SANTANDER CONSUMER (UK) PLC

Registered in England and Wales
No: 2248870

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED
31 DECEMBER 2013

Santander Consumer (UK) plc – Company number 2248870

STRATEGIC REPORT

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

Fair review of the Company's Business

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

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

By Order of the Board

For and on behalf of
Santander Secretariat Services Limited, Secretary

31 March 2014

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

REPORT OF THE DIRECTORS

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

Principal activity

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.

Likely Future Developments

The Directors do not expect any significant change in the level of business in the foreseeable future. The directors are satisfied with the Company's overall performance.

Results and dividends

The profit for the year ended 31 December 2013 on ordinary activities after taxation amounted to £92,775,000 (2012 profit: £83,815,000).

The Company did not pay an interim dividend of for the year (2012: £nil). The directors do not recommend the payment of a final dividend (2012: £nil).

Directors

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

J Anton San Pablo	
V T Hill	(Alternate Director to J Anton San Pablo)
M Cueva Diaz	
B Montalvo Wilmot	
J de la Vega	(Appointed 16 October 2013)
A R Goldhagen	(Appointed 1 November 2013)
DE Roberts	(Appointed 1 November 2013)

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.

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 2 and 3 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, market risk, liquidity risk and other risks.

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 three securitisations, one of which is completed, 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 2013 with Abbey National Treasury Services plc resulting in the existing facility being renewed. 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 and at least for a period of 12 months from the date of signing these accounts.

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 of accounting 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.

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.

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 2013, trade creditor days for the Company were 28 days (2012: 28 days).

REPORT OF THE DIRECTORS (continued)

Employees

Details of the number of employees and related costs can be found in Note 8 to the Financial Statements on page 18.

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.

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

31 March 2014

Registered Office Address: 3 Princess Way, Redhill, Surrey RH1 ISR

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 2013 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 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 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 strategic report and 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.

Elanor Gill

Elanor Gill (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, UK
31 March 2014

Santander Consumer (UK) plc – Company number 2248870

Income Statement

For the year ended 31 December 2013 and 2012

	NOTES	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Interest received	4	286,196	305,464
Commissions paid		(84,354)	(84,033)
Finance costs	5	(52,390)	(66,110)
Gross profit		**149,452**	**155,321**
Other operating income		22,399	20,970
Administrative expenses		(39,763)	(36,540)
Impairment losses	6	(23,939)	(28,997)
Operating profit	7	**108,149**	**110,754**
Investment gains	10	12,788	618
Profit before tax		**120,937**	**111,372**
Tax	11	(28,162)	(27,557)
Profit for the year		**92,775**	**83,815**

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 2013

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Profit for the year	**92,775**	**83,815**
Items that may be classified subsequently to profit or loss:		
Cash flow hedges:		
Losses arising during the year	(13,239)	-
Tax on above item	2,648	-
Total comprehensive income for the year	**82,184**	**83,815**

Other comprehensive expenses stated above comprise the effective portion of losses on hedging instruments in a cash flow hedge and related deferred tax.

Santander Consumer (UK) plc – Company number 2248870

Balance Sheet

At 31 December 2013 and 2012

	NOTES	2013 £000	2012 £000
Non-current assets			
Intangible assets	12	-	-
Fixtures and equipment	13	3,132	-
Investment in joint venture	14	22,505	10,002
Finance lease receivables	15	1,254,876	1,121,446
Loans and receivables	16	900,812	730,121
Trade and other receivables	17	46,084	46,690
Deferred tax	18	2,575	935
		2,229,984	1,909,194
Current assets			
Finance lease receivables	15	696,249	679,361
Loans and receivables	16	580,727	1,021,717
Trade and other receivables	17	705,309	399,791
Derivative financial instruments	19	12,673	3,246
Cash and cash equivalents		39,593	23,554
		2,034,551	2,127,669
Total assets		**4,264,535**	**4,036,863**
Current liabilities			
Trade and other payables	20	(70,666)	(72,330)
Derivative financial instruments	19	(17,647)	(7,545)
Bank overdrafts and loans	21	(2,142,352)	(3,269,391)
		(2,230,665)	**(3,349,266)**
Net current liabilities		**(196,114)**	**(1,221,597)**
Non-current liabilities			
Bank overdrafts and loans	21	(1,652,892)	(388,803)
Total liabilities		**(3,883,557)**	**(3,738,069)**
Net assets		**380,978**	**298,794**
Equity			
Capital and reserves			
Share capital	22	150,000	150,000
Retained profits		241,569	148,794
Cash flow hedging reserve		(10,591)	-
Equity attributable to equity holders of the parent		**380,978**	**298,794**

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 31 March 2014. They were signed on its behalf by: DIANE ROBERTS

Director

Santander Consumer (UK) plc – Company number 2248870

Cash Flow Statement

For the year ended 31 December 2013

	NOTE	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Net cash used in operating activities	24	**(92,137)**	**(312,280)**
Investing activities			
Acquisition of investment in joint venture	14	(12,502)	(10,002)
Purchase of fixed assets		(3,132)	-
Net cash used in investing activities		**(15,634)**	**(10,002)**
Financing activities			
Cash flow from securitisation		686,990	785,665
Repayments of obligations on securitised notes		(815,434)	(414,635)
Securitised loans		128,444	(371,030)
Increase in bank overdrafts and loans		137,049	307,930
Cash flow hedge		(13,239)	-
Net cash from financing activities		**123,810**	**307,930**
Net increase / (decrease) in cash and cash equivalents		16,039	(14,352)
Cash and cash equivalents at beginning of year		23,554	37,906
Cash and cash equivalents at end of year		**39,593**	**23,554**

Statement of Changes in Equity

For the years ended 31 December 2013 and 2012

	Share Capital £000	Retained earnings £000	Cash flow hedging reserve £000	Total £000
Balance at 1 January 2012	**150,000**	**64,979**	-	**214,979**
Profit for the year	-	83,815	-	83,815
Dividends	-	-	-	-
Balance at 31 December 2012	**150,000**	**148,794**	-	**298,794**
Profit for the year	-	92,775	-	92,775
Losses on cash flow hedges	-	-	(13,239)	(13,239)
Tax on other comprehensive expense	-	-	2,648	2,648
Balance at 31 December 2013	**150,000**	**241,569**	**(10,591)**	**380,978**

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 the revaluation of financial instruments and 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 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 have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 did not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

   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 '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.

   The Company has no financial assets and financial liabilities for which offsetting applies and therefore there is no impact from the adoption of the IFRS 7 amendments.

d) IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – In May 2011, the package of five standards on consolidation, joint arrangements, associates and disclosures was issued. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

   > Under IFRS 10, control is the single basis for consolidation, irrespective of the nature of the investee; this standard therefore eliminates the risks-and-rewards approach. IFRS 10 identifies the three elements of control as power over the investee, exposure, or rights, to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of the investor's returns. An investor must possess all three elements to conclude that it controls an investee. The assessment of control is based on all facts and circumstances, and the conclusion is reassessed if there are changes to at least one of the three elements. Retrospective application is required subject to certain transitional provisions.
   > The Company has no holdings in subsidiaries or investees and so there is no impact from the IFRS 10 requirements.

1. Accounting policies (continued)

Recent accounting developments (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). 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.

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 2012 comparative period.

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.

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.

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

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

1. Accounting policies (continued)

Future accounting developments (continued)

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.
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.

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.

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.

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

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

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 company 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.

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.

1. Accounting policies (continued)

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.

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 review 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.

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 2013	**Demand £000**	**Up to 3 months £000**	**3-12 months £000**	**1-5 years £000**	**Over 5 years £000**	**Total £000**
Intercompany liabilities	1,705	1,614,226	515,700	1,652,892	-	**3,784,523**
Other liabilities	10,721	-	-	-	-	**10,721**
Total financial liabilities	**12,426**	**1,614,226**	**515,700**	**1,652,892**	**-**	**3,795,244**

At 31 December 2012	**Demand £000**	**Up to 3 months £000**	**3-12 months £000**	**1-5 years £000**	**Over 5 years £000**	**Total £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

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 £784,458,000 (2012: £753,773,000) 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.

2. Financial Risk Management (continued)

Sensitivity analysis

A 100bp adverse movement in interest rates would result in a reduction in operating profit of £5,600,000 (2012: £6,279,000) over the remaining life of the asset portfolio.

The Company lends in sterling and US dollars to UK individuals and businesses and is therefore 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 8.

4. Revenue

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

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Interest revenue:		
Finance leasing income	190,793	197,052
Unsecured personal loan income	82,584	92,196
Wholesale funding income	8,446	14,872
Interest receivable on borrowings loaned to Joint Venture	4,373	1,344
Total	**286,196**	**305,464**

5. Finance costs

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Interest payable on securitisation	14,502	15,476
Interest payable on borrowings held with Abbey National Treasury Services plc	26,976	40,960
Fair value loss on interest rate swaps	10,829	9,578
Interest on bank overdrafts and loans	83	96
Total	**52,390**	**66,110**

The interest rate payable on bank overdrafts is variable and based on the base rate plus 1%; as at the end of 2013 the rate was 1.50% (2012: 1.50%).

Interest payable on securitisation includes a fair value gain of £540,000 (2012: 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.

	2013 £000	2012 £000
Balance at 1 January	85,570	88,702
Increase in impairment provisions	23,939	28,997
Write offs	(24,833)	(32,129)
Balance as at 31 December	**84,676**	**85,570**

7. Operating profit

The profit from operations has been arrived at after charging:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Staff costs (see Note 8)	19,005	17,922
Amortisation of intangible assets (see Note 12)	-	242
Auditor remuneration for audit services	107	106

8. Staff costs

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

	Year ended 31 December 2013 No.	Year ended 31 December 2012 No.
Sales and customer service	278	279
Administration and support	194	197
Total	**472**	**476**

Their aggregate remuneration comprised:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Wages and salaries	16,103	15,276
Social security costs	1,620	1,466
Other pension costs (see Note 26)	1,282	1,180
Total	**19,005**	**17,922**

9. Directors' Emoluments

The aggregate emoluments received by the directors of the Company were:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Salaries and fees	286	209
Performance related payments	239	210
Total emoluments excluding pension contributions	**525**	419
Pension contributions	106	89
Total	**631**	**508**

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 £442,564 (2012: £418,759) of which £214,875 was performance related (2012: £209,472). The accrued pension benefit for the highest paid Director was £95,739 (2012: £89,006). The accrued lump sum of the highest paid director as at 31 December 2013 was £375,000 (2012: £375,000). Two Directors (2012: one) will be receiving benefits under a defined benefits scheme and no directors will be receiving benefits under a defined contribution scheme. Provided the performance conditions were met, 30% of the 2009 conditional award vested in July 2012 and 100% of the 2010 conditional award vested in July 2013.

10. Investment gain / (loss)

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Unrealised fair value gain on interest rate swaps	114	618
Unrealised fair value gain on cross currency swaps	12,674	-
Total	**12,788**	**618**

The above represents the fair value gain generated by hedge accounting. The investment loss arising on interest rate swaps totals £15,626,000 (2012: loss £2,569,000). The investment gain arising on the adjustment to the hedged item in a designated fair value hedge accounting relationship totals £15,740,000 (2012: £3,187,000).

11. Tax

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Current tax:		
UK corporation tax on profit of the year	27,804	27,000
Adjustments in respect of prior periods	(650)	338
Total current tax	27,154	27,338
Deferred tax (Note 18):		
Origination and reversal of temporary differences	416	319
Change in rate of UK Corporation tax	(16)	87
Adjustments in respect of prior years	608	(187)
Total deferred tax	1,008	219
Tax charge on profit for the year	**28,162**	**27,557**

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 small profits rate of UK corporation tax remains at 20%.

As the change in rates were substantively enacted prior to 31 December 2013, they have been reflected in the deferred tax asset at 31 December 2013.

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

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Profit before tax:		
Continuing operations	120,937	111,372
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	28,118	27,286
Non deductible expenses	101	33
Effect of change in tax rate of deferred tax provision	(15)	87
Adjustments in respect of prior periods	(42)	151
Tax charge for the year	**28,162**	**27,557**

12. Intangible assets

	Software capitalisation £000
Cost	
At 31 December 2012	3,194
At 31 December 2013	**3,194**
Amortisation	
At 31 December 2012	(3,194)
At 31 December 2013	**(3,194)**
Carrying amount	
At 31 December 2013	-
At 31 December 2012	-

During the year the Company has recognised amortisation of £nil (2012: £242,000). 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 2013 is £nil.

13. Fixtures and equipment

	Fixtures and equipment £000	Total £000
Cost		
At 1 January 2013	6	6
Additions	3,132	3,132
At 31 December 2013	**3,138**	**3,138**

Accumulated depreciation		
At 1 January 2013	6	6
At 31 December 2013	6	6

Carrying amount		
At 31 December 2013	**3,132**	**3,132**
At 31 December 2012	-	-

The Company has incurred costs of £3,132,000 relating to fixtures and equipment for a new building it will occupy during 2014. Depreciation has not been charged on these assets as they are not yet in use.

14. Investment in joint venture

Details of the Company's joint venture at 31 December 2013 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	
	2013 £000	2012 £000	2013 £000	2012 £000
Amounts receivable under finance leases:				
Within one year	794,619	794,212	678,430	653,261
In the second to fifth years inclusive	1,427,546	1,306,792	1,268,586	1,143,828
After five years	4,625	4,246	4,109	3,717
	2,226,790	2,105,250	**1,951,125**	1,800,807
Less: unearned finance income	(247,959)	(262,535)	-	-
Less: impairment provision	(27,706)	(41,908)	-	-
Present value of minimum lease payments receivable	**1,951,125**	1,800,807	-	-
Analysed as:				
Non-current finance lease receivables (recoverable after 12 months)	1,254,876	1,121,446	-	-
Current finance lease receivables (recoverable within 12 months)	696,249	679,361	-	-
	1,951,125	1,800,807	-	-

15. Finance lease receivables (continued)

The Company enters into finance leasing arrangements for the financing of vehicles. The average term of finance leases entered into is four years (2012: three years and eleven 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 9.19% (2012: 10.17%) per annum. There are unguaranteed residual values at the balance sheet date of £337,378,000 relating to Personal Contract Purchase (PCP) agreements (2012: £290,633,000).

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 £44,180,000 (2012: £41,908,000). 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.

16. Loans and receivables

	31 December 2013 £000	**31 December 2012 £000**
Loans and receivables due from third parties	755,302	770,688
Wholesale funding	304,373	402,737
Securitisation notes	406,903	559,352
Loans due from Motor 2011 plc	-	29,497
Loans due from Motor 2012 plc	36,145	33,225
Loans due from Motor 2013 plc	19,312	-
Loans and receivables	**1,522,035**	**1,795,499**
Less: Impairment allowances	(40,496)	(43,661)
Total	**1,481,539**	**1,751,838**

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 9.91% (2012: 11.26%). All loans are made in UK sterling. Loans and receivables to third parties include amounts receivables after twelve months totalling £503,418,000 (2012: £508,788,000).

An allowance has been made for estimated irrecoverable amounts of £15,292,000 (2012: £16,916,000). 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 £24,903,000 (2012: £26,745,000).

The entities Motor 2011 plc, Motor 2012 plc and Motor 2013-1 plc are consolidated into the Santander UK plc Group accounts.

17. Trade and other receivables

	31 December 2013 £000	**31 December 2012 £000**
Trade receivables	12,206	25,680
Prepayments	91,295	92,650
Amounts receivable from joint venture	647,870	328,151
Amounts receivable from other group companies	22	-
Total	**751,393**	**446,481**

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

Prepayments include amounts after twelve months of £46,084,000 (2012: £46,690,000).

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 2012	-	**1,154**	**1,154**
Income statement credit	75	(294)	(219)
At 1 January 2013	**75**	**860**	**935**
Income statement credit	162	(1,170)	(1,008)
Credited to other comprehensive income:			
Cash flow hedges	2,648	-	2,648
At 31 December 2013	**2,885**	**(310)**	**2,575**

Deferred tax assets are attributable to the following items:

	Balance Sheet 2013 £000	Balance Sheet 2012 £000	Income Statement 2013 £000	Income Statement 2012 £000
Deferred tax assets:				
Accelerated book depreciation / (Accelerated tax depreciation)	(310)	860	(1,170)	(294)
Other temporary differences	2,885	75	163	75
Total deferred tax	**2,575**	**935**	**(1,007)**	**(219)**

19. Derivative financial instruments

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £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	(3,759)	(7,545)
Basis rate swap with 3rd party - Motor 13-1 plc	(650)	-
Fair value on cross currency swaps	(565)	-
Total	**(4,974)**	**(4,299)**

Following the Company's first securitisation, the Company entered into a basis rate swap to hedge an interest rate mismatch. The swap counterparty in 2013 was Abbey National Treasury Services plc. This swap ended during the year when the notes had fully matured. The swap was not designated into a hedge accounting relationship.
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 2013 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.
During the year the Company has entered into its third securitisation and has entered into a basis rate swap to hedge an interest rate mismatch with a third party. The swap will be in force until the earlier of the notes' maturity date of February 2021 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 2013 £000	31 December 2012 £000
Trade payables	15,206	21,118
Tax and social security	29,205	27,815
Accruals and deferred income	26,255	23,397
Total	**70,666**	**72,330**

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 (2012: 28 days).

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

21. Bank overdrafts and loans

	31 December 2013 £000	31 December 2012 £000
Amounts due to Abbey National Treasury Services plc	2,726,341	2,437,692
Amounts due to Motor 2011 plc	-	338,830
Amounts due to Motor 2012 plc	409,157	845,092
Amounts due to Motor 2013-1 plc	646,322	-
Amounts due to Santander UK plc group companies	1,692	28,377
Amounts due to other group companies	1,011	266
Bank overdrafts	10,721	7,937
	3,795,244	**3,658,194**
These borrowings are repayable as follows:		
On demand or within one year	2,142,352	3,269,391
Amounts due after one year	1,652,892	388,803
	3,795,244	3,658,194

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 0.98% (2012: 1.12%).

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 £159,398,000 (2012: £388,803,000).

Amounts owed to Motor 2013-1 plc relate to the assets securitised in September 2013. Amounts due to Motor 2013-1 plc include amounts repayable after twelve months totalling £380,380,000 (2012: £nil).

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

22. Share capital

	31 December 2013 £000	31 December 2012 £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:

	2013 £000	2012 £000
Within one year	379	201
In the second to fifth years inclusive	71	88
	450	289

The Company has entered into 57 operating lease agreements for motor vehicle hire for personnel including the director V T Hill, AR Goldhagen and DE Roberts. The contracts are for 24 months; on expiry of the agreement the Company has the option to continue to rent the motor vehicle.

24. Note to the cash flow statement

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Operating profit	108,149	110,754
Adjustments for:		
Finance costs	52,390	66,110
Depreciation on software development	-	242
Fair value loss on derivative	676	4,650
Impairment gains	(894)	(3,134)
Operating cash flows before movements in working capital	160,321	178,622
Increase in finance lease receivables	(146,198)	(157,357)
Decrease in loans and receivables	279,858	96,042
Increase in trade receivables	(280,559)	(332,703)
Decrease in payables	(26,821)	(30,990)
Cash used in operations	(13,399)	(246,386)
Tax (paid) / received	(26,348)	216
Interest paid	(52,390)	(66,110)
Net cash used in operating activities	**(92,137)**	**(312,280)**

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 £1,282,000 (2012: £1,180,000) was recognised as an expense for the contributions and is included in Note 8. Of this amount £297,430 was recognised for key management personnel (2012: £274,643). The details of the pension scheme appear in the accounts of Santander UK plc.

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	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Entities with significant influence over the Company- Santander UK plc	-	-	**127**	2,523	**30,349**	27,602	**16,147**	34,933
Banco Santander Central Hispano S.A	-	8,873	-	5,478	-	-	**38**	73
Other Santander UK plc group companies: Santander Global Consumer Finance Limited	-	-	**111**	264	-	-	**55**	-
Other Santander UK plc group companies- Abbey National Treasury Services plc	**4,148**	320	**46,071**	41,280	**5,142**	3,246	**2,732,689**	2,457,686
Other related parties: Gesban UK Limited	-	-	**39**	207	-	-	-	-
Other related parties: Isban UK	-	-	**2,151**	2,161	-	-	-	180
Other related parties: Isban Spain	-	-	**1,853**	1,204	-	-	-	-
Other related parties: Produban	-	-	**4,665**	3,205	-	-	**905**	-
Other related parties: Motor 2011 plc	**51,555**	75,082	**53,264**	84,355	-	363,712	-	338,830
Other related parties: Motor 2012 plc	**68,015**	2,976	**71,039**	-	**257,479**	258,361	**409,157**	845,092
Other related parties: Motor 2013 plc	**4,899**	-	**8,486**	-	**204,881**	-	**646,320**	-
Joint Venture: Hyundai Capital UK Limited	**8,647**	4,888	-	-	**648,533**	328,370	-	-
Other related parties: Santander Insurance Services UK Limited	-	-	-	-	**21**	-	-	-

Amounts paid to Santander UK plc include £44,000 (2012: £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 £nil (2012: £26,914,000).
Treasury borrowing costs including the interest rate derivatives are all recharged.
All transactions with Motor 2011 plc, Motor 2012 plc and Motor 2013-1 plc relate to the three securitisations which commenced in April 2011, September 2012 and June 2013 respectively.
Amounts owed by Hyundai Capital UK Limited include treasury borrowings of £647,235,000 (2012: £326,406,000) and management recharges for borrowings, staff, system and overheads of £1,298,000 (2012: £1,964,000).

Remuneration of key management personnel

The remuneration of Directors and key management personnel of the Company is set out in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of the individual Directors are provided in note 9.

	2013 £000	2012 £000
Short-term employee benefits	1,428	1,300
Post-employment benefits	297	275
Share based payments	20	64
	1,745	1,639

Long Term Incentive Plan

During 2012 and 2013, no key management personnel were granted conditional awards of shares in Banco Santander, S.A. under the Santander Long-Term Incentive Plan. 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.

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 2013	2	33
Net movement during the year	-	(8)
Balances outstanding at 31 December 2013	2	25

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 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, 2 Triton Square, Regent's Place, London NW1 3AN.