

# **ABBAY COVERED BONDS (LM) LIMITED**

**Registered in England and Wales  
No. 05365645**

## **ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2012**

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## **ABBEY COVERED BONDS (LM) LIMITED - 05365645**

### **Report of the Directors**

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

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

### **Principal activity and review of the year**

The principal activity of Abbey Covered Bonds (LM) Limited (the "Company") is to be a designated member of an associated limited liability partnership and earn fees for this service. The Company continued to receive fixed fee income during the year

### **Results and dividends**

The profit for the year on ordinary activities after taxation amounted to £480 (2011 £562)

The Directors do not recommend the payment of a final dividend (2011 £nil)

### **Directors**

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

|   |                             |
|---|-----------------------------|
| M McDermott                                   |                             |
| T Ranger                                      | (appointed 7 November 2012) |
| B W Morrison                                  | (resigned 1 October 2012)   |
| Wilmington Trust SP Services (London) Limited |                             |

### **Directors' Responsibilities Statement**

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 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

## **ABBEY COVERED BONDS (LM) LIMITED - 05365645**

### **Directors' Report (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 7 and 10, 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 and liquidity 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.

#### **Third Party Indemnities**

Enhanced indemnities are provided to certain Directors of the Company by Santander UK plc (where such person has been nominated in writing by Santander UK plc as its representative on the board) 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.

#### **Auditors**

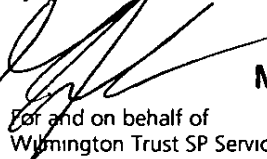
Each of the Directors as at the date of approval of this report has confirmed that

- 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 Sections 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



**Mark Filer**

For and on behalf of  
Wilmington Trust SP Services (London) Limited      Secretary

15 March 2013

Registered Office Address      c/o Wilmington Trust SP Services (London) Limited, 1 King's Arms Yard, London,  
EC2R 7AF

## **ABBEY COVERED BONDS (LM) LIMITED - 05365645**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBEY COVERED BONDS (LM) LIMITED**

We have audited the financial statements of Abbey Covered Bonds (LM) Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, the Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

#### **Respective responsibilities of directors and auditor**

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **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 Directors' Report 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 in preparing the Report of the Directors.



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

15 March 2013

## ABBEY COVERED BONDS (LM) LIMITED - 05365645

### Statement of Comprehensive Income

For the year ended 31 December 2012

| Continuing Operations  | Notes | Year to<br>31 December<br>2012<br>£ | Year to<br>31 December<br>2011<br>£ |
|--|-------|-------------------------------------|-------------------------------------|
| Fee income   |       | 600                                 | 600                                 |
| Profit before tax  | 2     | 600                                 | 600                                 |
| Tax  | 3     | (120)                               | (38)                                |
| <b>Profit for the year after tax</b>   |       | <b>480</b>                          | <b>562</b>                          |
| Other comprehensive income for the year  |       | -                                   | -                                   |
| <b>Total comprehensive income for the year<br/>attributable to the equity holders of the Company</b> |       | <b>480</b>                          | <b>562</b>                          |

The accompanying notes form an integral part of the accounts

### Statement of Changes in Equity

For the year ended 31 December 2012

|  | Share capital<br>£ | Retained<br>earnings<br>£ | Total<br>£   |
|--|--------------------|---------------------------|--------------|
| At 1 January 2011                      | 10                 | 2,673                     | 2,683        |
| Profit for the year                    | -                  | 562                       | 562          |
| At 31 December 2011 and 1 January 2012 | <b>10</b>          | <b>3,235</b>              | <b>3,245</b> |
| Profit for the year                    | -                  | 480                       | 480          |
| <b>At 31 December 2012</b>             | <b>10</b>          | <b>3,715</b>              | <b>3,725</b> |

### Cash Flow Statement

For the year ended 31 December 2012

The Company has not undertaken any cash transactions in the current or previous year and so no cash flows have occurred

## ABBEY COVERED BONDS (LM) LIMITED - 05365645

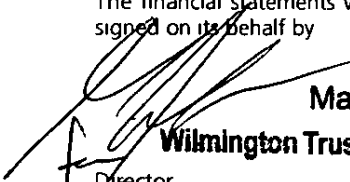
### Balance Sheet

As at 31 December 2012

|   | Notes | 2012<br>£    | 2011<br>£    |
|---|-------|--------------|--------------|
| <b>Current assets</b>                                       |       |              |              |
| Trade and other receivables                                 | 4     | 4,051        | 3,572        |
| <b>Current liabilities</b>                                  |       |              |              |
| Trade and other payables                                    | 5     | (326)        | (327)        |
| <b>Net assets</b>   |       | <b>3,725</b> | <b>3,245</b> |
| <b>Equity</b>   |       |              |              |
| Share capital   | 6     | 10           | 10           |
| Retained earnings   |       | 3,715        | 3,235        |
| <b>Equity attributable to equity holders of the Company</b> |       | <b>3,725</b> | <b>3,245</b> |

The accompanying notes form an integral part of the accounts

The financial statements were approved by the board of Directors and authorised for issue on 15 March 2013. They were signed on its behalf by

  
**Mark Filer**  
**Wilmington Trust SP Services (London) Limited**  
Director

## **ABBEY COVERED BONDS (LM) LIMITED - 05365645**

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

#### **1 Accounting policies**

The principal accounting policies applied to Abbey Covered Bonds (LM) Limited (the "Company") 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 (IASB). The financial statements have been prepared under the historical cost convention and on the going concern basis as disclosed in the Directors' statement of going concern as set out in the Report of the Directors.

##### **Fee income**

Fee income payable to Abbey Covered Bonds (LM) Limited from Abbey Covered Bonds LLP is recorded on an accruals basis as the service is provided.

##### **Income taxes**

The tax expense represents the sum of the income tax currently payable.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the year 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 periods 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.

##### **Recent accounting developments**

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

- a) IFRS 7 'Financial Instruments: Disclosures' – In October 2010, the IASB issued amendments to IFRS 7 that increase the disclosure requirements for transactions involving transfers of financial assets. The amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 July 2011, with earlier application permitted. Disclosures are not required for comparative periods before the date of initial application of the amendments. These changes did not have an impact on the Company's financial statements.
- b) There are a number of other changes to IFRS that were effective from 1 January 2012. Those changes did not have a significant impact on the Company's financial statements.

##### **Future accounting developments**

The Company has not yet adopted the following significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective for the Company:

- a) IAS 1 'Presentation of Financial Statements' – In June 2011, the IASB issued amendments to IAS 1 that retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss, and (ii) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The Company anticipates that IAS 1 (2011) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013 and that the application of the new Standard will modify the presentation of items of other comprehensive income accordingly. Retrospective application is required. The Company does not anticipate that these amendments to IAS 1 will have a significant impact on the Company's disclosures.

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

**1 Accounting policies (continued)**

**Future accounting developments (continued)**

- b) IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – In May 2011, the IASB issued new and amended guidance on consolidated financial statements and joint arrangements. IFRS 10, IFRS 11 and IFRS 12 were new standards issued while IAS 27 and IAS 28 were amended. Each of the standards issued is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted as long as each of the other standards is also applied earlier.

- > Under IFRS 10 'Consolidated Financial Statements', control is the single basis for consolidation, irrespective of the nature of the investee, this standard therefore eliminates the risks-and-rewards approach. IFRS 10 identifies the three elements of control as power over the investee, exposure, or rights, to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of the investor's returns. An investor must possess all three elements to conclude that it controls an investee. The assessment of control is based on all facts and circumstances, and the conclusion is reassessed if there are changes to at least one of the three elements. Retrospective application is required subject to certain transitional provisions.
- > IFRS 11 applies to all entities that are parties to a joint arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. IFRS 11 establishes two types of joint arrangements, joint operations and joint ventures, which are distinguished by the rights and obligations of the parties to the arrangement. In a joint operation, the parties to the joint arrangement (referred to as 'joint operators') have rights to the assets and obligations for the liabilities of the arrangement. By contrast, in a joint venture, the parties to the arrangement (referred to as 'joint venturers') have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognise its share of the assets, liabilities, revenues, and expenses in accordance with applicable IFRSs, however, a joint venturer would account for its interest by using the equity method of accounting under IAS 28 (2011). Transitional provisions vary depending on how interest is accounted for under IAS 31 and what its nature is under IFRS 11.
- > IFRS 12 integrates the disclosure requirements on interests in other entities, currently included in several standards to make it easier to understand and apply the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard also contains additional requirements on a number of topics. Under IFRS 12, an entity should disclose information about significant judgements and assumptions (and any changes to those assumptions) made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement. IFRS 12 also requires additional disclosures to provide information to enable users to assess the nature of, and risks associated with the Company's interests in other entities and the effect of those interests on the Company's financial position, performance and cash flow. Disclosures shall be aggregated or disaggregated so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics. The standard applies prospectively from the beginning of the annual period in which it is adopted.

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

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

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

- > IAS 27 was amended for the issuance of IFRS 10 but retains the current guidance on separate financial statements.
- > IAS 28 was amended for conforming changes on the basis of the issuance of IFRS 10 and IFRS 11.

The Company anticipates that IAS 27 (2011) and IAS 28 (2011) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013. The Company does not anticipate that these amendments to IAS 27 and IAS 28 will have a significant impact on its disclosures and on amounts reported in respect of the Company's profit or loss, financial position or disclosures.



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

**1 Accounting policies (continued)**

**Future accounting developments (continued)**

- c) IFRS 13 'Fair Value Measurement' - In May 2011, the IASB issued IFRS 13, which establishes a single source of guidance for fair value measurement. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. IFRS 13 applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current accounting standards. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with early adoption permitted, and applies prospectively from the beginning of the annual period in which it is adopted.  
The Company anticipates that IFRS 13 will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013. The Company does not anticipate that the application of the new standards will have a significant impact on its profit or loss, financial position or disclosures.
- d) IFRS 9 'Financial Instruments' - In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9') which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued an amendment to IFRS 9 incorporating requirements for financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments.  
Following the IASB's decision in December 2011 to defer the effective date, the standard is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. IFRS 9 is required to be applied retrospectively but prior periods need not be restated.  
The second and third phases in the IASB's project to replace IAS 39 will address impairment of financial assets measured at amortised cost and hedge accounting.  
The IASB re-opened the requirements for classification and measurement in IFRS 9 in 2012 to address practice and other issues, with an exposure draft of revised proposals issued in November 2012.  
The Company anticipates that IFRS 9 will be adopted in the Company's financial statements for the annual period beginning on 1 January 2015 and that the application of the new Standard may not have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.
- e) IAS 19 'Employee Benefits' - In June 2011, the IASB issued amendments to IAS 19 that change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.  
The Company anticipates that IAS 19 (2011) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013. The Company does not anticipate that these amendments to IAS 19 will have a significant impact on its profit or loss or financial position as the Company does not utilise the 'corridor approach'.
- f) In December 2011, the IASB issued amendments to IFRS 7 'Disclosures - Offsetting Financial Assets and Financial Liabilities' which requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are required to be applied retrospectively.
- g) In December 2011, the IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively.  
The Company is currently assessing the impact of these clarifications but it is not practicable to quantify the effect as at the date of the publication of these financial statements.
- h) There are a number of other standards which have been issued or amended that are expected to be effective in future periods. However, it is not practicable to provide a reasonable estimate of their effects on the Company's financial statements until a detailed review has been completed.

## ABBEY COVERED BONDS (LM) LIMITED - 05365645

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

#### 2 Profit before tax

Fees payable to the Company's auditors for the audit of the Company's annual accounts for the current year are £5,100 (2011 £5,100) and have been borne by Santander UK plc, for which no recharge has been made in the current or prior year

No Directors were remunerated for their services to the Company Directors' emoluments for Mr T Ranger are borne by Santander UK plc No emoluments were paid by the Company to Directors during the year (2011 £nil)

The Company had no employees in the current or previous year

#### 3 Tax

|   | 2012<br>£  | 2011<br>£ |
|---|------------|-----------|
| Current tax                               |            |           |
| UK corporation tax on profit for the year | 120        | 122       |
| Adjustments in respect of prior years     | -          | (84)      |
| <b>Tax charge for the year</b>            | <b>120</b> | <b>38</b> |

UK corporation tax is calculated at 24.5% (2011 26.5%) of the estimated assessable profits for the year

The Finance Act 2012, which provides for a reduction in the main rate of UK corporation tax to 23% effective from 1 April 2013 was enacted on 17 July 2012 The small profits rate of UK corporation tax rate remains at 20% The UK Government has also indicated that it intends to enact a further reduction in the main tax rate down to 21% by 1 April 2014

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

|  | 2012<br>£  | 2011<br>£ |
|--|------------|-----------|
| Profit before tax  | 600        | 600       |
| Tax at the UK corporation tax rate of 24.5% (2011 26.5%) | 147        | 159       |
| Benefit of small profits rate                            | (27)       | (37)      |
| Adjustment to prior year provisions                      | -          | (84)      |
| <b>Tax charge for the year</b>                           | <b>120</b> | <b>38</b> |

#### 4 Trade and other receivables

|                                  | 2012<br>£    | 2011<br>£    |
|----------------------------------|--------------|--------------|
| Amounts due from group companies | 4,041        | 3,562        |
| Called up share capital          | 10           | 10           |
|                                  | <b>4,051</b> | <b>3,572</b> |

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

#### 5. Trade and other payables

|                                | 2012<br>£  | 2011<br>£  |
|--------------------------------|------------|------------|
| Amounts due to group companies | 206        | 205        |
| Corporation tax                | 120        | 122        |
|                                | <b>326</b> | <b>327</b> |

The Directors consider that the carrying amount of trade and other payables approximates to their fair value

## ABBEY COVERED BONDS (LM) LIMITED - 05365645

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

#### 6 Share capital

|   | 2012<br>£ | 2011<br>£ |
|---|-----------|-----------|
| <b>Called up, issued and fully paid share capital</b> |           |           |
| 10 ordinary shares                                    | 10        | 10        |

The proceeds from the share issue are held on behalf of the Company by Wilmington Trust SP Services (London) Limited, a group company

#### 7. Financial Risk Management

The Company's risk management focuses on the major areas of credit risk and liquidity risk. Risk management is carried out by the central risk management function of the Santander UK Group. Authority flows from the Santander UK plc Board to the Chief Executive Officer and from her to her direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management of oversight.

##### 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.

The maximum exposure to credit risk without taking into account collateral or credit enhancements is the carrying amount of the loans and advances to group companies as disclosed in note 8.

The covered bond structure is over-collateralised by £12.4 billion (2011: £7.5 billion). In addition, payments on the loan notes are guaranteed by Santander UK plc. Santander UK plc is rated periodically by credit rating agencies Standard & Poor's, Moody's Investors Service and Fitch Ratings, Ltd.

Santander UK plc's current credit ratings are

|                          | S & P    | Moody's  | Fitch  |
|--------------------------|----------|----------|--------|
| Long-term rating         | A        | A2       | A      |
| Long-term rating outlook | Negative | Negative | Stable |
| S & P                    | A-1      | P-1      | F1     |

##### 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.

| At 31 December 2012                | On Demand<br>£ | Up to 3 months<br>£ | 3-12 months<br>£ | 1-5 years<br>£ | Over 5 years<br>£ | Total      |
|------------------------------------|----------------|---------------------|------------------|----------------|-------------------|------------|
| Intercompany liabilities           | 206            | -                   | -                | -              | -                 | 206        |
| <b>Total financial liabilities</b> | <b>206</b>     | <b>-</b>            | <b>-</b>         | <b>-</b>       | <b>-</b>          | <b>206</b> |

| At 31 December 2011                | On Demand<br>£ | Up to 3 months<br>£ | 3-12 months<br>£ | 1-5 years<br>£ | Over 5 years<br>£ | Total      |
|------------------------------------|----------------|---------------------|------------------|----------------|-------------------|------------|
| Intercompany liabilities           | 205            | -                   | -                | -              | -                 | 205        |
| <b>Total financial liabilities</b> | <b>205</b>     | <b>-</b>            | <b>-</b>         | <b>-</b>       | <b>-</b>          | <b>205</b> |

## ABBEY COVERED BONDS (LM) LIMITED - 05365645

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

#### 8. Related party transactions

The following were the balances with related parties as at 31 December 2012 and 31 December 2011

|   | 2012<br>£ | 2011<br>£ |
|---|-----------|-----------|
| <b>Amounts due from group undertakings</b>    |           |           |
| Abbey Covered Bonds LLP                       | 4,041     | 3,562     |
| Wilmington Trust SP Services (London) Limited | 10        | 10        |

|  | 2012<br>£ | 2011<br>£ |
|--|-----------|-----------|
| <b>Amounts due to group undertakings</b> |           |           |
| Santander UK plc                         | 206       | 205       |

Transactions with related parties comprise primarily amounts receivable in relation to the fee income from Abbey Covered Bonds LLP, subscription received on issue of shares to Abbey Covered Bonds (Holdings) Limited and Santander UK plc held with Wilmington Trust SP Services (London) Limited and the settlement of group relief balances with Santander UK plc

There were no related party transactions during the year, or existing at the balance sheet date, with key management personnel of the Company

#### 9. Investment in Limited Liability Partnerships

The Company is a designated member of Abbey Covered Bonds LLP a partnership registered in England & Wales. The Company has made no capital contributions to the partnership and currently has a 0% share of ownership interest. There is no intention for the Company to make capital contributions to the partnership in the future.

#### 10. Capital management and resources

Capital held by the Company and managed centrally as part of the Santander UK plc Group, comprises share capital and reserves which can be found in the Balance Sheet on page 5.

Capital is managed by way of processes set up at inception of the Company and subsequently there is no active process for managing its own capital. The Company is designed to hold minimum reserves once all amounts due on the intercompany loans have been received and amounts owing to the bondholders have been paid. The Company's capital is not externally regulated.

#### 11 Parent undertaking and controlling party

The Company's immediate parent company is Abbey Covered Bonds (Holdings) Limited. Santander UK plc has the controlling interest in the Company.

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

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