A & L CF MARCH (1) LIMITED

Registered in England and Wales
No. 2564297

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED
31 MARCH 2011

A & L CF MARCH (1) LIMITED – 2564297

Report of the Directors

The directors submit their Report together with the audited financial statements for the year ended 31 March 2011

Principal activity and review of the year

The principal activity of A & L CF March (1) Limited, (the "Company") was that of lessor and financier of assets for the corporate sector

The Company ceased trading in the prior year and has not traded during the current year No significant accounting transactions, as required to be entered in the Company's accounting records by Section 386 of the Companies Act 2006, have occurred during the year under review and therefore the Company is considered to be dormant

Results and dividends

There was no profit or loss for the year ended 31 March 2011 (2010 £764,003) and therefore the directors do not recommend the payment of a final dividend (2010 Nil)

Directors

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

M W Evans	
G A Faulkner	Appointed 31 May 2011
C R Morley	

Auditors

The annual accounts have not been audited as the Company is entitled to exemption from Audit under sections 479 and 480 of the Companies act 2006 relating to dormant companies and no notice under section 476 has been deposited at the Company's registered office requiring the Company to obtain an audit of the accounts

By Order of the Board,

For and on behalf of Abbey National Nominees Ltd, Secretary
20 December 2011

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

A & L CF MARCH (1) LIMITED – 2564297

Income Statement
For the year ended 31 March 2011

	Notes	2011 £	2010 £
Continuing operations			
Revenue		-	-
Gross profit		-	-
Administrative income		-	764,003
Profit from operations	4	-	764,003
Profit before tax		-	764,003
Tax	6	-	-
Net profit attributable to equity holders of the Company		-	764,003

The Company has not traded during the year All the activities of the Company were classified as continuing in the prior year

The accompanying notes form an integral part of the accounts

Statement of Comprehensive Income
For the year ended 31 March 2011

There is no comprehensive income or expense in either the current or previous financial year other than the profit for the current and previous year as set out in the Income Statement, therefore a separate Statement of Comprehensive Income and Expense has not been presented

The accompanying notes form an integral part of the accounts

Statement of Changes in Equity
For the year ended 31 March 2011

	Share Capital £	Retained Earnings £	Total £
As at 1 April 2009	100	(764,003)	(763,903)
Comprehensive income – profit for the year	-	764,003	764,003
Balance at 31 March 2010	100	-	100
Balance at 1 April 2010	100	-	100
Comprehensive income – profit for the year	-	-	-
Balance at 31 March 2011	100	100	100

The accompanying notes form an integral part of the accounts

A & L CF MONTH (1) LIMITED – 2564297

Balance Sheet
At 31 March 2011

	Notes	2011 £	2010 £
Non-current assets			
Operating lease assets		-	-
Trade and other receivables		-	-
		-	-
Current assets			
Trade and other receivables	8	100	100
		100	100
Total assets		100	100
Current liabilities		-	-
Net current assets		100	100
Non-current liabilities			
Trade and other payables		-	-
		-	-
Total liabilities		-	-
Net assets		100	100
Equity			
Share capital	12	100	100
Retained losses			-
Equity attributable to equity holders of the Company		100	100

The accompanying notes form an integral part of the accounts

For the year ended 31 March 2011 the Company was entitled to exemption from audit under sections 480 and 479 of the Companies Act 2006 relating to dormant companies

Directors' Responsibilities

(i) The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006

(ii) The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting periods and the preparation of accounts

These accounts have been prepared in accordance with the provision applicable to companies subject to the small companies' regime

The financial statements were approved by the Board of Directors and authorised for issue on 20 December 2011
They were signed on its behalf by C Morley

Director

A & L CF MARCH (1) LIMITED – 2564297

CASH FLOW STATEMENT
For the year ended 31 March 2011

	Note	2011 £	2010 £
Profit for the year		-	764,003
Decrease in trade and other receivables		-	20,245,210
Decrease in trade and other payables		-	(309,765)
Increase in deferred tax liability		-	5,052,495
Decrease in accruals		-	(2,656,532)
Non Cash Adjustments		-	**22,331,408**
Cash flows from operating activities		-	23,095,411
Group relief (paid)/received		-	(6,980,480)
Interest paid to parent undertakings		-	-
Management charges paid to parent undertakings		-	-
		-	(6,980,480)
Net cash flows from operating activities		-	16,114,931
Cash flows from investing activities			
Receipts from fellow group undertaking on sale of operating lease assets		-	57,349,709
		-	57,349,709
Financing activities			
Payments of cash advances to parent undertakings		-	(73,464,640)
Net cash used in financing activities		-	(73,464,640)
Net (decrease)/ increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

The accompanying notes form an integral part of the accounts

Notes to the financial statements for the year ended 31 March 2011

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union that are effective or available for early adoption at the Company's reporting date The Company, in addition to complying with its legal obligation to comply with IFRSs adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board

The Company ceased trading during the year and as required by IAS 1 "Presentation of Financial Statements" the directors have prepared the financial statements on a basis other than that of a going concern There were no adjustments arising as a result of preparing the financial statements on a basis other than that of a going concern

The functional and presentation currency of the Company is Sterling

Recent accounting developments

In 2011, the Company adopted the following significant new or revised standards or amendments to standards

a) **IFRS 3 'Business Combinations'**

In January 2008, the IASB issued an amendment to IFRS 3 which clarifies and changes certain elements of accounting for a business combination, including the measurement and accounting for non-controlling interests, contingent consideration, step acquisitions and acquisition-related costs and also widens the scope of the standard There are also associated amendments to IAS 27, IAS 28 and IAS 31

IFRS 3 (2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 January 2010 Its adoption has affected the accounting for business combinations in the current year as follows

IFRS 3 (2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree

IFRS 3 (2008) changes the recognition and subsequent accounting requirements for contingent consideration Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably, any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition

Under the revised Standard, contingent consideration is measured at fair value at the acquisition date, subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss

Any adjustments to contingent considerations for acquisitions made prior to 1 January 2010 which result in an adjustment to goodwill continue to be accounted for under IFRS 3 (2004) and IAS 27 (2005)

IFRS 3 (2008) requires the application of acquisition accounting only at the point where control is achieved, for a business combination achieved in stages (step acquisition) If an acquirer has a pre-existing equity interest in an acquiree and increases its equity interest sufficiently to achieve control, it must remeasure its previously-held equity interest in the acquiree at acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss Once control is achieved, all other increases and decreases in ownership interests are treated as transactions among equity holders and reported within equity Goodwill does not arise on any increase, and no gain or loss is recognised on any decrease

IFRS 3 (2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition

IFRS 3 (2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Company and the acquiree

The adoption of IFRS 3 (2008) did not affect the Company

1 Accounting policies (continued)

Recent accounting developments (continued)

b) IAS 27 'Consolidated and Separate Financial Statements'

In January 2008, the IASB issued an amendment to IAS 27, to reflect the amendment in IFRS 3 The changes in the accounting policy have been applied prospectively from 1 January 2010 The application of IAS 27 (2008) has resulted in changes in the Company's accounting policies for changes in ownership interests in subsidiaries

Specifically, the revised Standard has affected the Company's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate, for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Company to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost The resulting difference is recognised as a gain or loss in profit or loss

The adoption of IAS 27 (2008) did not affect the Company

c) IAS 28 'Investment in Associates' and IAS 31 'Interest in Joint Ventures'

In January 2008, the IASB made consequential amendments to IAS 28 and IAS 31 to extend the changes in IAS 27

The principle adopted in IAS 27 (2008) that a change in accounting basis is recognised as a disposal and re-acquisition of any retained interest at fair value is extended to IAS 28 and IAS 31 as follows

IAS 28 is amended such that for a change in equity interest in an associate, the investor remeasures at acquisition date fair value any investment retained in the former associate, with any consequential gain or loss compared to its carrying amount under IAS 28 recognised in profit or loss

IAS 31 is amended such that for a change in joint control interest in an entity, the investor remeasures at fair value any investment retained in the former jointly controlled entity, with any consequential gain or loss compared to its carrying amount under IAS 31 recognised in profit or loss

Any amount that has previously been recognised in other comprehensive income, and that would be reclassified to profit or loss following a disposal, is similarly reclassified to profit or loss

The adoption of IAS 28 (2008) did not affect the Company

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 and in October 2010, issued an amendment to IFRS 9 which introduce new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 'Financial Instruments Recognition and Measurement' to be subsequently measured at amortised cost or fair value Specifically,

Notes to the financial statements for the year ended 31 March 2011

1. Accounting policies (continued)

Future accounting developments (continued)

a) IFRS 9 'Financial Instruments' (continued)

debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss

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

b) IFRS 7 'Financial Instruments: Disclosures'

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

The Company does not anticipate that these amendments to IFRS 7 will have a significant effect on the Company's disclosures regarding the transfers of financial assets However, if the Company enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected

c) IAS 24 'Related Party Transactions'

In November 2009, the IASB issued amendments to IAS 24, effective for annual periods beginning on or after 1 January 2011, with earlier application permitted The revised standard modifies the definition of a related party and simplifies disclosures for government-related entities

The disclosure exemptions introduced in IAS 24 (2009) do not affect the Company because the Company is not a government-related entity However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard

Revenue recognition

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

Revenue from finance leases is recognised in accordance with the Company's policy on Leases (see below)

Upfront arrangement fees on financing agreements with customers are spread on an effective interest rate basis over the expected life of those agreements

Notes to the financial statements for the year ended 31 March 2011

1 Accounting policies (continued)

Finance income and finance costs

Income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit and loss are determined using the effective interest method The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument excluding future credit losses The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of the financial instrument and all other premiums or discounts Interest income on assets classified as loans and receivables, interest expense on liabilities classified at amortised cost and interest income and expense on hedging derivatives are recognised in the income statement

Leases

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

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 the lower of the estimated useful life and the life of the lease 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

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 'Profit before tax' as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible Taxable profit also includes items that are taxable or deductible that are not included in 'Profit before tax' The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date

Deferred tax liabilities are 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 deductible temporary differences can be utilised Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill, 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, in which case the deferred tax is also recognised in other comprehensive income

Cash and cash equivalents

The Company does not hold cash or cash equivalents

Financial instruments

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

1. Accounting policies (continued)

Financial assets

The Company classifies its financial assets as financial assets at fair value through profit or loss and 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 fair value through profit or loss

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

Loans and receivables are initially recognised at fair value including direct and incremental transaction costs They are subsequently valued at amortised cost, using the effective interest rate method, less any impairment Interest calculated using the effective interest rate method is recognised in the income statement They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all of the risks and rewards of ownership

Financial liabilities

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

Non-trading financial liabilities are initially recognised at fair value net of transaction costs incurred They are subsequently stated at amortised cost and the redemption value recognised in the income statement over the period of the liability using the effective interest rate method

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

Effective interest method

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

Impairment of financial assets

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

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

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

Notes to the financial statements for the year ended 31 March 2011

1 Accounting policies (continued)

Impairment of financial assets (continued)

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

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

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

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

2 Critical Accounting estimates and areas of significant management judgement

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

Residual values

Residual values are estimated at the inception of lease agreements and are subsequently reviewed for impairment during the life of the lease agreements Appropriate impairment losses are charged to the income statement

Impairment Loss Allowances

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

Effective interest rate calculations

IAS 39 "Financial Instruments Recognition and Measurement" requires certain financial assets and liabilities to be held at amortised cost, with income recognised using the effective interest rate (EIR) methodology In order to calculate EIR, the contracted repayment profile is used If customers repay earlier than anticipated, this will generally lead to a reduction in the Balance Sheet carrying value and a gain in the Income Statement

3 Financial risk management

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are operational risk, credit risk, market risk, interest rate risk and liquidity risk The Company manages its risk in line with the central risk management function of the Santander UK Group Santander UK Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK Group's regulators Effective and efficient risk governance and oversight provide management with assurance that the Santander UK Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen This in turn reduces the uncertainty of achieving the Santander UK Group's strategic objectives

Authority flows from the Santander UK plc Board to the Chief Executive Officer and from her to specific individuals Formal standing committees are maintained for effective management 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

3. Financial risk management (continued)

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 fora, risk committee and board of directors

Credit risk

Credit risk is the risk of financial loss arising from the default of a customer or counterparty to which the Company has directly provided credit, or for which the Company has assumed a financial obligation, after realising collateral held The credit quality of customer assets is mitigated by the credit approval process in place Credit risk is mitigated by security taken over the borrower's assets The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers Such risks are monitored on a revolving basis and subject to an annual or more frequent review

Lending decisions are based on independent credit risk analysis supplemented by the use of internal ratings tools which assess the obligor's likelihood of default The output of the ratings tools is a borrower grade which maps to a long-run average one year probability of default Borrower grades are reviewed at least annually, allowing identification of adverse individual and sector trends The grade is integrated into an overall Credit & Risk evaluation, including wider factors such as transaction and borrower structure (ranking and structural subordination), debt serviceability and security (initial and residual value considerations) Consideration is also given to risk mitigation measures to protect the Company, such as third-party guarantees, supporting collateral and security, robust legal documentation, financial covenants and hedging Transactions are further assessed using an internal pricing model which measures both the return on equity and the risk adjusted return on capital against a series of benchmarks to ensure risks are appropriately priced

Portfolio asset quality monitoring is based on a number of measures, including expected loss, financial covenant monitoring, security revaluations, pricing movements and external input from rating agencies and other organisations Should particular exposures begin to show adverse features such as payment arrears, covenant breaches or business trading performance that is materially worse than expected at the point of lending, a full risk reappraisal is undertaken

Where appropriate, case management is transferred to a specialist recovery team that works with the customer in an attempt to resolve the situation If this does not prove possible, cases are classified as being unsatisfactory and are subject to intensive monitoring and management procedures designed to maximise debt recovery

Market risk

Market risk is the risk of a reduction in economic value or reported income resulting from a change in the variables of financial instruments including interest rate, equity, credit spread, property and foreign currency risks The Company recognises that the effective management of market risk is essential to the maintenance of stable earnings and the preservation of shareholder value, and manages market risk accordingly Details of the market risk management policy are disclosed in the Santander UK plc Annual Report – Risk Management, which does not form part of this Report

Interest rate risk

Interest rate risk is the most significant market risk to which the Company is exposed This risk mainly arises from mismatches between the re-pricing dates of the interest bearing assets and liabilities on the Company's Balance Sheet, and from the investment of the Company's reserves Interest rate risk primarily arises in the Company's leasing trade The exposure in this area is hedged with Santander UK plc Treasury function using fixed rate loans and other appropriate instruments

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

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Notes to the financial statements for the year ended 31 March 2011

3 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company, though solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can only secure them at excessive cost

The day to day management of liquidity is the responsibility of Asset and Liability Management ("ALM") within Santander UK plc's Group Infrastructure, which provides funding to and takes surplus funds from the Company as required

Arrears and impairment

The carrying value of repossessed stock at 31 March 2011 was £Nil (2010 £Nil)
The fair value of collateral on impaired assets at 31 March 2011 was £Nil (2010 £Nil)
Interest accrued on impaired assets at 31 March 2011 was £Nil (2010 £Nil)
The portfolio is subject to regular monitoring for potential impairment under the impairment of financial assets policy set out in note 2
£Nil (2010 £Nil) of lending that would have been past due or impaired, have had their terms renegotiated
Lending up to 3 months past due have a collective provision set aside to cover losses on loans which are in the early stages of arrears

Impairment on lending

	Year ended 2011 £	Year ended 2010 £
At start of year		
Collective	-	1,034,186
Total impairments	-	-
Charge for the year		
Increase in provisions	-	-
Transfer to Group undertaking	-	(1,034,186)
At end of year		
Collective	-	-
Total impairments	-	-

4 Profit from operations

No Directors were remunerated for their services to the Company Directors' emoluments are borne by the ultimate UK parent company Santander UK plc No emoluments were paid by the Company to the directors during the year (2010 £Nil)

5. Auditors' remuneration

Auditors' remuneration in respect of the year ended 31 March 2011 was nil Auditors' remuneration incurred in 2010 of £8,000 was borne by the immediate parent company, Santander Asset Finance plc

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

Notes to the financial statements for the year ended 31 March 2011

6 Tax

	Year ended 2011 £	Year ended 2010 £
Current tax		
UK corporation tax on loss for the year	-	-
Adjustment in respect of prior periods	-	(5,227,559)
Total current tax	-	(5,227,559)
Deferred tax (Note 10)·		
Adjustment in respect of prior periods	-	5,227,559
Total deferred tax	-	5,227,559
Tax credit for the year	-	-

UK corporation tax is calculated at 28% (2010 28%) of the estimated assessable profits for the year

The standard rate of UK corporation tax has reduced from 28% to 26%, effective from 1 April 2011 The Finance Act 2011, which provides for a reduction in the main rate of UK corporation tax to 25% effective from 1 April 2012, was enacted on 19 July 2011 The UK Government has also indicated that it intends to enact further 1% reductions in the main rate of tax of 1% each year down to 23% by 1 April 2014

The tax on the Company's profit (2010 profit) before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Profit /(loss)before tax	-	764,003
Tax at the UK corporation tax rate of 28% (2010 28%)	-	213,921
Adjustment to prior year provisions	-	-
Non-taxable income	-	(213,921)
Tax credit for the year	-	-

7 Operating lease assets

The Company enters into operating lease arrangements with customers in the commercial and public sectors

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Cost		
At start of year	-	**104,535,090**
Transfer to group undertaking	-	(104,535,090)
At end of year	-	-
Depreciation		
At start of year	-	47,185,381
Transfer to group undertaking	-	(47,185,381)
At end of year	-	-
Net book value		
At start of year	-	57,349,709
At end of year	-	-

During the prior year all lease agreements were transferred to a fellow group undertaking, Santander Asset Finance (December) Limited The transfer was made at net book value (which was deemed to be equal to the fair value) and therefore no gain or loss arose on the transfer of the lease agreements At the balance sheet date, the Company had no contracts with lessees in place

Notes to the financial statements for the year ended 31 March 2011

8 Trade and other receivables

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Trade receivables	-	-
Amounts due from related parties	100	100
	100	100

9 Finance leases

During the prior year the small ticket finance lease agreements were transferred to a fellow group undertaking, Santander Asset Finance (December) Limited The transfer was made at net book value (which was deemed to be equal to the fair value) and therefore no gain or loss arose on the transfer of the lease agreements The company holds currently holds no leases

10 Deferred tax

Deferred income taxes are calculated on temporary differences under the balance sheet liability method using the tax rates expected to apply when the liability is settled or the asset is realised

The following are the deferred tax assets recognised by the company and the movements thereon during the current and prior reporting period

	Deferred tax assets £
At 1 April 2009	5,052,495
Provision on transfer of business	175,064
Charge to income	(5,227,599)
At 1 April 2010	-
Charge to income	-
At 31 March 2011	-

11 Cash and cash equivalents

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

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Cash at bank	-	-

12 Issued share capital

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Issued and fully paid		
1 ordinary share of £1 each	100	100
Issued Share Capital	**100**	**100**

All issued share capital is classified as equity

13. Capital

The Company's ultimate UK parent company Santander UK plc adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Santander UK Group Disclosures relating to the Group's capital management can be found in the Santander UK plc Annual Report which does not form part of this Report

14. Parent undertaking and controlling party

The Company's immediate parent company is Santander Asset Finance plc a company registered in England and Wales

The Company's ultimate parent undertaking and controlling party is Banco Santander S A , a company registered in Spain Banco Santander S A is the parent undertaking of the largest Group of undertakings for which Group accounts are drawn up and of which the Company is a member Santander UK plc is the parent undertaking of the smallest Group of undertakings for which Group accounts are drawn up and of which the Company is a member

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