

SANTANDER CONSUMER (UK) PLC

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

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2014**

FRIDAY



L47X0IWX

LD2

22/05/2015

#17

COMPANIES HOUSE

STRATEGIC REPORT

The Directors submit the strategic report together with their Directors' report and the audited financial statements for the year ended 31 December 2014.

Fair review of the Company's Business

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 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

24 April 2015

Registered Office Address: Santander House, 86 Station Road, Redhill, Surrey RH1 1SR

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 31 December 2014.

Results and dividends

The profit for the year ended 31 December 2014 on ordinary activities after taxation amounted to £74,190,000 (2013 profit: £92,775,000).

The Company did not pay an interim dividend of for the year (2013: £nil). The directors do not recommend the payment of a final dividend (2013: £nil).

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.

Subsequent events

Santander Consumer Finance S.A. has entered into a partnership in financing activities between PSA Peugeot Citroen and Banque PSA Finance. This partnership will result in the creation of local partnerships, each 50/50 owned by Banque PSA Finance and Santander Consumer Finance, across the main European markets of Peugeot Citroen. The Company was one of the first to enter into such a partnership; a joint venture with PSA Finance UK Limited which started in February 2015. Other local partnerships are expected to be finalised during 2015.

On 2 March 2015 the Company entered into its fifth securitisation Motor 2015-1 plc. This securitisation is a revolving transaction. A total purchase price of £755,051,092 was raised through the issuance of USD A1 notes and GBP A2 notes externally.

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	
M Cueva Diaz	
J de la Vega	(resigned 16 July 2014)
A R Goldhagen	
V T Hill	(Alternate Director to J Anton San Pablo)
B Montalvo Wilmot	
S J Pateman	(appointed 14 May 2014)
D E Roberts	

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 five 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. During 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.

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 16.

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.

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

24 April 2015

Registered Office Address: Santander House, 86 Station Road, Redhill, Surrey, RH1 1SR

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 2014 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 30. 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 2014 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 (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, UK

—March 2015

27 April

Santander Consumer (UK) plc – Company number 2248870

Income Statement

For the years ended 31 December 2014 and 2013

	Notes	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Interest received	4	280,165	286,196
Commissions paid		(81,721)	(84,354)
Finance costs	5	(58,933)	(52,390)
Gross profit		139,511	149,452
Other operating income		21,761	22,399
Administrative expenses		(40,188)	(39,763)
Impairment losses	6	(24,839)	(23,939)
Operating profit	7	96,245	108,149
Investment (losses) / gains	10	(1,117)	12,788
Profit before tax		95,128	120,937
Tax	11	(20,938)	(28,162)
Profit for the year		74,190	92,775

All the activities of the Company are classed as continuing.

The accompanying Notes 1 to 30 form an integral part of the accounts.

Statement of Comprehensive Income

For the year ended 31 December 2014

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Profit for the year	74,190	92,775
Items that may be classified subsequently to profit or loss:		
Cash flow hedges:		
Gains / (losses) arising during the year	13,478	(13,239)
Tax on above item	(2,898)	2,648
Total comprehensive income for the year	84,770	82,184

Other comprehensive income stated above comprise the effective portion of gains (2013: 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 2014 and 2013

	NOTES	2014 £000	2013 £000
Non-current assets			
Intangible assets	12	3,763	-
Fixtures and equipment	13	4,719	3,132
Investment in joint venture	14	27,506	22,505
Finance lease receivables	15	1,383,606	1,254,417
Macro hedge of interest rate risk		2,874	-
Derivative financial instruments	19	-	1,737
Loans and receivables	16	695,041	900,326
Trade and other receivables	17	49,241	46,084
Deferred tax	18	366	2,575
		2,167,116	2,230,776
Current assets			
Finance lease receivables	15	725,562	695,994
Macro hedge of interest rate risk		5,480	-
Loans and receivables	16	868,639	580,498
Trade and other receivables	17	789,249	705,309
Derivative financial instruments	19	23	12,673
Cash and cash equivalents		45,195	39,593
		2,434,148	2,034,067
Total assets		4,601,264	4,264,843
Current liabilities			
Trade and other payables	20	(69,448)	(69,748)
Derivative financial instruments	19	(4,830)	(16,832)
Macro hedge of interest rate risk		-	(652)
Bank overdrafts and loans	21	(3,527,215)	(2,142,352)
		(3,601,493)	(2,229,584)
Net current liabilities		(1,167,345)	(195,517)
Non-current liabilities			
Bank overdrafts and loans	21	(528,025)	(1,652,892)
Macro hedge of interest rate risk		-	(1,389)
Derivative financial instruments	19	(5,998)	-
		(534,023)	(1,654,281)
Total liabilities		(4,135,516)	(3,883,865)
Net assets		465,748	380,978
Equity			
Capital and reserves			
Share capital	22	150,000	150,000
Retained profits		315,759	241,569
Cash flow hedging reserve	23	(11)	(10,591)
Equity attributable to equity holders of the parent		465,748	380,978

The accompanying Notes 1 to 30 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 24 April 2015. They were signed on its behalf by: **VICTOR HILL**



Director

Santander Consumer (UK) plc – Company number 2248870

Cash Flow Statement

For the year ended 31 December 2014

	NOTE	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Net cash used in operating activities	25	(255,920)	(92,137)
Investing activities			
Acquisition of investment in joint venture	14	(5,001)	(12,502)
Purchase of fixed assets		(6,699)	(3,132)
Net cash used in investing activities		(11,700)	(15,634)
Financing activities			
Cash flow from securitisation		822,761	686,990
Repayments of obligations on securitised notes		(727,961)	(815,434)
Securitised loans (repaid) / acquired		(94,800)	128,444
Increase in bank overdrafts and loans		259,997	137,049
Cash flow hedge		13,225	(13,239)
Net cash from financing activities		273,222	123,810
Net increase in cash and cash equivalents		5,602	16,039
Cash and cash equivalents at beginning of year		39,593	23,554
Cash and cash equivalents at end of year		45,195	39,593

Statement of Changes in Equity

For the years ended 31 December 2014 and 2013

	Share Capital £000	Retained earnings £000	Cash flow hedging reserve £000	Total £000
Balance at 1 January 2013	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
Profit for the year	-	74,190	-	74,190
Gains on cash flow hedges	-	-	13,225	13,225
Tax on other comprehensive income	-	-	(2,645)	(2,645)
Balance at 31 December 2014	150,000	315,759	(11)	465,748

Santander Consumer (UK) plc – Company number 2248870

Notes to the financial statements for the year ended 31 December 2014

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 2014, the Company adopted the following new accounting pronouncements and amendments to standards which became effective for financial years beginning on 1 January 2014.

- a) IAS 32 'Financial Instruments: Presentation' - In December 2011, the IASB issued amendments to IAS 32 entitled '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 amendments did not have a material effect on the Company's financial statements.
- b) There are a number of other changes to IFRS that were effective from 1 January 2014. 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' ('IFRS 9') – In July 2014, the IASB issued the final version of IFRS 9 which includes the completion of all phases of the project to replace IAS 39 'Financial Instruments: Recognition and Measurement' as discussed below.

Phase 1: Classification and measurement of financial assets and financial liabilities. Financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. The standard also introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. The requirements for the classification and measurement of financial liabilities were carried forward unchanged from IAS 39, however, the requirements relating to the fair value option for financial liabilities were changed to address own credit risk and, in particular, the presentation of gains and losses within other comprehensive income.

Phase 2: Impairment methodology. IFRS 9 fundamentally changes the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. It is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting. These requirements align hedge accounting more closely with risk management and establish a more principle-based approach to hedge accounting. Dynamic hedging of open portfolios is being dealt with as a separate project and until such time as that project is complete, entities can choose between applying the hedge accounting requirements of IFRS 9 or to continue to apply the existing hedge accounting requirements in IAS 39. The revised hedge accounting requirements in IFRS 9 are applied prospectively.

The effective date of IFRS 9 is 1 January 2018. For annual periods beginning before 1 January 2018, an entity may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss. At the date of publication of the Company's financial statements the standard is awaiting EU endorsement and the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 9 on these financial statements.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

1. Accounting policies (continued)

Future accounting developments (continued)

- b) IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15') – In May 2014, the IASB issued IFRS 15. The effective date of IFRS 15 is 1 January 2017. The standard establishes the principles that shall be applied in connection with revenue from contracts with customers including the core principle that the recognition of revenue must depict the transfer of promised goods or services to customers in an amount that reflects the entitlement to consideration in exchange for those goods and services. IFRS 15 applies to all contracts with customers but does not apply to lease contracts, insurance contracts, financial instruments and certain non-monetary exchanges. At the date of publication of these financial statements the standard is awaiting EU endorsement. Whilst it is expected that a significant proportion of the Company's revenue will be outside the scope of IFRS 15, the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect the effect of IFRS 15 on 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.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

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, foreign currency 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.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes regulatory, legal and compliance risk. Operational risk is monitored and managed within the Group. An independent central operational risk function (Enterprise and Operational Risk) has responsibility for establishing the framework within which these risks are managed and is aligned to operational risk professionals within business areas (co-ordinated by IT and Operational Risk) to ensure consistent approaches are applied across the Group. The primary purpose of the framework is to define and articulate the Group-wide policy, processes, roles and responsibilities. The framework incorporates industry practice and regulatory requirements.

The day-to-day management of operational risk is the responsibility of business managers who identify, assess and monitor the risks, in line with the processes described in the framework. The operational risk function ensures that all key risks are regularly reported to the Group's risk committee and board of directors

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 secured on property owned by those parties.

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.

Interest rate risk

A 100bp adverse movement in interest rates would result in a reduction in operating profit of £3,400,000 (2013: £5,600,000) over the remaining life of the asset portfolio.

Foreign currency risk

The Company's securitisations are in sterling and US dollars and it is therefore exposed to foreign currency risk. This risk is mitigated by the use of cash flow swaps.

2. Financial Risk Management (continued)

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 2014	Demand £000	Up to 3 months £000	3-12 months £000	1-5 years £000	Over 5 years £000	Total £000
Intercompany liabilities	1,525	2,815,144	701,852	528,025	-	4,046,546
Other liabilities	8,694	-	-	-	-	8,694
Total financial liabilities	10,219	2,815,144	701,852	528,025	-	4,055,240

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

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 for finance leases, lease arrangements and lending are economically hedged with derivatives from another Santander UK group Company. The directors have hedged the book value of finance leases in their entirety against the risk of fluctuations in interest rates through the use of a number of interest rate swaps.

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 2014 £000	Year ended 31 December 2013 £000
Interest revenue:		
Finance leasing income	194,627	190,793
Unsecured personal loan income	71,038	82,584
Wholesale funding income	10,036	8,446
Interest receivable on borrowings loaned to Joint Venture	4,464	4,373
Total	280,165	286,196

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

5. Finance costs

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Interest payable on securitisation	24,996	14,502
Interest payable on borrowings held with Abbey National Treasury Services plc	24,315	26,976
Fair value loss on interest rate swaps	9,542	10,829
Interest on bank overdrafts and loans	80	83
Total	58,933	52,390

The interest rate payable on bank overdrafts is variable and based on the base rate plus 1%; as at the end of 2014 the rate was 1.50% (2013: 1.50%).

Interest payable on securitisation includes a fair value gain of £3,160,000 (2013: gain of £540,000) 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.

	2014 £000	2013 £000
Balance at 1 January	84,676	85,570
Increase in impairment provisions	24,839	23,939
Write offs	(16,664)	(24,833)
Balance as at 31 December	92,851	84,676

7. Operating profit

The profit from operations has been arrived at after charging:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Staff costs (see Note 8)	19,878	19,005
Depreciation of tangible assets (see Note 13)	1,348	-
Auditor remuneration for audit services	109	107

8. Staff costs

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

	Year ended 31 December 2014 No.	Year ended 31 December 2013 No.
Sales and customer service	295	278
Administration and support	157	194
Total	452	472

Their aggregate remuneration comprised:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Wages and salaries	16,898	16,103
Social security costs	1,692	1,620
Other pension costs (see Note 27)	1,288	1,282
Total	19,878	19,005

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

9. Directors' Emoluments

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

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Salaries and fees	630	286
Performance related payments	452	239
Total emoluments excluding pension contributions	1,082	525
Pension contributions	59	106
Total	1,141	631

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 £537,686 (2013: £442,564) of which £276,500 was performance related (2013: £214,875). The accrued pension benefit for the highest paid director was £36,395 (2013: £95,739). The accrued lump sum of the highest paid director as at 31 December 2014 was £102,069 (2013: £375,000). Two directors (2013: two) will be receiving benefits under a defined benefits scheme and no directors will be receiving benefits under a defined contribution scheme.

10. Investment (loss)/gain

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Unrealised fair value (loss) / gain on macro hedge interest rate swap	(1,270)	764
Unrealised fair value (loss) on basis interest rate swaps	(46)	(650)
Unrealised fair value gain on cross currency swaps	199	12,674
Total	(1,117)	12,788

11. Tax

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Current tax:		
UK corporation tax on profit of the year	20,638	27,804
Adjustments in respect of prior periods	737	(650)
Total current tax	21,375	27,154
Deferred tax (Note 18):		
Origination and reversal of temporary differences	(10)	416
Change in rate of UK Corporation tax	1	(16)
Adjustments in respect of prior years	(428)	608
Total deferred tax	(437)	1,008
Tax charge on profit for the year	20,938	28,162

UK corporation tax is calculated at 21.5% (2013: 23.25%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 23% to 21% with effect from 1 April 2014.

The Finance Act 2013, which provides for a reduction in the main rate of UK corporation tax to 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 was substantively enacted prior to 31 December 2014, they have been reflected in the deferred tax asset at 31 December 2014.

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 2014 £000	Year ended 31 December 2013 £000
Profit before tax:		
Continuing operations	95,128	120,937
Tax at the UK corporation tax rate of 21.5% (2013: 23.25%)	20,452	28,118
Non-deductible expenses	175	101
Effect of change in tax rate on deferred tax provision	1	(15)
Adjustments in respect of prior periods	310	(42)
Tax charge for the year	20,938	28,162

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

12. Intangible assets

	Software capitalisation £000
Cost	
At 31 December 2013	3,194
Additions	3,763
At 31 December 2014	6,957
Amortisation	
At 31 December 2013	(3,194)
At 31 December 2014	(3,194)
Carrying amount	
At 31 December 2014	3,763
At 31 December 2013	-

During the year the Company has recognised amortisation of £nil (2013: £nil). The additions relate to a new project to replace the Company's mainframe. The asset which is internally generated is expected to be brought into use in 2016.

13. Fixtures and equipment

	Fixtures and equipment £000	Total £000
Cost		
At 1 January 2014	3,138	3,138
Additions	2,935	2,935
At 31 December 2014	6,073	6,073
Accumulated depreciation		
At 1 January 2014	6	6
Charge in year	1,348	1,348
At 31 December 2014	1,354	1,354
Carrying amount		
At 31 December 2014	4,719	4,719
At 31 December 2013	3,132	3,132

14. Investment in joint venture

Details of the Company's joint venture at 31 December 2014 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.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

15. Finance lease receivables

	Minimum lease Payments		Present value of minimum lease payments receivable	
	2014 £000	2013 £000	2014 £000	2013 £000
Amounts receivable under finance leases:				
Within one year	838,777	800,243	690,412	667,579
In the second to fifth years inclusive	1,594,412	1,437,650	1,414,241	1,278,689
After five years	5,090	4,657	4,515	4,143
	2,438,279	2,242,550	2,109,168	1,950,411
Less: unearned finance income	(275,529)	(247,959)	-	-
Less: impairment provision	(53,582)	(44,180)	-	-
Present value of minimum lease payments receivable	2,109,168	1,950,411	2,109,168	1,950,411
Analysed as:				
Non-current finance lease receivables (recoverable after 12 months)	1,383,606	1,254,417	-	-
Current finance lease receivables (recoverable within 12 months)	725,562	695,994	-	-
	2,109,168	1,950,411	2,109,168	1,950,411

The Company enters into finance leasing arrangements for the financing of vehicles. The average term of finance leases entered into is four years (2013: four years).

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 8.76% (2013: 9.19%) per annum. There are unguaranteed residual values at the balance sheet date of £456,273,000 relating to Personal Contract Purchase (PCP) agreements (2013: £337,378,000).

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 £53,582,000 (2013: £44,180,000). 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 2014 £000	31 December 2013 £000
Loans and receivables due from third parties	697,158	754,587
Wholesale funding	349,568	304,373
Securitisation notes	498,994	406,903
Loans due from Motor 2012 plc	9,806	36,145
Loans due from Motor 2013-1 plc	22,582	19,312
Loans due from Motor 2014-1 plc	24,841	-
Loans and receivables	1,602,949	1,521,320
Less: Impairment allowances	(39,269)	(40,496)
Total	1,563,680	1,480,824

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 9.29% (2013: 9.91%). All loans are made in UK sterling. Loans and receivables to third parties include amounts receivables after twelve months totalling £448,829,000 (2013: £502,931,000).

An allowance has been made for estimated irrecoverable amounts of £12,964,000 (2013: £15,292,000). 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 £26,305,000 (2013: £24,903,000).

The entities Motor 2012 plc, Motor 2013-1 plc and Motor 2014-1 plc are consolidated into the Santander UK plc Group accounts.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

17. Trade and other receivables

	31 December 2014 £000	31 December 2013 £000
Trade receivables	23,198	12,206
Prepayments	94,751	91,295
Amounts receivable from joint venture	720,541	647,870
Amounts receivable from other group companies	-	22
Total	838,490	751,393

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

Prepayments include amounts after twelve months of £49,241,000 (2013: £46,084,000).

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:

	Cash flow hedge £000	Other temporary differences £000	Accelerated capital allowances £000	Total £000
At 1 January 2013	-	75	860	935
Income statement credit	-	162	(1,170)	(1,008)
Debited to other comprehensive income:				
Cash flow hedges	2,648	-	-	2,648
At 1 January 2014	2,648	237	(310)	2,575
Income statement credit	-	119	318	437
Credited to other comprehensive income:				
Cash flow hedges	(2,646)	-	-	(2,646)
At 31 December 2014	2	356	8	366

Deferred tax assets are attributable to the following items:

	Balance Sheet 2014 £000	Balance Sheet 2013 £000	Income Statement 2014 £000	Income Statement 2013 £000
Deferred tax assets:				
Accelerated book depreciation / (Accelerated tax depreciation)	8	(310)	318	(1,170)
Other temporary differences	358	2,885	119	163
Total deferred tax	366	2,575	437	(1,007)

The deferred tax assets scheduled above have been recognised in the Company on the basis that sufficient future taxable profits are forecast within the foreseeable future, in excess of the profits arising from the reversal of existing taxable temporary differences, to allow for the utilisation of the assets as they reverse.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

19. Derivative financial instruments

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Basis rate swap with Abbey National Treasury Services plc re Motor 12 plc	(599)	(3,759)
Basis rate swap with 3rd party - Motor 13-1 plc	23	(650)
Basis rate swap with 3rd party - Motor 14-1 plc	(719)	-
Fair value on cross currency swaps – Motor 13-1 plc & Motor 14-1 plc	(366)	(565)
Macro hedge swap with Abbey National Treasury Services plc	(9,144)	2,552
Total	(10,805)	(2,422)

As a result of the Company diversifying its borrowings portfolio by entering into securitisations, a number of interest rate and cross currency swaps have been entered into.

The Company's second securitisation in 2012 was Motor 2012 plc and on inception has entered into a basis rate swap to hedge an interest rate mismatch. The swap counterparty in 2014 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.

As a result of the Company's third securitisation, the Company 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. A cross currency swap has also been entered into to mitigate a currency mismatch as some of the notes are transacted in US dollars.

During the year, the Company has entered into its fourth 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 August 2021 or such earlier date on which the swap is terminated. The swap is not designated into a hedge accounting relationship. A cross currency swap has also been entered into to mitigate a currency mismatch as some of the notes are transacted in US dollars.

20. Trade and other payables

	31 December 2014 £000	31 December 2013 £000
Trade payables	18,833	14,288
Tax and social security	23,273	29,205
Accruals and deferred income	27,342	26,255
Total	69,448	69,748

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and on-going costs.

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

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

21. Bank overdrafts and loans

	31 December 2014 £000	31 December 2013 £000
Amounts due to Abbey National Treasury Services plc	2,894,633	2,726,341
Amounts due to Motor 2012 plc	139,515	409,157
Amounts due to Motor 2013-1 plc	327,679	646,322
Amounts due to Motor 2014-1 plc	683,085	-
Amounts due to Santander UK plc group companies	1,525	1,692
Amounts due to other group companies	109	1,011
Bank overdrafts	8,694	10,721
	4,055,240	3,795,244
These borrowings are repayable as follows:		
On demand or within one year	3,527,215	2,142,352
Amounts due after one year	528,025	1,652,892
	4,055,240	3,795,244

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 0.89% (2013: 0.98%).

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 2012 plc relate to the assets securitised in September 2012. Amounts due to Motor 2012 plc include amounts repayable after twelve months totalling £42,683,000 (2013: £159,398,000).

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 £42,805,000 (2013: £380,380,000).

Amounts owed to Motor 2014-1 plc relate to the assets securitised in April 2014. Amounts due to Motor 2014-1 plc include amounts repayable after twelve months totalling £405,621,000 (2013: £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 2014 £000	31 December 2013 £000
Issued called up and fully paid:		
150,000,000 ordinary shares of £1 each	150,000	150,000

23. Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss.

24. 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:

	31 December 2014 £000	31 December 2013 £000
Within one year	1,269	379
In the second to fifth years inclusive	4,240	71
After more than five years	15,514	-
	21,023	450

The Company has entered into 45 operating lease agreements for motor vehicle hire for personnel including the director V T Hill, A R Goldhagen and D E Roberts. The contracts are for 24 months; on expiry of the agreement the Company has the option to continue to rent the motor vehicle.

On 8 May 2014, the Company entered into a lease relating to premises known as Santander House, 86 Station Road, Redhill, Surrey. The annual lease payments are £1,034,286 and the lease terminates on 8 May 2034 with rent reviews every five years from the commencement of the lease. The future minimum lease payments under this non-cancellable operating lease are included above.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

25. Note to the cash flow statement

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Operating profit	96,245	108,149
Adjustments for:		
Finance costs	58,933	52,390
Depreciation on fixtures and fittings	1,348	-
Fair value loss on derivative	8,382	(3,326)
Macro hedge of interest rate risk	(10,396)	2,042
Impairment gains	8,175	(894)
Operating cash flows before movements in working capital	162,687	158,361
Increase in finance lease receivables	(168,716)	(145,483)
(Increase)/ decrease in loans and receivables	(82,188)	280,573
Increase in trade receivables	(87,097)	(304,911)
Decrease in payables	5,651	(1,939)
Cash used in operations	(169,663)	(13,399)
Tax paid	(27,325)	(26,348)
Interest paid	(58,932)	(52,390)
Net cash used in operating activities	(255,920)	(92,137)

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.

26. 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.

27. 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 £1,288,000 (2013: £1,282,000) was recognised as an expense for the contributions and is included in Note 8. Of this amount £278,669 was recognised for key management personnel (2013: £297,430). The details of the pension scheme appear in the accounts of Santander UK plc.

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

28. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	£000	£000	£000	£000	£000	£000	£000	£000
Entities with significant influence over the Company- Santander UK plc	-	-	158	127	40,923	30,349	27,006	16,147
Banco Santander Central Hispano S.A	-	-	-	-	-	-	-	38
Other Santander UK plc group companies- Santander Global Consumer Finance Limited	-	-	-	111	-	-	-	55
Other Santander UK plc group companies- Abbey National Treasury Services plc	3,233	4,148	45,524	46,071	4,868	5,142	2,904,804	2,732,689
Other related parties: Gesban UK Limited	-	-	33	39	-	-	-	-
Other related parties: Isban UK	-	-	2,005	2,151	155	-	-	-
Other related parties: Isban Spain	-	-	3,675	1,853	-	-	-	-
Other related parties: Produban	-	-	3,853	4,665	-	-	264	905
Other related parties: Motor 2011 plc	-	51,555	-	53,264	-	-	-	-
Other related parties: Motor 2012 plc	55,951	68,015	57,320	71,039	179,399	257,479	155,003	409,157
Other related parties: Motor 2013-1 plc	25,496	4,899	28,443	8,486	220,536	204,881	349,572	646,320
Other related parties: Motor 2014-1 plc	7,341	-	15,313	-	225,935	-	715,351	-
Joint Venture: Hyundai Capital UK Limited	15,697	8,647	-	-	721,109	648,533	20	-
Other related parties: Santander Insurance Services UK Limited	-	-	-	-	-	21	-	-

Amounts paid to Santander UK plc include £nil (2013: £44,000) of interest relating to Motor 2011 plc securitisation.

Amounts owed to Santander UK plc primarily include amounts held at bank.

Treasury borrowing costs including the interest rate derivatives are all recharged.

All transactions with Motor 2011 plc, Motor 2012 plc, Motor 2013-1 plc and Motor 2014-1 relate to the four securitisations which commenced in April 2011, September 2012, June 2013 and April 2014 respectively.

Amounts owed by Hyundai Capital UK Limited include treasury borrowings of £720,560,000 (2013: £647,235,000) and management recharges for borrowings, staff, system and overheads of £529,000 (2013: £1,298,000).

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.

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Short-term employee benefits	1,624	1,428
Post-employment benefits	88	297
Share based payments	11	20
	1,723	1,745

Long Term Incentive Plan

In 2014, three directors (2013: none) and two other key management personnel (2013: none) were granted conditional awards under the Santander LTIP. Under the Santander LTIPs granted on 1 July 2010 certain directors and key management personnel were granted conditional awards of shares in Banco Santander, S.A..

In the case of the 2014 LTIP, employees were allocated an initial award determined in GBP in 2014 which was converted into shares in Banco Santander, S.A. at the time of vesting, in January 2015. The 2014 LTIP vested at 100% based on Banco Santander, S.A.'s relative TSR performance in 2014 versus a comparator group. The vested award will be deferred and payable in equal tranches in 2016, 2017 and 2018 subject to Banco Santander, S.A.'s continuing relative TSR performance to comparators. In 2014, no LTIP shares awarded in 2010 vested for any director (2013: none).

Santander Consumer (UK) plc – Company number 2248870
Notes to the financial statements for the year ended 31 December 2014

28. 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 2014	2	25
Net movement during the year	(1)	-
Balances outstanding at 31 December 2014	1	25

There were no other transactions with directors or key management personnel.

29. Subsequent events

Santander Consumer Finance S.A. has entered into a partnership in financing activities between PSA Peugeot Citroen and Banque PSA Finance. This partnership will result in the creation of local partnerships, each 50/50 owned by Banque PSA Finance and Santander Consumer Finance, across the main European markets of Peugeot Citroen. The Company was one of the first to enter into such a partnership; a joint venture with PSA Finance UK Limited which started in February 2015. Other local partnerships are expected to be finalised during 2015.

On 2 March 2015 the Company entered into its fifth securitisation Motor 2015-1 plc. This securitisation is a revolving transaction. A total purchase price of £755,051,092 was raised through the issuance of USD A1 notes and GBP A2 notes externally.

30. 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.