

ABBAY STOCKBROKERS LIMITED

**Registered in England and Wales
No. 02666793**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2014**



LD2 *L47X0J8B* #68
22/05/2015
COMPANIES HOUSE

Abbey Stockbrokers Limited Company Number 02666793

Report of the Directors

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

This Directors' report has been prepared in accordance with the special provisions relating to small companies under section 415A (1) & (2) of the Companies Act 2006.

Principal activity and review of the year

The principal activity of Abbey Stockbrokers Limited (the "Company") is to act as an execution-only broker. The Company trades as Santander Sharedealing and the Company's back office has been outsourced to Pershing Securities Limited.

The Company is regulated by the Financial Conduct Authority and is a member of the London Stock Exchange.

The Company continues to outsource its settlement and custody activities for all clients. The financial impact of the outsourcing arrangements is included within these accounts. No significant change in the Company's primary activity is anticipated.

The Directors do not expect any significant change in the principal activity of the Company in the foreseeable future.

The result for the year was a loss. Underlying profitability was affected by the historically low bank base rate, which negatively impacts the margin. Administrative expenses has increased due to additional IT expenditure.

Results and dividends

The loss for the year on ordinary activities after taxation amounted to £1,427,556 for the year ended 31 December 2014 (2013: loss £1,072,618).

The Directors do not recommend the payment of a final dividend (2013: £nil).

Post Balance Sheet Events

Alan Mathewson was appointed as a Director of the Company with effect from 6 February 2015.

Directors and their interests

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

Mr D M Green	
Mr J De la Vega	
Mr J Alzamora	(appointed 22 May 2014)
Ms P C Ickinger	(appointed 23 October 2014)
A Mathewson	(appointed 6 February 2015)
Mr J R Aboukhair-Hurtado	(appointed 5 August 2013 and resigned 6 February 2014)
Ms L C Rix	(appointed 17 January 2014 and resigned 29 August 2014)

Directors' Responsibilities Statement

The Directors are responsible for preparing the annual 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.

Report of the Directors (continued)

Directors' Responsibilities Statement (continued)

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

Statement of Going Concern

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; and its exposures to credit risk, liquidity risk and interest rate risk.

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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.

The Directors acknowledge that the Company continues to generate losses. The Directors expect to receive the support of fellow group companies in managing future cash flows, although such support is not confirmed as being legally binding. The Directors review trading and cash flow forecasts regularly as a means of assessing risk to the business. Having considered the financial position of the Company, the Directors are confident that there will be sufficient funds to meet payments as they fall due.

On 12 February 2014, the Company issued 1,500,000 ordinary shares of £1.00 each at par to the Company's parent Company, Santander Private Banking UK Limited, for cash.

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 annual report and accounts. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

Pillar 3 Disclosures

Santander UK group's Pillar 3 disclosures are available in the Santander UK group annual report and accounts.

Auditor

Each of the Directors as at the date of approval of this report confirms that:

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

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

In accordance with Section 485 and 487 of the Companies Act 2006, Deloitte LLP are deemed to have been re-appointed as auditor of the Company.

By Order of the Board



For and on behalf of
Santander Secretariat Services Limited, Company Secretary

27 April 2015

Registered Office Address: Kingfisher House, Radford Way, Billericay, Essex, United Kingdom, CM12 0GZ.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBEY STOCKBROKERS LIMITED

We have audited the financial statements of Abbey Stockbrokers Limited (the "Company") for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 24. 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 loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Alastair Morley, (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom.
27 April 2015

Statement of Comprehensive Income

For the year ended 31 December 2014

	NOTES	31 December 2014 £	31 December 2013 Restated* £
Continuing operations			
Commission and fees received	4	1,568,332	1,737,001
Cost of sales	9	(1,064,711)	(1,113,520)
Gross profit		503,621	623,481
Administrative expenses		(2,390,773)	(2,181,560)
Restatement adjustment – Administrative expenses		-	103,582
Operating loss	5	(1,887,152)	(1,454,497)
Investment income	8	65,779	70,755
Finance costs		(1,894)	(2,352)
Loss before tax		(1,823,267)	(1,386,094)
Tax	10	395,711	313,476
Loss attributable to equity holders		(1,427,556)	(1,072,618)

The accompanying notes form an integral part of the accounts.

Statement of Changes in Equity

For the year ended 31 December 2014

	Share Capital £	Share Premium £	Accumulated Deficit Restated £	Total £
1 January 2013	14,579,999	164,982	(12,135,021)	2,609,960
Loss for the year	-	-	(1,072,618)	(1,072,618)
31 December 2013	14,579,999	164,982	(13,207,639)	1,537,342
1 January 2014	14,579,999	164,982	(13,207,639)	1,537,342
Issue of share capital	1,500,000	-	-	1,500,000
Loss for the year	-	-	(1,427,556)	(1,427,556)
31 December 2014	16,079,999	164,982	(14,635,195)	1,609,786

The accompanying notes form an integral part of the accounts.

*Refer to Note 22

Balance Sheet

At 31 December 2014

	NOTES	31 December 2014 £	31 December 2013 Restated* £
Non-current assets			
Property, plant and equipment	11	-	-
Intangible assets	11	388,820	648,034
Interest in subsidiary undertakings	12	1	1
Deferred tax assets	14	11,462	56,441
Total non-current assets		400,283	704,476
Current assets			
Trade and other receivables	13	554,170	455,243
Cash and cash equivalents		1,224,371	1,296,642
Total current assets		1,778,541	1,751,885
Current liabilities			
Trade and other payables	16	(569,038)	(919,019)
Total current liabilities		(569,038)	(919,019)
Net current assets		1,209,503	832,866
Net assets		1,609,786	1,537,342
Equity			
Capital and reserves			
Share capital	17	16,079,999	14,579,999
Share premium		164,982	164,982
Accumulated deficit		(14,635,195)	(13,207,639)
Total equity		1,609,786	1,537,342

The accompanying notes form an integral part of the accounts.

*Refer to Note 22

These accounts have been prepared in accordance with the special provisions relating to the small companies regime and the Directors make this statement in accordance with section 414(3) of the Companies Act 2006.

The financial statements were approved by the board of directors and authorised for issue on 27 April 2015. They were signed on its behalf by: *D. Green*


Director

Cash Flow Statement

For the Year ended 31 December 2014

	NOTE	31 December 2014 £	31 December 2013 £
Net cash outflow from operating activities	18	(1,636,156)	(1,017,605)
Investing activities			
Interest received		65,779	70,755
Expenditure on software development		-	(611,501)
Net cash inflow / (outflow) from investing activities		65,779	(540,746)
Financing activities			
Finance costs		(1,894)	(2,352)
Proceeds on issue of Share Capital		1,500,000	
Net cash inflow / (outflow) from financing activities		1,498,106	(2,352)
Net (decrease) in cash and cash equivalents		(72,271)	(1,560,703)
Cash and cash equivalents at beginning of year		1,296,642	2,857,345
Cash and cash equivalents at end of year		1,224,371	1,296,642

The accompanying notes form an integral part of the accounts.

Notes to the Financial Statements

1. Accounting Policies

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union that are effective or available for early adoption at the Company's reporting date. The Company, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention and on a going concern basis as disclosed in the Directors' Statement of Going Concern set out in the Report of the Directors.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue comprises gross commission from clients together with fees earned for the management and administration of Investment Savings Account and other ad hoc fees.

Interest income is accrued on a time basis by reference to the client balance and at the effective interest rate applicable.

Pensions and other post-retirement benefits

The Company participates in the Santander group defined benefit pension schemes in operation. There is no contractual agreement or 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 to the schemes in respect of the Company's employees.

Property, plant and equipment

Property, plant and equipment include office fixtures and computer equipment.

Property, plant and equipment are carried at cost less accumulated depreciation. Items of property, plant and equipment are reviewed for indications of impairment at each reporting date. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit reported as administrative expenses. Repairs and renewals are charged to the income statement when the expenditure is incurred.

Classes of property, plant and equipment are depreciated on a straight-line basis over their useful life as follows:

Office fixtures and equipment	4 to 5 years
Computer software	3 years

Income taxes, including deferred income taxes

Income tax payable on profits, based on the applicable tax law is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

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

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss 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 estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

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

Investments in subsidiary companies

Investments in subsidiary companies are shown at cost less provision for impairment. The Company has exercised the exemption under Section 400 of the Companies Act 2006, which dispenses with the requirement to prepare group accounts. This is also in line with IAS 27 'Consolidated and Separate Financial Statements'.

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.

Notes to the Financial Statements (continued)**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.

2. Financial risk factors

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are credit risk 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 him to specific individuals. Formal standing committees are maintained for effective management of oversight. Their authority is derived from the person they are intended to assist. Further information can be found in the Santander UK plc Annual Report which does not form part of this Report.

Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held. It occurs in intercompany assets held by the Company.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in note 13 to the accounts, trade and other receivables.

Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient liquid resources through funding obtained from the parent company to ensure it can meet its obligations as they fall due.

Maturities of financial liabilities

At 31 December 2014	Less than One month £	Total £
Intercompany liabilities	109,416	109,416
Trade and other payables	459,622	459,622
Total financial liabilities	569,038	569,038
At 31 December 2013 Restated*	Less than One month £	Total £
Intercompany liabilities	110,438	110,438
Trade and other payables	808,581	808,581
Total financial liabilities	919,019	919,019

*Refer to Note 22

Notes to the Financial Statements (continued)**2. Financial risk factors (continued)****Interest rate risk**

The Company is exposed to interest rate risk as it receives a variable interest rate on funds deposited

The sensitivity analysis below has been determined based on the average balance held on deposit during the reporting period.

A one percentage point movement in interest rates would have the following effects:

	2014	2013
	£	£
Effect on profit before tax of 1% increase in interest rate	220,216	235,177
Effect on profit before tax of 1% decrease in interest rate	(82,273)	(97,431)

3. Capital management and resources

The Company's ultimate UK parent, Santander UK plc ("Santander UK"), adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Santander Group. The Company has no non-centralised process for managing its own capital. Disclosures relating to the Santander UK Group's capital management can be found in the Santander UK Annual Report and Accounts.

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

Capital adequacy

The company manages its capital on a Basel III basis. Throughout 2014 and 2013, the company held capital over and above its regulatory requirements, and managed internal capital allocations and targets in accordance with its capital and risk management policies.

Capital Table

	31 December 2014	31 December 2013
	£	Restated* £
Total Tier 1 Capital	1,609,786	1,537,342

Regulatory capital base

This disclosure is prepared on a CRR basis and agrees to the Regulatory Capital figures reported to the PRA. The Company's Tier 1 capital consists of shareholders' equity, share premium and audited loss for the years ended 31 December 2014 and 31 December 2013.

4. Commission and fees

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

	31 December 2014	31 December 2013
	£	£
Continuing operations		
Commission and fees	1,566,579	1,719,897
Other income	1,753	17,104
Total revenue	1,568,332	1,737,001

All revenue is generated in the UK.

*Refer to Note 22

Notes to the Financial Statements (continued)

5. Operating loss

Loss from operations has been arrived at after charging:

	31 December 2014	31 December 2013
	£	£
Staff costs (see note 6)	1,081,260	1,017,894

Auditor's remuneration

The audit fee for the current and prior year has been paid on the Company's behalf by its ultimate UK parent undertaking, Santander UK plc, in accordance with Company policy, for which no recharge has been made. The audit fee payable to the Company's auditors for the audit of the Company's annual accounts for the current year is £ 5,079 (2013: £5,000).

6. Staff costs

Santander UK is the employer of all staff working for the company. The average monthly number of employees was:

	31 December 2014	31 December 2013
Front office staff	25	27
Back office staff	5	5
	30	32

Their aggregate remuneration comprised:

	31 December 2014	31 December 2013
	£	£
Wages and salaries	910,383	857,186
Social security costs	79,913	76,032
Other pension costs	90,964	84,676
	1,081,260	1,017,894

The pension contributions made by the Company represent recharges of costs by Santander UK plc not direct contributions to any of Santander UK plc's defined benefit schemes.

7. Directors' emoluments and interests

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 (2013: nil).

8. Investment income

	31 December 2014	31 December 2013
	£	£
Interest on bank deposits	65,779	70,755

9. Cost of sales

	31 December 2014	31 December 2013
	£	£
Transaction charges	378,630	433,273
Account charges	656,334	650,908
Other costs	11,657	9,729
Interest paid to clients	18,090	19,610
Total	1,064,711	1,113,520

Notes to the Financial Statements (continued)

10. Tax

	31 December 2014	31 December 2013 Restated*
	£	£
Current tax:		
UK corporation tax on loss for the year	(433,491)	(362,748)
Adjustment in respect of prior years	(7,199)	6,306
Total current tax	(440,690)	(356,442)
Deferred tax (Note 14):		
Origination and reversal of temporary differences	41,695	40,859
Change in rate of UK Corporation tax	(2,909)	8,027
Adjustment in respect of prior years	6,193	(5,920)
Total deferred tax	44,979	42,966
Tax credit on loss for the year	(395,711)	(313,476)

UK corporation tax is calculated at 21.50% (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 reductions in the main rate of UK corporation tax to 20% effective from 1 April 2015, was enacted on 17 July 2013.

As the change in rates were 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 (loss) before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	31 December 2014	31 December 2013 Restated*
	£	£
Loss before tax:	(1,823,267)	(1,386,094)
Tax at the UK corporation tax rate of 21.50% (2013: 23.25%)	(392,002)	(322,267)
Effect of change in tax rate on deferred tax provision	(2,909)	8,027
Non deductible expenses	206	379
Adjustment to prior year provisions	(1,006)	385
Tax credit on loss for the year	(395,711)	(313,476)

Notes to the Financial Statements (continued)

11. Non-current assets

	Intangible Assets (Computer Software) £	Property, Plant and Equipment £
Cost or valuation		
At 1 January 2013	166,140	217,876
Additions	611,501	-
At 31 December 2013	777,641	217,876
At 1 January 2014	777,641	217,876
Additions	-	-
At 31 December 2014	777,641	217,876
Comprising:		
At cost	777,641	217,876
Accumulated depreciation and impairment		
At 1 January 2013	-	217,876
Charge for the year	129,607	-
At 31 December 2013	129,607	217,876
At 1 January 2014	129,607	217,876
Charge for the year	259,214	-
At 31 December 2014	388,821	217,876
Carrying amount		
At 31 December 2014	388,820	-
At 31 December 2013	648,034	-

12. Interests in subsidiary undertakings

The following is a list of the subsidiary undertakings of the Company:

Name of subsidiaries	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment	Principal activity
Abbey Stockbrokers (Nominees) Limited	England and Wales	100	100	At Cost	Dormant

13. Trade and other receivables

	31 December 2014 £	31 December 2013 £
Trade receivables	34,488	22,471
Amounts due from group undertakings – group relief	433,491	362,748
Prepayments	86,191	70,024
	554,170	455,243

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

Notes to the Financial Statements (continued)

14. 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:

	Relating to depreciation Restated* £
At 1 January 2013	99,407
Charge to income	(42,966)
At 1 January 2014	56,441
Charge to income	(44,979)
At 31 December 2014	11,462

Deferred tax assets and liabilities are attributable to the following items:

	Provided Balance Sheet	Income Statement	Provided Balance Sheet	Income Statement
	2014	2014	2013 Restated*	2013 Restated*
	£	£	£	£
Deferred tax assets / (liabilities)				
Other temporary differences	5,845	(43,998)	49,843	(40,310)
Accelerated book depreciation/ (Accelerated tax depreciation)	5,617	(981)	6,598	(2,656)
	11,462	(44,979)	56,441	(42,966)

The deferred tax assets scheduled above have been recognised in the Company on the basis that sufficient future taxable profits are forecast within the Santander UK plc Group in 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.

15. Client money

At 31 December 2014, the Company held £208,746 (2013: £213,259) on behalf of clients, and is required to hold these amount in accordance with the Financial Conduct Authority ("FCA") Client Asset Rules. The Company had no beneficial interest in these deposits and accordingly, they are not included in the balance sheet.

16. Trade and other payables

	31 December 2014	31 December 2013 Restated*
	£	£
Trade payables	(167,629)	(119,308)
Amounts due to parent undertakings	(109,416)	(110,438)
Accruals	(291,993)	(792,855)
Restatement adjustment - Accruals		103,582
	(569,038)	(919,019)

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. The amounts owed to parent undertakings are repayable on demand.

*Refer to Note 22

Notes to the Financial Statements (continued)

17. Share capital

	31 December 2014 £	31 December 2013 £
Issued and fully paid:		
- 4,100,000 ordinary shares of £1 each	4,100,000	2,600,000
- 6,000,000 "A" preferred shares of £1 each	6,000,000	6,000,000
- 5,979,999 "B" preferred shares of £1 each	5,979,999	5,979,999
Issued Share Capital	16,079,999	14,579,999

During the year, the Company issued and allotted 1,500,000 ordinary shares of £1 each for the purpose of raising additional working capital. As such, the Company has a total ordinary share capital of £4,100,000 (2013: £2,600,000) which is held by the parent company, Santander Private Banking UK Limited.

The preferred "A" shares rank in preference to the preferred "B" shares and the ordinary shares and preferred "B" shares rank in preference to the ordinary shares in respect of the repayment of capital in the event of a winding up. The preferred "A" and "B" shares rank pari passu with the ordinary shares with regard to the payment of dividends and in all other respects.

18. Notes to the cash flow statement

	31 December 2014 £	31 December 2013 Restated* £
Operating loss	(1,887,152)	(1,454,497)
Adjustments for:		
Depreciation on intangible assets	259,214	129,607
Operating cash flows before movements in working capital	(1,627,938)	(1,324,890)
(Decrease) / Increase in receivables	(28,184)	2,908
(Decrease) / Increase in payables	(349,981)	(25,372)
Cash generated by operations	(2,006,103)	(1,347,354)
Group tax relief	369,947	329,749
Net cash outflow from operating activities	(1,636,156)	(1,017,605)

19. Contingent liabilities

In the ordinary course of business the Company has given letters of indemnity in respect of lost share certificates. The contingent liability arising there from cannot be quantified but it is not believed that any material liability will arise under these indemnities.

20. Retirement benefit obligation

The Company participates in the three schemes:

- (i) Santander UK Group Pension Scheme, a defined benefit scheme;
- (ii) Amalgamated Main Scheme, a defined benefit scheme; and
- (iii) Stakeholder Pension scheme, a defined contribution scheme.

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 to the schemes in respect of the Company's employees.

An amount of £90,964 (2013: £84,676) was recognised as an expense for these contributions and is included in staff costs in the income statement.

*Refer to Note 22

Notes to the Financial Statements (continued)

21. Related party transactions

During the year, the Company entered into the following transactions with related parties who are not members of the Company:

	Income		Expenditure		Amounts owed by related parties		Amounts owed to related parties	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Parent Company	232	230	331,224	298,812	-	-	109,416	110,438
Group Company	-	-	-	-	433,491	362,748	-	-

Amounts owed by related parties includes £433,491 (2013: £362,748) relating to current tax group relief.

There were no other related party transactions during the year, or existing at the balance sheet date, other than those disclosed above with the Company or parent Company's key management personnel.

22. Restatement of prior year

During the audit of the 2014 financial statements, the auditor identified an error in connection with the accruals for the year ended 31 December 2013. The financial statements of 2013 have been restated to correct this error. The effect of the restatement on those financial statements is summarised below.

	Effect on 2013 £
Decrease in accrual resulting in decrease in loss before tax	103,582
Decrease in deferred tax	(20,716)
Decrease in loss attributable to equity holders	82,866

23. Parent undertaking and controlling party

The Company's immediate parent Company is Santander Private Banking UK Limited, 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 the group accounts are drawn up and of which the Company is a member.

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

24. Post-balance sheet event

On 31 March 2015, the Company issued 1,500,000 ordinary shares of £1.00 each at par to the Company's parent company, Santander Private Banking UK Limited, for cash.