

FIRST NATIONAL TRICITY FINANCE LIMITED

**Registered in England and Wales
Company Number 00544013**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2020**



REPORT OF THE DIRECTORS

The Directors submit their annual report together with the audited financial statements for the year ended 31 December 2020.

This Report of the Directors has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemptions under Sections 415A (1) & (2) of the Companies Act 2006. The Company is also exempt from preparing a Strategic Report in accordance with Section 414B of Companies Act 2006.

Principal activities and business review

The principal activity of First National Tricity Finance Limited (the "Company") which is a private company limited by shares, was the provision of credit finance by way of instalment credit. The loan book was sold during 2014.

Results and dividends

The profit for the year after taxation amounted to £6k (2019: £326k).

No interim dividend was paid in 2020 (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £nil).

Directors

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

M J Hall	
A R Honey	(resigned 15 April 2020)
R J Morrison	
C Wise	(appointed 16 April 2020)

Statement of Going Concern

The Company's business activities, together with the factors likely to affect its future development and performance are set out above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 2 and 11 to the financial statements describes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; its exposures to credit risk, liquidity risk and market risk.

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. However as a result of a subsidiary optimisation programme undertaken by the parent, a decision has been made to liquidate the company in the near future. As required by IAS 1 'Presentation of Financial Statements', management has prepared the financial statements on the basis that the company is no longer a going concern. Preparation of the financial statements on an "other than going concern" basis has had no impact on the amounts reported since no adjustments were needed to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

The Directors of the Company have been provided with a letter of support by the UK parent company, confirming the parent company will provide support to the Company to meet its on-going trading liabilities for a period of 12 months from the date of signing of these financial statements.

LIBOR transition

The use of LIBOR, which is expected to cease in 2021, and its transition to (near) Risk Free Reference Rates (RFR) is also a significant issue across the industry. The Santander UK Group Holdings plc group has put in place appropriate plans to address the potential risks and will update and implement in this Company as necessary.

COVID-19 / BREXIT

2020 was a demanding year in general with Brexit uncertainty and economic turmoil as a result of the COVID-19 pandemic. The Company continues to monitor the impact of COVID-19 and Brexit and intends to take a coordinated approach with its UK parent company, Santander UK Group Holdings plc (the Group) where applicable. The Company does not anticipate any significant change to the carrying value of its assets and liabilities at the reporting date.

Streamlined Energy and Carbon Reporting (SECR)

SECR is considered and managed at a Santander UK Group Holdings plc group level. Information on the annual energy use and associated greenhouse gas emissions of the Santander UK Group Holdings plc group (including the Company) is set out in the Strategic report and Directors' report sections of the Santander UK Group Holdings plc 2020 Annual Report.

Post balance sheet events

No adjusting or significant non-adjusting events have occurred between the 31 December 2020 and the date of authorisation of the financial statements.

REPORT OF THE DIRECTORS (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Qualifying Third Party Indemnities

Enhanced indemnities are provided to the Directors of the Company by Santander UK Group Holdings plc against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities were in force during the financial year and as at the date of approval the Report and Financial Statements. All of the indemnities were qualifying third party indemnities. A copy of each of the indemnities is kept at the registered office address of Santander UK Group Holdings plc.

Statement of disclosure of information to auditors


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 auditors are unaware; and
- the Director has taken all steps that he ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Independent Auditors

In accordance with Sections 485 and 487 of the Companies Act 2006, PricewaterhouseCoopers LLP are re-appointed as auditors of the Company.



R J Morrison
Director

10 September 2021

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

Independent auditors' report to the members of First National Tricity Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion, First National Tricity Finance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income, the cash flow statement, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of First National Tricity Finance Limited (continued)

Reporting on other information (continued)

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to applicable tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management and communication with those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Performed substantive testing over all the financial statement line items.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one

Independent auditors' report to the members of First National Tricity Finance Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Report of the Directors; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Nikhil Dhiri (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

13-09-2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Interest income	3	13	116
Other income	3	-	293
Administrative expenses	5	(5)	(6)
Profit before tax		8	403
Tax	6	(2)	(77)
Profit after tax and total comprehensive income for the year		6	326

All amounts above relate to discontinued operations

The accompanying notes are an integral part of these financial statements.

The Company has no comprehensive income or expenses attributable to the equity holders other than the profit of £6,000 (2019: £326,000) for the current and previous year as set out in the Income Statement.

BALANCE SHEET

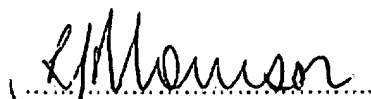
As at 31 December 2020

	Note	2020 £000	2019 £000
Current assets			
Financial assets at amortised cost – Amounts due from group companies	7	6,432	6,419
Total current assets		6,432	6,419
Current liabilities			
Amounts owed to Group undertakings	7	160	81
Corporation tax		-	77
Other liabilities	8	953	948
Total current liabilities		1,113	1,106
Net assets		5,319	5,313
Equity			
Share capital	9	2,010	2,010
Retained earnings		3,309	3,303
Total equity		5,319	5,313

The accompanying notes are an integral part of these financial statements.

These financial statements 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 on pages 6 to 17 were approved by the Board of Directors and signed on its behalf by:



R J Morrison
Director
10 September 2021

CASH FLOW STATEMENT

For the year ended 31 December 2020

	2020	2019
	£000	£000
Profit before tax	8	403
Adjustments for:		
Increase/ (decrease) in amounts due from group companies	66	(327)
Increase/ (decrease) in other liabilities	5	(6)
Corporation tax charge	(2)	(77)
(Decrease)/ increase in corporation tax liability	(77)	7
Net cash generated by operating activities	-	-
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share Capital £000	Retained earnings £000	Total equity £000
As at 1 January 2019	2,010	2,977	4,987
Total comprehensive income	-	326	326
As at 31 December 2019	2,010	3,303	5,313
As at 1 January 2020	2,010	3,303	5,313
Total comprehensive income	-	6	6
As at 31 December 2020	2,010	3,309	5,319

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies applied to First National Tricity Finance 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.

General information

The Company is a limited company, domiciled and incorporated in the United Kingdom and is part of a European listed group whose ultimate parent is Banco Santander SA.

Basis of preparation

The financial statements have been prepared under the historic cost convention and have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The financial statements are presented in Sterling, which is the functional currency of the Company.

Going Concern

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. However as a result of a subsidiary optimisation programme undertaken by the parent, a decision has been made to liquidate the company in the near future. As required by IAS 1 ‘Presentation of Financial Statements’, management has prepared the financial statements on the basis that the company is no longer a going concern. Preparation of the financial statements on an “other than going concern” basis has had no impact on the amounts reported since no adjustments were needed to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

The Directors of the Company have been provided with a letter of support by the UK parent company, confirming the parent company will provide support to the Company for a period of 12 months from the date of signing of these financial statements.

Future accounting developments

At 31 December 2020, for the Company, there were no significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective.

Interest income

Interest income on financial assets that are classified as Financial assets at amortised cost and interest expense on financial liabilities is 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 gross 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 but not 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.

Income taxes, including deferred 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 period in which profits arise. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments of the Company comprise of 'Amounts due from group companies' and 'Amounts owed to group undertakings'. These instruments are recognised, classified and subsequently measured in accordance with IFRS 9 as described below.

a) Initial recognition and measurement

Financial assets and liabilities are initially recognised when the Company becomes a party to the contractual terms of the instrument. The Company determines the classification of its financial assets and liabilities at initial recognition and measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at Fair Value through profit and loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost.

b) Financial assets and liabilities

Classification and subsequent measurement

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

Financial assets: debt instruments

Classification and subsequent measurement of debt instruments depend on the Company's business model for managing the asset, and the cash flow characteristics of the asset.

Business model

The business model reflects how the Company manages the assets in order to generate cash flows and, specifically, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable, such as where the financial assets are held for trading purposes, then the financial assets are classified as part of an 'other' business model and measured at FVTPL. Factors considered in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel and how risks are assessed and managed.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the assets' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related asset is classified and measured at FVTPL.

Based on these factors, the Company classifies its debt instruments into one of the following measurement categories:

- **Amortised cost** – Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL recognised. Interest income from these financial assets is included in 'Interest receivable' using the effective interest rate method. When the estimates of future cash flows are revised, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the income statement.
- **FVTPL** – Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL, including any debt instruments designated at fair value, is recognised in profit or loss and presented in the income statement in 'Other gains/losses' in the period in which it arises.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial liabilities are classified as, and are subsequently measured at, amortised cost with any difference between cost and redemption value recognised in the statement of comprehensive income over the period of the borrowings on an effective interest rate basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Impairment of debt instrument financial assets

Expected credit losses are recognized on all financial assets at amortised cost or at fair value through other comprehensive income. The expected credit loss considers forward looking information to recognise impairment allowances earlier in the lifecycle of a product. A three-stage approach to impairment measurement is adopted as follows:

- Stage 1 - the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
- Stage 2 - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
- Stage 3 - lifetime expected credit losses for financial instruments which are credit impaired.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

In the course of preparing the financial statements, no significant judgements and accounting estimates have been made in the process of applying the Company's accounting policies.

Payment Protection Insurance

At 31 December, 2020, no provision has been recognised in these financial statements against the cost of making redress payments to customers and the related administration costs in relation to miss-selling of Payment Protection Insurance ("PPI"). The company has sold PPI in relation to its store cards agreements and there are still a number of uncertainties as to the eventual costs from any contract and/or redress. It has been agreed that Santander UK Plc would bear all PPI redress costs and associated expenses, including administrative expenses that the company may be liable for as a result of successful customer claims for miss-selling. All costs incurred to date have been borne by Santander UK plc and not recharged to the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. FINANCIAL RISK MANAGEMENT

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are credit risk and liquidity risk. The Company manages its risk in line with the central risk management function of the Santander UK Group Holdings plc group. Santander UK Group Holdings plc group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK Group Holdings plc group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Santander UK Group Holdings plc 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 Holdings plc 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 Group Holdings plc Annual Report which does not form part of this Annual 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.

The Introduction of IFRS 9

IFRS 9 replaced IAS 39 on 1 January 2018. IFRS 9 introduced a new impairment methodology and rules around classification and measurement of financial assets. Upon implementation, the measurement category of Amounts owed by group undertakings has changed from "Loans and receivables" to "Amortised cost". The accounting policy has had no significant impact upon the Company and accordingly no impact has been recognised on amounts outstanding at the transition date.

Key metrics

The Company uses a number of key metrics to measure and control credit risk, as follows:

Metric	Description
Expected credit losses (ECL)	ECL tells the Company what credit risk is likely to cost either over the next 12 months on qualifying exposures, or defaults over the lifetime of the exposure where there is evidence of a significant increase in credit risk since origination.
Stages 1, 2 and 3	The Company assesses the credit risk profile to determine which stage to allocate and monitors where there is a significant increase in credit risk and transfers between the stages.
Expected Loss (EL)	EL is the product of the probability of default, exposure at default and loss given default. The Company calculates each factor in accordance with group policy and risk models and an assessment of each customer's credit quality. There are differences between regulatory EL and IFRS 9 ECL. More details can be found in the Annual Report of the parent company Santander UK plc. For the rest of the Risk review, impairments, losses and loss allowances refer to calculations in accordance with IFRS, unless specifically stated otherwise. For IFRS accounting policy on impairment, see Note 1 to the Financial Statements.

Maximum exposure to credit risk

The class of financial assets most exposed to credit risk in the Company are amounts owed by group undertakings. No collateral is held as security. Total receivables as at 31 December 2020 are £6,429k (2019: £6,419k). As at 31 December 2020 there were no assets that were either past due or impaired (2019: £nil). The Company did not recognise an ECL provision against this balance as it is owed by another group company and is payable on demand and the debtor has sufficient accessible highly liquid assets in order to repay the loan if demanded.

Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet its obligations with the support of its parent company, ensuring that the Company will have sufficient liquid resources to ensure it can meet its obligations as they fall due.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2. FINANCIAL RISK MANAGEMENT (CONTINUED)****Liquidity risk (continued)**

The table below analyses the maturities of the undiscounted cash flows relating to financial liabilities of the Company based on the remaining period to the contractual maturity date at the balance sheet date. There are no significant financial liabilities related to financial guarantee contracts.

	Demand £000	Up to 3 months £000	3-12 months £000	1-5 years £000	Over 5 years £000	Total £000
At 31 December 2020						
Amounts due to group companies	-	160	-	-	-	160
Other liabilities	953	-	-	-	-	953
Total financial liabilities	953	160	-	-	-	1,113
	Demand £000	Up to 3 months £000	3-12 months £000	1-5 years £000	Over 5 years £000	Total £000
At 31 December 2019						
Amounts due to group companies	-	81	-	-	-	81
Other liabilities	948	-	-	-	-	948
Total financial liabilities	948	81	-	-	-	1,029

3. INTEREST INCOME AND OTHER INCOME

	2020 £000	2019 £000
Interest income from parent undertaking	13	116
Commitment fee income from parent undertaking	-	293
Total income	13	409

4. DIRECTORS' EMOLUMENTS AND INTERESTS AND EMPLOYEE INFORMATION

No Directors were remunerated for their services to the Company (2019: £nil). Directors' emoluments were borne by the intermediate UK parent company, Santander UK plc. The Directors' services to the Company are an incidental part of their duties.

The Company did not employ any staff during the current or preceding financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)**5. AUDITORS' REMUNERATION**

The audit fee for the current and prior year was borne by the Company. The audit fee in respect of the Company was:

	2020	2019
	£000	£000
Fees payable to the Company auditors for the audit of the Company's financial statements	7	6

There are no non-audit services provided by the Company auditors and their associates to the Company.

6. TAX

	2020	2019
	£000	£000
Current tax:		
UK corporation tax on profit for the year	2	77
Tax charge on profit for the year	2	77

UK corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profits for the year.

Finance Act 2016 introduced a reduction in the UK corporation tax rate to 17% from 1 April 2020. However, this rate deduction was reversed in the UK Budget in March 2020.

The UK government announced in its budget on 3 March 2021 that it would increase the main rate of corporation tax by 6% to 25% with effect from 1 April 2023. Since the proposed change was not substantively enacted by the balance sheet date, the effect has not been reflected in these financial statements.

The tax on the Company's profit before tax is the same as (2019: same as) the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2020	2019
	£000	£000
Profit before tax:	8	403
Tax calculated at a tax rate of 19% (2019: 19%)	2	77
Tax charge for the year	2	77

7. BALANCES WITH GROUP UNDERTAKINGS

	2020	2019
	£000	£000
Assets: Financial assets at amortised cost		
Amounts owed by parent undertaking	6,432	6,419
Maturity:		
Repayable on demand	6,432	6,419
	6,432	6,419
Liabilities:		
Amounts owed to Group undertaking – Santander UK plc	160	81
	160	81
Maturity:		
Repayable within three months	160	81
	160	81

Amounts due from Santander Cards UK Limited (parent undertaking) comprised a term facility that matured on 22 December 2019 and generated interest at a rate equivalent to 3 month LIBOR, margin of 110 bps and a commitment fee cost of 12 bps over unused portion of the loan facility. The line of credit was extended for an additional two years until 22 December 2021, with interest at a rate equivalent to 1 month LIBOR, no margin and no cost over unused portion of the loan facility.

NOTES TO THE FINANCIAL STATEMENTS (continued)**8. OTHER LIABILITIES**

	2020	2019
	£000	£000
Accruals – Auditors' remuneration	7	-
Other creditors	946	948
	953	948

The other creditors pertain to cash previously received and unallocated against customers and cheques issued but not cashed by the customers for the overpayments made by them.

9. SHARE CAPITAL

	2020	2019
	£000	£000
<i>Authorised, issued and fully paid:</i>		
2,010,000 (2019: 2,010,000) ordinary shares of £1 each	2,010	2,010

10. RELATED PARTY TRANSACTIONS

Particulars of transactions with related parties, and the balances outstanding at the year end, are disclosed in the table below.

	Income		Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000
Parent undertaking:						
Santander Cards UK Limited	13	409	6,432	6,419	-	-
Group undertaking:						
Santander UK plc	-	-	-	-	7	4
Santander UK plc – Group relief	-	-	-	-	153	77

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

Amounts due to and due from related parties shown above are all unsecured. The amounts owed by Santander UK plc are not interest bearing.

11. CAPITAL MANAGEMENT AND RESOURCES

The Company's ultimate parent, Banco Santander SA, 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 group's capital management can be found in the Banco Santander SA Annual Report and Financial Statements.

Capital held by the Company and managed centrally as part of the Santander group comprises share capital and retained earnings which can be found in the balance sheet on page 6.

12. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent company is Santander Cards UK Limited, a company registered in England and Wales.

The Company's ultimate parent undertaking and controlling party is Banco Santander SA, a company registered in Spain. Banco Santander SA is the parent undertaking of the largest group of undertakings for which group financial statements 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 financial statements are drawn up and of which the Company is a member.

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