

**SANTANDER INSURANCE SERVICES UK
LIMITED**

**Registered in England and Wales
Company number 01492302**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2015**

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STRATEGIC REPORT

The Directors submit the strategic report together with their directors' report and the audited financial statements for the year ended 31 December 2015.

Fair review of the Company's Business

The principal activity of Santander Insurance Services UK Limited (the "Company") is the provision of General Insurance services and related products. The Company is authorised by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA") for its insurance mediation activities.

The Directors do not expect any significant change in the level of business in the foreseeable future.

The Banco Santander, S.A. group (the "Group") manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the divisions of the Group, which include the Company, are discussed in the Group's Annual Report which does not form part of this Report.

The purpose of this Report is to provide information to the members of the Company and as such it is only addressed to those members. The Report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements. Members should consider this when relying on any forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report and the Company undertakes no obligation to update any forward-looking statement during the year. Nothing in this Report should be construed as a profit forecast.

Principal risks and uncertainties facing the company

The Company's principal risks and uncertainties together with the processes that are in place to monitor and mitigate those risks where possible can be found in Note 2.

Payment Policy

The Company has cost management and procurement policies that explicitly promote competitive tendering and dealing with suppliers in a fair and open manner. The Company does not operate a single payment policy in respect of all classes of suppliers. Payment terms vary depending on the supplier and the type of spend, and the supplier is made aware of these before engagement.

It is the Company's policy to ensure payments are made in accordance with the terms and conditions agreed, except where the supplier fails to comply with those terms and conditions. The Company's practice on payment of creditors has been quantified under the terms of Schedule 7 of the Accounting Regulations. Based on the ratio of the aggregate amounts owed to trade creditors at the end of the year to the aggregate amounts invoiced by suppliers during the year at 31 December 2015, trade creditor days for the Company were 31 days (2014: 28 days).

By Order of the Board


For and on behalf of
Santander Secretariat Services Limited, Secretary

21 April 2016

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

REPORT OF THE DIRECTORS

The Directors submit their report together with the strategic report and audited financial statements for the year ended 31 December 2015.

Principal activity

The principal activity of Santander Insurance Services UK Limited (the "Company") is the provision of General Insurance services and related products. The Company is authorised by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA") for its insurance mediation activities.

Likely future developments

The directors do not expect any significant change in the level of business in the foreseeable future.

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £530,000 (2014: £706,000). The Directors do not recommend the payment of a final dividend (2014: £nil).

Post Balance Sheet Events

There are no Post Balance Sheet Events.

Directors

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

J R Aboukhair-Hurtado	(resigned 23/02/2015)
R Attar-Zadeh	(appointed 21/05/2015)
J Olaizola	(resigned 16/06/2015)
A L Rodriguez	
J de la Vega	(resigned 16/06/2015)
JAS Moodie	(appointed 15/06/2015)
DJ Hickman	
A Wakelin	(appointed 29/05/2015)
F del Cura Ayuso	
R Al-Dabbagh	(appointed 19/03/2015)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

REPORT OF THE DIRECTORS *(continued)*

Statement of Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, note 2 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, market 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.

Financial Instruments

The Company's risks are managed on a group level by the parent company Banco Santander, S.A.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found in note 2.

Qualifying Third Party Indemnities

Enhanced indemnities are provided to 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 the Report and Accounts. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

Payment Policy

The Company has cost management and procurement policies that explicitly promote competitive tendering and dealing with suppliers in a fair and open manner. The Company does not operate a single payment policy in respect of all classes of suppliers. Payment terms vary depending on the supplier and the type of spend, and the supplier is made aware of these before engagement.

It is the Company's policy to ensure payments are made in accordance with the terms and conditions agreed, except where the supplier fails to comply with those terms and conditions. The Company's practice on payment of creditors has been quantified under the terms of Schedule 7 of the Accounting Regulations. Based on the ratio of the aggregate amounts owed to trade creditors at the end of the year to the aggregate amounts invoiced by suppliers during the year at 31 December 2015, trade creditor days for the Company were 31 days (2014: 28 days).

Auditors

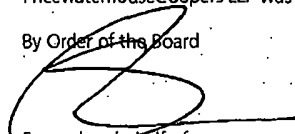
Each of the Directors as at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's 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 vacated office as auditors of the Company and PricewaterhouseCoopers LLP was duly appointed auditors for the Company with effect from 21 April 2016.

By Order of the Board



For and on behalf of
Santander Secretariat Services Limited
Secretary

21 April 2016

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANTANDER INSURANCE SERVICES UK LIMITED

We have audited the financial statements of Santander Insurance Services UK Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 15. 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 Statement of Directors' Responsibilities, 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 2015 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 Strategic Report and Director's 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.

Elanor Gill (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
21 April, 2016

PRIMARY FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

Continuing operations	Notes	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Commission income		86,836	93,275
Commission expense		(68,015)	(70,346)
Gross profit		18,821	22,929
Administrative expenses		(18,362)	(22,285)
Operating profit		459	644
Investment income	6	294	316
Profit before tax		753	960
Tax charge on profit for the year	7	(223)	(254)
Profit for the year		530	706
Other comprehensive income for the year		-	-
Total net comprehensive income for the year attributable to the equity holders of the company		530	706

The accompanying notes form an integral part of the financial statements.

PRIMARY FINANCIAL STATEMENTS

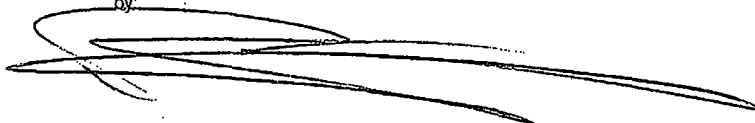
BALANCE SHEET

As at 31 December 2015

	Notes	2015 £000	2014 £000
Current assets			
Cash and cash equivalents	8	41,551	49,513
Amounts owed by group undertakings		442	257
Trade and other receivables	9	4,267	4,332
Deferred tax	10	13	294
		46,273	54,396
Total assets		46,273	54,396
Current liabilities			
Amounts owed to group undertakings		(7,605)	(8,070)
Trade and other payables	11	(4,500)	(12,688)
Total current liabilities		(12,105)	(20,758)
Net current assets		34,168	33,638
Net assets		34,168	33,638
Equity			
Share capital	12	25,000	25,000
Retained profit		9,168	8,638
Total equity		34,168	33,638

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 21 April 2016. They were signed on its behalf by:



Director

R. AL-DABBAGH.

PRIMARY FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2015

	Share Capital £000	Retained earnings £000	Total £000
At 1 January 2014	25,000	7,932	32,932
Total comprehensive income		706	706
At 31 December 2014 and 1 January 2015	25,000	8,638	33,638
Total comprehensive income		530	530
At 31 December 2015	25,000	9,168	34,168

The accompanying notes form an integral part of the financial statements.

PRIMARY FINANCIAL STATEMENTS

CASH FLOW STATEMENT

For the year ended 31 December 2015

Notes	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Operating profit before tax	459	644
(Increase)/ decrease in amounts owed by group undertakings	(185)	3,033
(Decrease)/ increase in amounts owed to group undertakings	(407)	3,047
Decrease/ (increase) in other assets	65	(2,474)
Decrease in other liabilities	(8,188)	(4,309)
Net cash used by operating activities	(8,256)	(59)
Investing activities		
Interest received	294	316
Net cash generated by investing activities	294	316
Net (decrease)/ increase in cash and cash equivalents	(7,962)	257
Cash and cash equivalents at beginning of year	49,513	49,256
Cash and cash equivalents at end of year	41,551	49,513

Cash and cash equivalents comprise cash at bank.

Where tax assets/liabilities have been group relieved, they are accounted for as operating receivables/payables.

The accompanying notes form an integral part of the accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the presentation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), including interpretations issued by the IFRS Interpretations Committee (IFRIC) of the IASB (together IFRS). The Company has also complied with its legal obligation to comply with International Financial Reporting Standards as adopted by the European Union as there are no applicable differences between the two frameworks for the periods presented.

The Financial Statements have been prepared on the going concern basis using the historical cost convention. An assessment of the appropriateness of the adoption of the going concern basis of accounting is disclosed in the Directors' statement of going concern set out in the Directors' Report.

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 these 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.
- 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 2018. 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 of IFRS 15 on these Financial Statements.
- c) IFRS 16 'Leases' (IFRS 16) – In January 2016, the IASB issued IFRS 16. The standard is effective for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure for both lessees and lessors.
- For lessee accounting, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- For lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements from the existing leasing standard (IAS 17) and a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently.
- At the date of publication of these Financial Statements the standard is awaiting EU endorsement. The impact of the standard is currently being assessed, however, it is not yet practicable to quantify the effect of IFRS 16 on these Financial Statements.
- d) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

1. ACCOUNTING POLICIES *(continued)*

Revenue Recognition

The Company's revenue net of commissions paid is guaranteed by contract and is the amount equivalent to the operational expenses incurred plus 2.5%.

Use of estimates

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Fee and commission income

Commission income is recognised at the later of the policy inception date or when the policy placement has been completed and confirmed. Any adjustments to commission arising from premium additions or reductions are recognised as and when they are notified by third parties.

Profit commission is recognised when the amount can be reliably estimated, with a reasonable degree of certainty, and is equivalent to the minimum value expected to be received.

Where contractual obligations exist for the performance of post placement activities, and the cost of these activities is not expected to be covered by future revenue, a relevant proportion of revenue received on placement is deferred and recognised over the period during which the activities are performed.

Investment income

Investment income consists of interest income receivable for the year. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

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, net loans and advances to banks, net securities financing amounts and short-term investments in securities.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. 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.

Provisions and contingent liabilities

Provisions are recognised as present obligations arising as consequences of past events where it is more likely than not a transfer of economic benefits will be necessary to settle the obligation, and it can be reliably estimated.

A provision is made for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are possible obligations whose existence will be confirmed only by certain future events or present obligations whose existence where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless the likelihood of a transfer of economic benefit is considered to be remote.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

1. ACCOUNTING POLICIES (*continued*)

Income taxes, including deferred income taxes

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

Deferred income tax is the tax expected to be payable or recoverable on income tax losses available to carry forward and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the assets may be utilised as they reverse. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill. Deferred tax assets and liabilities are not recognised from the initial recognition of other assets (other than in a business combination) and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Dividends

Dividends on ordinary shares are declared at the discretion of the Company and are recognised in the period in which they are declared and approved by the Board.

Financial liabilities

The entity classifies its financial liabilities, including intercompany financial liabilities, as payables and other financial liabilities, which are held at cost. The carrying values of financial liabilities are a fair approximation of their fair values.

Pensions and other post retirement benefits

The Company participates in the following pension scheme:

Santander UK Group Defined Contribution Scheme

During 2010, the Company ceased to make contributions to the Santander UK Group defined benefit pension scheme and made contributions to a Santander UK group defined contribution scheme from this date. The contribution to be paid by the Company is calculated as the contributions made by Santander UK to the schemes in respect of the Company's employees. Details of the scheme appear in the accounts of Santander UK plc which are available from Secretariat 9santander UK plc), 2 TritonSquare, Regents Place, London, NW1 3AN.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (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, market risk and liquidity risk. The Company manages its risk in line with the central risk management function of the Banco Santander S.A. Group. Banco Santander S.A. Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Banco Santander S.A. Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Banco Santander S.A. 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 Banco Santander S.A. Group's strategic objectives.

Authority flows from the Banco Santander S.A. Board to the Chief Executive Officer and from her to specific individuals. Formal standing committees are maintained for effective management of oversight. Their authority is derived from the person they are intended to assist. Further information can be found in the Banco Santander S.A. Annual Report which does not form part of this Report.

The Company's risk management focuses on the major areas of credit, liquidity, marketing and operational risk. Risk management is carried out by the central risk management function of the Banco Santander S.A. Group. Authority flows from the Banco Santander S.A. 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 where the Company has significant financial exposure to amounts due from its fellow group companies. The credit risk arising from group counterparties failing to meet all or part of their obligations is considered remote. Due to the nature of the inter group loans, and the fact that these loans are settled, and not traded, the Company is not exposed to the risk of changes to the market value caused by changing perceptions of the credit worthiness of such counterparties. The Company's management of credit risk is carried out in accordance with the group credit risk policy.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in note 9 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 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 as they fall due. The Company regularly monitors its current and future liquidity requirements, and incorporates this into its decision making process to ensure it always maintains sufficient liquid resources.

Maturities of financial liabilities

Current financial liabilities consist of intercompany and third party creditors. These do not have a specific maturity date stated within the contract although they are all payable on demand and are likely to be settled in their entirety within 2015.

Market risk

Market risk is the potential for loss of income or decrease in the value of net assets caused by movements in the levels and prices of financial instruments. The majority of market risk arises as a result of changes to base rates of interest that affect the investment income earned by the Company. Whilst we do not hedge this risk with derivatives or any other products, we are constantly monitoring our investment exposure to interest rate changes, and have invested in products that offer immediate withdrawal to allow us the flexibility to diversify our investment portfolio.

A 0.25% adverse movement in interest rates would result in a reduction in operating profit of £38,678 (2014: £41,688) and a reduction in net assets of £38,678 (2014: £41,688).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. DIRECTORS' EMOLUMENTS AND INTERESTS

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

	Year ended 31 December 2015	Year ended 31 December 2014
	£	£
Salaries and fees	300,955	629,984
Performance related payments	112,458	294,500
Total emoluments excluding pension contributions	413,413	924,484
Pension contributions	33,422	45,271
Compensation for loss of office	-	190,000
Total	446,835	1,160,755

The aggregate emoluments above exclude emoluments received by Directors in respect of their primary duties as Directors or officers of Banco Santander, S.A. and Santander UK plc. No apportionment of this remuneration has been made.

Remuneration of highest paid Director

The emoluments excluding pension contributions of the highest paid Director were £193,864 (2014: £479,628) of which £54,444 was performance related (2014: £262,500). The accrued pension benefit for the highest paid Director was £858 (2014: £15,369). Three Directors will be receiving benefits under a defined benefits scheme and none of these Directors will be receiving benefits under a defined contribution scheme.

Directors' emoluments and interests

The Company did not enter into any loans, quasi loans or credit transactions with persons who are or were Directors, connected persons or officers of the Company in the current year.

No Director had a material interest in any contract with the Company or any of its subsidiaries at any time during the year. The Directors did not have any interests in shares or debentures of these subsidiaries.

4. STAFF COSTS

	2015 £000	2014 £000
Wages and salaries	3,493	3,686
Social security costs	327	401
Pension costs: - defined contribution plans	446	528
Other personnel costs	205	275
Total	4,471	4,890

Staff costs include recharged salary costs from Santander UK plc.

Number of employees – average for the period	2015 Number	2014 Number
Sales and Marketing	18	15
Product Development	5	5
Operations	-	14
Finance and Commercial	11	10
Pricing	4	4
Insurance Management	6	6
Total	44	54

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

5. OPERATING PROFIT

The operating profit is stated after charging:

	2015 £000	2014 £000
Auditor fee for statutory audit (excluding VAT)	36	35

6. INVESTMENT INCOME

	2015 £000	2014 £000
Interest on bank deposits	294	316
	294	316

Investment income comprised interest earned on the Company's bank accounts held.

7. TAX

	2015 £000	2014 £000
Current tax:		
UK corporation tax on profit of the year	(339)	270
Adjustments in respect of prior years	281	269
Total current tax	(58)	539
Deferred tax:		
Origination and reversal of temporary differences	547	(55)
Change in rate of UK Corporation tax	(5)	4
Adjustments in respect of prior years	(261)	(234)
Total deferred tax	281	(285)
Tax charge on profit for the year	223	254

UK corporation tax is calculated at 20.25% (2014: 21.5%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 21% to 20% with effect from 1 April 2015.

The Finance (No. 2) Act 2015, which provides for reductions in the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 18% from 1 April 2020 was enacted on 18 November 2015. The UK government has announced it will enact a further reduction in the main rate of tax of 1% , down to 17% at 1 April 2020 (instead of 18%) in the Finance Bill 2016 which is expected to be enacted in July 2016. 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 differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2015 £000	2014 £000
Profit before tax	753	960
Tax calculated at a tax rate of 20.25% (2014: 21.5%)	152	206
Non deductible expenses	57	9
Effect of change in tax rate on deferred tax provision	(5)	4
Adjustment in relation to prior years	19	35
Tax charge for the year	223	254

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

8. CASH AND CASH EQUIVALENTS

	2015 £000	2014 £000
Cash and cash equivalents	41,551	49,513
	41,551	49,513

These items are all classified as loans and receivables under IFRS 7

9. TRADE AND OTHER RECEIVABLES

	2015 £000	2014 £000
Trade and other receivables	4,267	4,332
	4,267	4,332

These items are all classified as loans and receivables under IFRS 7

10. 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:

	2015 £000	2014 £000
At 1 January	294	9
Income statement (charge)/ credit	(281)	285
At 31 December	13	294

Deferred tax assets are attributable to the following items:

	Provided		Provided	
	Balance Sheet 2015 £000	Income Statement 2015 £000	Balance Sheet 2014 £000	Income Statement 2014 £000
Other temporary differences	13	(281)	294	285
	13	(281)	294	285

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

11. TRADE AND OTHER PAYABLES

	2015 £000	2014 £000
Other liabilities	4,500	12,688
	4,500	12,688

The carrying amount of payable and other financial liabilities approximates to fair value. No specific maturity date has been stated within the contracts relating to these liabilities, however they are likely to be settled within the next year. These items are all classified as financial liabilities at amortised cost under IFRS 7.

12. SHARE CAPITAL

	2015 £000	2014 £000
Issued, authorised and fully paid:		
25,000,000 ordinary shares of £1 each	25,000	25,000

Holders of ordinary shares are entitled to:

- receive such dividends as the Directors approve out of profits remaining after payment of the preferred dividend;
- one vote for every share held in respect of resolutions proposed at general meetings; and
- receive, upon winding up, an amount in respect of each ordinary share equal to the paid up capital value thereof after paying the holders of the preference shares as described above, the balance being distributed between the shareholders in proportion to their paid up ordinary shareholdings.

13. RELATED PARTY TRANSACTIONS

Remuneration of directors and other key management personnel

The remuneration of the Directors and key management personnel of the Company, is set out in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of the individual Directors is provided in note 3.

Key management compensation	2015 £000	2014 £000
Short-term employee benefits	433	1,129
Post employment benefits	66	56
Share-based payments	8	5
Compensation for loss of office	-	190
Total key management compensation	507	1,380

Of the key management personnel that served during the year, three Directors were remunerated in relation to their services as Directors of the Company.

Long-Term Incentive Plan

In 2015, two Directors (2014: one) and no Other Key Management Personnel (2014: none) were granted conditional awards under the Santander LTIP. Under the Santander LTIPs granted on 1 July 2010 certain Directors and Key Management Personnel were granted conditional awards of shares in Banco Santander, S.A.

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

Cash Incentive Plan

Under the 2013 Cash Incentive Plan (CIP) granted in 2013, no Directors (2014: none) and one Other Key Management Personnel (2014: none) were granted conditional awards which vested in 2015. For the Cash Incentive Plan (CIP) 2014 granted in 2014, no Directors and one Other Key Management Personnel were granted conditional awards which vested in 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

13. RELATED PARTY TRANSACTIONS *(continued)*

Related party transactions

There were no related party transactions during the year, or balances existing at the balance sheet date, with the Company's or parent Company's key management personnel (2014: nil).

Trading transactions

During the year, the Company entered into the following transactions with related parties:

	Income		Expenditure		Amounts due from related parties		Amounts due to related parties	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Other group companies	294	316	74,786	78,078	442	257	7,605	8,070

Amounts due from related parties includes group relief of £338,553 (2014: Amounts due to related parties includes group relief of £269,787).

14. CAPITAL MANAGEMENT AND RESOURCES

The Company is 100% owned by Santander Insurance Holdings S.L. Control of its capital structure will therefore be dictated at board level, and additional capital issue would require approval from the board of Santander Insurance Holdings. Short term treasury management is delegated from board level to the finance team.

The Company is funded by capital in the form of £25 million of equity shares.

The PRA dictate that at any one time the Company must hold 2.5% of annual income as capital. The Santander Insurance Services (UK) finance team will monitor this on an ongoing basis, in conjunction with the Santander actuarial team in Glasgow that will provide updated forecast data on a regular basis. Regular internal reporting will ensure that this will not be breached. The Company is required to report this solvency margin to the FCA on a twice yearly basis.

If the Company were to be non-compliant with FCA rules then the penalties can range from fines to revocation of the regulatory authorisation.

15. PARENT UNDERTAKING AND CONTROLLING PARTY

Santander Insurance Services UK Ltd is domiciled in the United Kingdom.

The Company's immediate parent company is Santander Insurance Holdings S.L, a company registered in Spain. Santander Insurance Holdings S.L holds all of the issued share capital of the Company.

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 and smallest group of undertakings for which group accounts are drawn up and of which the Company is a member.

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