10 Investment gain / (loss)

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Unrealised fair value gain/(loss) on interest rate swaps	618	(229)
	618	(229)

The above represents the fair value gain generated by hedge accounting. The investment loss arising on interest rate swaps totals £2,569,000 (2011 gain £69,000). The investment gain arising on the adjustment to the hedged item in a designated fair value hedge accounting relationship totals £3,187,000 (2011 loss £298,000).

11 Tax

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Current tax		
UK corporation tax on profit of the year	27,000	22,561
Adjustments in respect of prior periods	338	(461)
Total current tax	27,338	22,100
Deferred tax (Note 18)		
Origination and reversal of temporary differences	319	128
Change in rate of UK Corporation tax	87	95
Adjustments in respect of prior years	(187)	(1,362)
Total deferred tax	219	(1,139)
Tax charge on profit for the year	27,557	20,961

UK corporation tax is calculated at 24.5% (2011 26.5%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 26% to 24% with effect from 1 April 2012.

The Finance Act 2012, which provides for a reduction in the main rate of UK corporation tax to 23% effective from 1 April 2013 was enacted on 17 July 2012. As this change in rate was substantively enacted prior to 31 December 2012, it has been reflected in the deferred tax asset at 31 December 2012. The UK Government has also indicated that it intends to enact further reductions in the main tax rate, to 21% by 1 April 2014, and then to 20% by 1 April 2015. These changes to the main tax rate have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

11 Tax (continued)

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

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Profit before tax		
Continuing operations	111,372	85,544
Tax at the UK corporation tax rate of 24.5% (2011: 26.5%)	27,286	22,669
Non deductible expenses	33	21
Effect of change in tax rate of deferred tax provision	87	95
Adjustments in respect of prior periods	151	(1,824)
Tax charge for the year	27,557	20,961

12. Intangible assets

	Software capitalisation £000
Cost	
At 31 December 2011	3,194
Additions	-
At 31 December 2012	3,194
Amortisation	
At 31 December 2011	(2,952)
Charge for the year	(242)
At 31 December 2012	(3,194)
Carrying amount	
At 31 December 2012	-
At 31 December 2011	242

During the year the Company has recognised amortisation of £242,000 (2011: £463,000). The front end system has been amortised on a straight-line basis over the estimated economic life of three years and the net book value as at 31 December 2012 is £nil.

13 Fixtures and equipment

	Fixtures and equipment £000	Total £000
Cost		
At 1 January 2012	6	6
Additions	-	-
At 31 December 2012	6	6
Accumulated depreciation		
At 1 January 2012	6	6
Charge for the year	-	-
At 31 December 2012	6	6
Carrying amount		
At 31 December 2012	-	-
At 31 December 2011	-	-

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

14 Investment in joint venture

Details of the Company's joint venture at 31 December 2012 are as follows

	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %
Hyundai Capital UK Limited	UK	50.01	50.01

The investment in the joint venture is stated at cost. The remaining proportions of shares in the joint venture are held as follows

	Proportion of ownership interest %	Proportion of voting power held %
Hyundai Capital Services Inc	29.99	29.99
Hyundai Motor UK Limited	10.00	10.00
Kia Motors UK Limited	10.00	10.00

Hyundai Capital UK Limited is a joint venture, the Company's share of the joint venture's results is accounted for on an equity basis. The Company does not prepare consolidated accounts, the share of the joint venture's results is included in the consolidated accounts of the Company's immediate parent, Santander UK plc.

15 Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments receivable	
	2012 £000	2011 £000	2012 £000	2011 £000
Amounts receivable under finance leases				
Within one year	794,212	754,409	653,261	611,206
In the second to fifth years inclusive	1,306,792	1,209,253	1,143,828	1,037,069
After five years	4,246	1,155	3,717	990
	2,105,250	1,964,817	1,802,806	1,649,265
Less: unearned finance income	(262,535)	(279,769)	-	-
Less: impairment provision	(41,908)	(35,783)	-	-
Present value of minimum lease payments receivable	1,800,807	1,649,265	-	-
Analysed as				
Non-current finance lease receivables (recoverable after 12 months)	1,121,446	894,856	-	-
Current finance lease receivables (recoverable within 12 months)	679,361	754,409	-	-
	1,800,807	1,649,265	-	-

The Company enters into finance leasing arrangements for the financing of vehicles. The average term of finance leases entered into is three years and eleven months (2011: three years and nine months).

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 10.17% (2011: 10.93%) per annum. There are unguaranteed residual values at the balance sheet date of £290,633,000 relating to Personal Contract Purchase (PCP) agreements (2011: £235,678,000).

Finance lease receivable balances are secured over the motor vehicle leased. The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The directors consider that the carrying amount of the finance lease receivables approximates to their fair value.

An allowance has been made for estimated irrecoverable amounts of £41,908,000 (2011: £35,783,000). This allowance has been determined by reference to past default experience. The concentration of credit risk is limited due to the customer base being large and unrelated. The directors believe that there is no further credit provision required in excess of the allowance for irrecoverable amounts.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

16. Loans and receivables

	31 December 2012 £000	31 December 2011 £000
Loans and receivables due from third parties	770,688	725,239
Wholesale funding	402,737	531,816
Securitisation notes	559,352	583,122
Loans due from Motor 2011 plc	29,497	51,055
Loans due from Motor 2012 plc	33,225	-
Loans and receivables	1,795,499	1,891,232
Less Impairment allowances	(43,661)	(52,919)
Total	1,751,838	1,838,313

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

All loans to third parties are to private individuals and companies and are at fixed rates, the average effective interest rate is 11.26% (2011 12.73%). All loans are made in UK sterling. Loans and receivables to third parties include amounts receivables after twelve months totalling £508,788,000 (2011 £478,496,000)

An allowance has been made for estimated irrecoverable amounts of £16,916,000 (2011 £21,567,000). This allowance has been determined by reference to past default experience. The concentration of credit risk is limited due to the customer base being large and unrelated. The directors believe that there is no further credit provision required in excess of the allowance for irrecoverable amounts.

The wholesale funding balance includes dealer stocking and dealer overdrafts, these are at variable rates and are repayable within twelve months. An allowance has been made for estimated irrecoverable amounts of £26,745,000 (2011 £31,352,000)

The entities Motor 2011 plc and Motor 2012 plc are consolidated into the Santander UK plc Group accounts

17 Trade and other receivables

	31 December 2012 £000	31 December 2011 £000
Trade receivables	25,680	8,544
Prepayments	92,650	105,571
Amounts receivable from joint venture	328,151	-
Amounts receivable from other group companies- group relief	-	216
Total	446,481	114,331

The directors consider that the carrying amount of trade receivables approximates to their fair value

Prepayments include amounts after twelve months of £46,690,000 (2011 £52,775,000)

18 Deferred tax

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

	Other temporary differences £000	Accelerated capital allowances £000	Total £000
At 1 January 2011	-	15	15
Income statement charge	-	1,139	1,139
At 1 January 2012	-	1,154	1,154
Income statement credit	75	(294)	(219)
At 31 December 2012	75	860	935

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2012

18 Deferred tax (continued)

Deferred tax assets are attributable to the following items

	Balance Sheet 2012 £000	Balance Sheet 2011 £000	Income Statement 2012 £000	Income Statement 2011 £000
Deferred tax assets				
Accelerated book depreciation	860	1,154	(294)	1,139
Other temporary differences	75	-	75	-
Total deferred tax	935	1,154	(219)	1,139

19. Derivative financial instruments

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Basis rate swap with Abbey National Treasury Services plc re Motor 11 plc	3,246	-
Basis rate swap with Abbey National Treasury Services plc re Motor 12 plc	(7,545)	-
Basis rate swap with Banco Santander	-	352
	(4,299)	352

Following the Company's first securitisation, the Company has entered into a basis rate swap to hedge an interest rate mismatch. The swap counterparty in 2011 was Banco Santander S.A. In 2012 the swap was novated to Abbey National Treasury Services plc. The swap will be in force until the earlier of the notes' maturity date of March 2019 or such earlier date on which the swap is terminated. The swap is not designated into a hedge accounting relationship.

As per the Report of the Directors, the Company has entered into its second securitisation and has entered into a basis rate swap to hedge an interest rate mismatch. The swap counterparty in 2012 was Abbey National Treasury Services plc. The swap will be in force until the earlier of the notes' maturity date of February 2020 or such earlier date on which the swap is terminated. The swap is not designated into a hedge accounting relationship.

20 Trade and other payables

	31 December 2012 £000	31 December 2011 £000
Trade payables	21,118	31,360
Tax and social security	27,815	23,474
Accruals and deferred income	23,397	21,486
Total	72,330	76,320

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 28 days (2011: 28 days).

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

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Notes to the financial statements for the year ended 31 December 2012

21 Bank overdrafts and loans

	31 December 2012 £000	31 December 2011 £000
Amounts due to Abbey National Treasury Services plc	2,437,692	2,260,147
Amounts due to Motor 2011 plc	338,830	812,892
Amounts due to Motor 2012 plc	845,092	-
Amounts due to Santander UK plc group companies	28,377	259,939
Amounts due to other group companies	266	591
Bank overdrafts	7,937	16,695
	3,658,194	3,350,264
These borrowings are repayable as follows		
On demand or within one year	3,269,391	2,916,396
Amounts due after one year	388,803	433,868
	3,658,194	3,350,264

Amounts owed to Abbey National Treasury Services plc for borrowings are interest bearing, the average weighted interest rate as at the balance sheet date is 1.12% (2011: 1.30%)

Amounts due to Santander UK plc group companies relate to intercompany recharges and are repayable on demand. The directors consider that the carrying amount of amounts owed to group undertakings approximates to their fair value.

Amounts owed to Motor 2011 plc relate to the assets securitised in April 2011. All amounts due to Motor 2011 plc are expected to be repayable within twelve months.

Amounts owed to Motor 2012 plc relate to the assets securitised in September 2012. Amounts due to Motor 2012 plc include amounts repayable after twelve months totalling £388,803,000.

All bank overdrafts are held in UK sterling. The directors consider that the carrying amount of bank overdrafts approximates to their fair value.

22 Share capital

	31 December 2012 £000	31 December 2011 £000
Issued called up and fully paid		
150,000,000 ordinary shares of £1 each	150,000	150,000

23 Operating lease arrangements

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012 £000	2011 £000
Within one year	201	460
In the second to fifth years inclusive	88	63
	289	523

The Company has entered into 42 operating lease agreements for motor vehicle hire for personnel including the director V. I. Hill. The contracts are for 24 months, on expiry of the agreement the Company has the option to continue to rent the motor vehicle.

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Notes to the financial statements for the year ended 31 December 2012

24. Note to the cash flow statement

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Operating profit	110,754	85,773
Adjustments for		
Finance costs	66,110	55,666
Depreciation on software development	242	463
Depreciation on fixtures and equipment	-	3
Fair value loss / (gain) on derivative	4,650	(352)
Impairment losses / (gains)	(3,134)	9,401
Operating cash flows before movements in working capital	178,622	150,954
Increase in finance lease receivables	(157,357)	(200,780)
Decrease / (increase) in loans and receivables	96,042	(597,219)
Decrease / (increase) in trade receivables	(332,703)	21,440
Decrease in payables	(30,990)	(1,398)
Cash used in operations	(246,386)	(627,003)
Tax received / (paid)	216	(22,815)
Interest paid	(66,110)	(55,666)
Net cash used in operating activities	(312,280)	(705,484)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with maturity of three months or less

25 Contingent Liabilities

The Company, along with certain other subsidiaries of Santander UK plc, is a party to a capital support deed dated 14 December 2012 with Santander UK plc, Abbey National Treasury Services plc and Cater Allen Limited (each a "regulated entity") The Capital Support Deed supports a core UK group for the purposes of section 10 of the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") of the FSA Handbook Under section 10.8 of BIPRU, exposures of each regulated entity to other members of the core UK group, including the Company, are exempt from large exposure limits that would otherwise apply The purpose of the Capital Support Deed is to facilitate the prompt transfer of available capital resources or repayment of liabilities to a regulated entity to ensure that a regulated entity continues to comply with requirements relating to capital resources and risk concentrations The amount of any transfer is limited to the sum of the Company's capital resources which would not cause the value of its liabilities to exceed the value of its assets, taking into account all of its contingent and prospective liabilities The Capital Support Deed also provides that, in certain circumstances, funding received by the Company from other parties to the Capital Support Deed becomes repayable on demand, such repayment being limited to the Company's available resources

26 Retirement Benefit Schemes

The Company participates in the Santander UK group defined benefit pension schemes in operation There is no contractual agreement of stated policy for charging the net defined benefit cost The contribution to be paid by the Company is calculated as the contributions made by Santander UK plc to the schemes in respect of the Company's employees An amount of £1,180,000 (2011 £1,208,000) was recognised as an expense for the contributions and is included in Note 8 Of this amount £274,643 was recognised for key management personnel (2011 £153,000) The details of the pension scheme appear in the accounts of Santander UK plc

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Notes to the financial statements for the year ended 31 December 2012

27 Related party transactions

Trading transactions

During the year, the Company entered into the following transactions with related parties

	Income		Expenditure		Amounts owed by related parties		Amounts owed to related parties	
	2012	2011	2012	2011	2012	2011	2012	2011
	£000	£000	£000	£000	£000	£000	£000	£000
Entities with significant influence over the Company- Santander UK plc	-	-	2,523	4,084	27,602	29,659	34,933	278,580
Santander Consumer Finance S A	-	-	-	718	-	-	-	-
Banco Santander Central Hispano S A	8,873	5,572	5,478	-	-	352	73	130
Other Santander UK plc group companies- Santander Global Consumer Finance Limited	-	-	264	843	-	-	1	70
Other Santander UK plc group companies- Abbey National Treasury Services plc	320	34	41,280	21,434	3,246	6,805	2,457,686	2,270,139
Other related parties Gesban UK Limited	-	-	207	200	-	-	-	200
Other related parties Isban UK	-	-	2,161	2,408	-	-	180	181
Other related parties Isban Spain	-	-	1,204	1,064	-	-	-	-
Other related parties Produban	-	-	3,205	2,858	-	-	1	11
Other related parties Motor 2011 plc	75,082	27,360	84,355	35,804	363,712	634,176	338,830	812,982
Other related parties Motor 2012 plc	2,976	-	-	-	258,361	-	845,092	-
Joint Venture Hyundai Capital UK Limited	4,888	-	-	-	328,370	-	-	-

Amounts paid to Santander UK plc include £2,417,000 of interest relating to Motor 2011 plc securitisation

Amounts owed to Santander UK plc primarily include amounts held at bank, and a repurchase agreement amount of £26,914,000

Treasury borrowing costs including the interest rate derivatives are all recharged

All transactions with Motor 2011 plc and Motor 2012 plc relate to the two securitisations which commenced in April 2011 and September 2012 respectively

Amounts owed by Hyundai Capital UK Limited include treasury borrowings of £326,406,000, and management recharges for borrowings, staff, system and overheads of £1,964,000

Remuneration of key management personnel

Santander UK plc holds the contracts of services of the key management personnel (not including the director disclosed separately in note 9) and is responsible for their remuneration. The remuneration of the management board which consists of five employees including the director disclosed in note 9 (2011 five) who act as the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*

	2012	2011
	£000	£000
Short-term employee benefits	1,300	1,437
Post-employment benefits	275	270
Share based payments	64	86
	1,639	1,793

Long Term Incentive Plan

In 2012, no key management personnel (2011 five) were granted conditional awards of shares in Banco Santander, S A under the Santander Long-Term Incentive Plan (2011 £121,514 based on a closing share price of Euro 5.5707). The value attributable to the current year of these conditional awards is included in share based payments above. Under the Santander Long-Term Incentive Plans granted on 1 July 2009 and 1 July 2010, certain Directors, Key Management Personnel (as defined above) and other nominated individuals were granted conditional awards of shares in Banco Santander, S A. The amount of shares participants will receive throughout a three year period depends on performance of Banco Santander, S A during this period. All awards under the Santander Long-Term Incentive Plan depend on Santander's Total Shareholder Return performance against a competitor benchmark group. Subject to performance conditions being met, 30% of the 2009 conditional award vested in July 2012 and 100% of the 2010 conditional award will be available to vest in July 2013.

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Notes to the financial statements for the year ended 31 December 2012

27. Related party transactions (continued)

Directors' transactions

Directors and key management personnel have undertaken the following transactions with the Company

Finance leases and unsecured personal loans

	Number of directors/key management personnel	Amounts in respect of directors and key management personnel £000
Balances outstanding at 1 January 2012	-	-
Net movement during the year	2	33
Balances outstanding at 31 December 2012	2	33

There were no other transactions with directors or key management personnel

28 Parent undertaking and controlling party

The Company's immediate parent company is Santander UK plc, a company registered in England and Wales and which owns 100% of the share capital

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 parent undertaking of the smallest group of undertakings for which the group accounts are drawn up.

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