

SANTANDER ASSET FINANCE (DECEMBER) LIMITED

**Registered in England and Wales
No. 1562865**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2011**



SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of Santander Asset Finance (December) Limited (the "Company") is that of lessors and financiers of assets for the corporate sector

The Santander UK plc 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 Santander UK plc, 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.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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 4.

RESULTS AND DIVIDENDS

The profit for the year on ordinary activities after taxation amounted to £8,444,108 (2010: £872,590). The directors do not recommend the payment of a final dividend (2010: £nil).

DIRECTORS

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

M W Evans	
C R Morley	
G A Faulkner	(appointed 31 May 2011)
A T Rougier	(appointed 31 May 2011, resigned 18 July 2011)

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.

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

REPORT OF THE DIRECTORS (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

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

STATEMENT OF GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, note 4 to the financial statements includes the Company's objectives, policies and processes for managing its financial risk management objectives and its exposures to credit risk, market risk, liquidity risk and other risks. As disclosed in note 11 to the financial statements the Company's capital is managed by the Santander UK Group.

The Company is part of the Santander UK Group. The Company has net current liabilities and is reliant on other Group companies for its funding. The Board of Santander UK plc has confirmed that it is a going concern and that it will provide funding to the Company for the foreseeable future.

On the basis of their assessment of both the Company's financial position and of the confirmations by the directors of Santander UK plc outlined above, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing this Report and financial statements.

FINANCIAL INSTRUMENTS

The Company's risks are managed on a group level by the ultimate UK parent company, Santander UK plc.

The financial risk management objectives and policies of the Group, the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure of the Group to price risk, credit risk, liquidity risk and cash-flow risk are outlined in the Group financial statements.

The class of asset most exposed to credit risk in the Company is trade and other receivables and operating lease assets. Credit risk is mitigated by security over the borrower's assets and is monitored on a revolving basis and subject to an annual or more frequent review. All customer exposure is to corporate and small and medium sized businesses and all balances are secured by charges over assets being financed such as properties and vehicles.

The Company is financed by loans from its immediate parent company, Santander Asset Finance plc. The funding has no fixed repayment date and is therefore repayable on demand, which creates uncertainty in respect of the future funding position of the Company. This risk is mitigated by the fact that the board of directors of Santander UK plc, has confirmed that the funding will remain in place for the foreseeable future.

Residual values are reviewed for impairment in line with the policy of the immediate parent undertaking, Santander Asset Finance plc and an appropriate impairment loss is recognised in the income statement.

Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found in note 4 to the financial statements.

THIRD PARTY INDEMNITIES

Enhanced indemnities are provided to the Directors of the Company by Santander UK plc against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities remain in force as at the date of this Report and Accounts. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

REPORT OF THE DIRECTORS (continued)

AUDITORS

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

- (1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) the Director has taken all the steps that he/she ought to have taken as a Director in order 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

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

By order of the Board



For and on behalf of
Abbey National Nominees Limited, Secretary

20 April 2012

Registered Office Address Carlton Park, Narborough, Leicester LE19 0AL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANTANDER ASSET FINANCE (DECEMBER) LIMITED

We have audited the financial statements of Santander Asset Finance (December) Limited (the "Company"), for the year ended 31 December 2011 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement and the related notes 1 to 17. 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. 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 2011 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

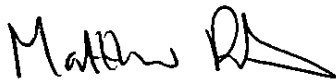
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANTANDER ASSET FINANCE (DECEMBER) LIMITED (continued)

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



Matthew Perkins
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham
United Kingdom

20 April 2012

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Revenue		82,145,356	77,298,205
Cost of sales		(57,196,156)	(57,118,333)
GROSS PROFIT		24,949,200	20,179,872
Administrative expenses		(2,092,155)	(2,373,792)
PROFIT FROM OPERATIONS	5	22,857,045	17,806,080
Finance costs	6	(11,012,887)	(14,416,987)
PROFIT BEFORE TAX		11,844,158	3,389,093
Tax	7	(3,400,050)	(2,516,503)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF SANTANDER ASSET FINANCE (DECEMBER) LIMITED		8,444,108	872,590

All profits during the year were generated from continuing operations

The accompanying notes form an integral part of the accounts

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

There is no comprehensive income or expense in either the current or previous financial year other than the profit (2010 profit) for the current and previous year as set out in the Income Statement, therefore a separate Statement of Comprehensive Income and Expense has not been presented

The accompanying notes form an integral part of the accounts

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Issued capital £	Retained earnings £	Total Equity £
Balance at 1 January 2011	100	164,606	164,706
Profit for the year	-	8,444,108	8,444,108
Balance at 31 December 2011	<u>100</u>	<u>8,608,714</u>	<u>8,608,814</u>

	Issued capital £	Retained earnings £	Total Equity £
Balance at 1 January 2010	100	(707,984)	(707,884)
Profit for the year	-	872,590	872,590
Balance at 31 December 2010	<u>100</u>	<u>164,606</u>	<u>164,706</u>

The accompanying notes form an integral part of the accounts

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	2011 £	2010 £
ASSETS			
NON CURRENT ASSETS			
Operating lease assets	8	110,661,461	181,126,008
Trade and other receivables	9	137,403,247	94,526,569
		<u>248,064,708</u>	<u>275,652,577</u>
CURRENT ASSETS			
Trade and other receivables	9	102,210,603	81,224,503
TOTAL ASSETS		<u>350,275,311</u>	<u>356,877,080</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	(341,666,497)	(356,712,374)
TOTAL LIABILITIES		<u>(341,666,497)</u>	<u>(356,712,374)</u>
TOTAL NET ASSETS		<u>8,608,814</u>	<u>164,706</u>
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	16	100	100
Retained profit		8,608,714	164,606
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SANTANDER ASSET FINANCE (DECEMBER) LIMITED		<u>8,608,814</u>	<u>164,706</u>

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 20 April 2012. They were signed on its behalf by *C. Morley*

Director

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Profit for the year		8,444,108	872,590
NON-CASH ADJUSTMENTS			
Depreciation		57,056,286	57,118,333
Loss on disposal of operating lease		12,570,414	9,629,491
Increase in trade and other receivables		(57,040,903)	(10,487,427)
Increase/ (decrease) in trade payables		4,765,304	(1,637,984)
Decrease in accruals		(2,904,957)	(3,064,181)
(Increase) / decrease in deferred taxes		(6,821,875)	14,465,786
Decrease in group relief receivable		11,222,999	-
		18,847,268	66,024,018
CASH FLOWS FROM OPERATING ACTIVITIES		27,291,376	66,896,608
Interest paid to parent undertakings		(11,012,887)	(14,416,987)
Group relief paid to parent undertakings		-	(26,270,916)
Management charges paid to parent undertakings		(2,092,155)	(2,373,792)
		(13,105,042)	(43,061,695)
NET CASH FLOWS FROM OPERATING ACTIVITIES		14,186,334	23,834,913
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES			
Payments to acquire operating lease assets		(11,704,663)	(24,029,723)
Receipts from sale of operating lease assets		12,542,510	30,923,469
		837,847	6,893,746
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payment of cash advances to parent undertakings		(15,024,181)	(30,728,659)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	15	-	-

The accompanying notes form an integral part of the accounts

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the Companies Act 2006 and the historical cost convention, as modified by the revaluation of all derivative financial instruments and on the going concern basis of accounting as disclosed in the Directors' Report - Statement of Going Concern

The functional and presentation currency of the Company is Sterling

Compliance with International Financial Reporting Standards

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB that, under European Union Regulations, are effective and available for adoption at the reporting date. The Company has complied with IFRS as issued by the IASB in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union.

Recent accounting developments

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

a) IAS 24 'Related Party Disclosures'

In November 2009, the IASB issued amendments to IAS 24 which clarify the definition of a related party, introduced a partial exemption from some disclosure requirements for government-related entities and included an explicit requirement to disclose commitments involving related parties. IAS 24 (2009) was adopted with effect from 1 January 2011. Retrospective application is required. The adoption of IAS 24 (2009) did not affect the Company's disclosures.

b) There are a number of other changes to IFRS that were effective from 1 January 2011. 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.

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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 early applied.

- 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 an 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 judgments 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 make it easier to understand and evaluate the nature, extent, and financial effects of the Company's transactions with its subsidiaries, joint arrangements, associates and unconsolidated structured entities as well as any changes in and risks associated with these entities or arrangements. 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.

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 and that the application of the new standards may have a significant impact on the Company's disclosures and 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.

- 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 the Company's disclosures and 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.

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

d) 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.

The Company anticipates that IFRS 7 (2010) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2012. The Company does not anticipate that these amendments to IFRS 7 will have a significant impact on the Company's disclosures regarding transfers of financial assets. However, if the Company enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

e) IFRS 9 'Financial Instruments'

In November 2009, the IASB issued IFRS 9 and in October 2010, issued an amendment to IFRS 9 which introduces new requirements for the classification and measurement of financial assets and, financial liabilities and for derecognition. IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 'Financial Instruments Recognition and Measurement' to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

Future accounting developments (continued)

e) IFRS 9 'Financial Instruments' (continued)

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

f) 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 the Company's profit or loss or financial position as the Company does not utilise the 'corridor approach'.

- g) 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.

Principal accounting policies

The principal accounting policies adopted are set out below.

Revenue recognition

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

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

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

Finance income and finance costs

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

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

Taxation

The tax expense represents the sum of the income tax currently payable and deferred income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. Taxable profit differs from 'Profit before tax' as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxable profit also includes items that are taxable or deductible that are not included in 'Profit before tax'. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill, the initial recognition of other assets (other than in a business combination) and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Leases

The Company as lessor - Operating lease assets are recorded at deemed cost and depreciated over the life of the asset after taking into account anticipated residual values. Operating lease rental income and depreciation is recognised on a straight-line basis over the life of the asset.

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

If the lease agreement transfers the risk and rewards of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recorded at the lower of the present value of the minimum lease payments or fair value and depreciated over the lower of the estimated useful life and the life of the lease. The corresponding rental obligations are recorded as borrowings. The aggregate benefit of incentives, if any, is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Cash and cash equivalents

The Company does not hold cash or cash equivalents.

Financial instruments

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

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

Financial assets

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market and which are not classified as available-for-sale or fair value through profit or loss

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

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

Financial liabilities

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

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

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

Effective interest method

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

Impairment of financial assets

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

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

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

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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

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

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

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

2 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF SIGNIFICANT MANAGEMENT JUDGEMENT

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

Residual values

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

Impairment loss allowances

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

Effective interest rate calculations

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

Deferred tax asset

The Company manages its taxation policy in line with Group policy. The deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In estimating the amount of the deferred tax asset that may be recognised the directors make judgements based on Group and Company budgets and forecasts about the amount of future Group and Company taxable profits and the timing of when these will be realised.

The carrying amount of the deferred tax asset is reviewed at each Balance Sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will allow all or part of the asset to be recovered. A reduction in the deferred tax asset is charged to the Income Statement in the period to which it relates.

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3 RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK

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

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

4 RISK MANAGEMENT DISCLOSURES

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes regulatory, legal and compliance risk. Operational risk is monitored and managed within the Group. An independent central operational risk function (Enterprise and Operational Risk) has responsibility for establishing the framework within which these risks are managed and is aligned to operational risk professionals within business areas (co-ordinated by IT and Operational Risk) to ensure consistent approaches are applied across the Group. The primary purpose of the framework is to define and articulate the Group-wide policy, processes, roles and responsibilities. The framework incorporates industry practice and regulatory requirements. The day-to-day management of operational risk is the responsibility of business managers who identify, assess and monitor the risks, in line with the processes described in the framework. The operational risk function ensures that all key risks are regularly reported to the Group's risk fora, risk committee and board of directors.

Credit risk

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

Lending decisions are based on independent credit risk analysis supplemented by the use of internal ratings tools which assess the obligor's likelihood of default. The output of the ratings tools is a borrower grade which maps to a long-run average one year probability of default.

Borrower grades are reviewed at least annually, allowing identification of adverse individual and sector trends. The grade is integrated into an overall Credit & Risk evaluation, including wider factors such as transaction and borrower structure (ranking and structural subordination), debt serviceability and security (initial and residual value considerations). Consideration is also given to risk mitigation measures to protect the Company, such as third-party guarantees, supporting collateral and security, robust legal documentation, financial covenants and hedging. Transactions are further assessed using an internal pricing model which measures both the return on equity and the risk adjusted return on capital against a series of benchmarks to ensure risks are appropriately priced.

Portfolio asset quality monitoring is based on a number of measures, including expected loss, financial covenant monitoring, security revaluations, pricing movements and external input from rating agencies and other organisations. Should particular exposures begin to show adverse features such as payment arrears, covenant breaches or business trading performance that is materially worse than expected at the point of lending, a full risk reappraisal is undertaken. Where appropriate, case management is transferred to a specialist recovery team that works with the customer in an attempt to resolve the situation. If this does not prove possible, cases are classified as being unsatisfactory and are subject to intensive monitoring and management procedures designed to maximise debt recovery.

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

4 RISK MANAGEMENT DISCLOSURES (continued)

The class of financial instruments that is most exposed to credit risk in the Company is net investment in finance leases (note 10)

	2011 £	2010 £
Net investment in finance leases	210,626,969	145,845,669

All exposures are with Corporate and other customers

For the Company, 100% (2010 100%) of the balances are secured. The main types of security are charges over assets being financed. £nil (2010 £nil) of finance and operating leases are secured by bank guarantees.

Arrears and impairment

Asset quality remains good with 1.1% of lending balances in arrears at 31 December 2011 (2010 0.4%).

Payment due status

	Corporate		2011 Commercial Asset Finance		Total	
	£	%	£	%	£	%
Not impaired						
Neither past due nor impaired	14,220,869	100	216,644,357	100	230,865,226	100
Past due up to 3 months but not impaired	-	-	-	-	-	-
Impaired						
Past due 3 to 5 months	-	-	-	-	-	-
Past due over 5 months	-	-	-	-	-	-
Individually assessed impairments	-	-	-	-	-	-
	14,220,869	100	216,644,357	100	230,865,226	100
Provisions	-	-	(20,238,257)	-	(20,238,257)	-
Total	14,220,869		196,406,100		210,626,969	

	Corporate		2010 Commercial Asset Finance		Total	
	£	%	£	%	£	%
Not impaired						
Neither past due nor impaired	15,269,809	100	147,708,116	98.0	162,977,925	98.1
Past due up to 3 months but not impaired	-	-	2,426,866	1.6	2,426,866	1.5
Impaired						
Past due 3 to 5 months	-	-	20,071	0.0	20,071	0.0
Past due over 5 months	-	-	925	0.0	925	0.0
Individually assessed impairments	-	-	658,139	0.4	658,139	0.4
	15,269,809	100	150,814,117	100	166,083,926	100
Provisions	-	-	(20,238,257)	-	(20,238,257)	-
Total	15,269,809		130,575,860		145,845,669	

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

4 RISK MANAGEMENT DISCLOSURES (continued)

Arrears and impairment (continued)

The carrying value of repossessed stock at 31 December 2011 was £29,144 (2010 £74,388). The Company sells the repossessed stock at market price rather than using them in its operations.

The fair value of collateral on impaired assets at 31 December 2011 was £nil (2010 £nil).

Interest accrued on impaired assets at 31 December 2011 was £nil (2010 £nil).

The portfolio is subject to regular monitoring for potential impairment under the impairment of financial assets policy set out in note 1.

£nil (2010 £nil) of loans that would have been past due or impaired, have had their terms renegotiated.

Loans up to 3 months past due have a collective impairment loss allowance set aside to cover losses on loans which are in the early stages of arrears.

Impairment loss allowances on trade and other receivables

	2011 £	2010 £
At 1 January		
Individual	-	338,674
Collective	20,238,257	16,426,401
Total impairments	20,238,257	16,765,075
Charge for the year	-	3,473,182
Total amounts written off in the year	-	3,473,182
At 31 December		
Individual	-	-
Collective	20,238,257	20,238,257
Total impairments	20,238,257	20,238,257

Market risk

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

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

4 RISK MANAGEMENT DISCLOSURES (continued)

Interest rate risk

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

Changes in interest rates would result in no impact on either the equity of the Company or on the Income Statement. Interest is allocated on a lease agreement by lease agreement basis within the Company and all interest rate risk is borne by the immediate parent company, Santander Asset Finance plc.

Liquidity risk

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

The Company is dependent on loans from its immediate parent undertaking. All liabilities are repayable on demand.

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

5 PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	2011 £	2010 £
Depreciation of operating lease assets	57,056,286	57,118,333
Loss on disposal of operating lease assets	12,570,414	9,629,491

The depreciation of operating lease assets is included in cost of sales.

Directors' emoluments

The directors were not remunerated for their services to the Company. Directors' emoluments are borne by the ultimate UK parent company Santander UK plc. No emoluments were paid by the Company to the directors during the year (2010: £nil).

Auditors' remuneration

The audit fee for the current and prior year has been paid on the Company's behalf by its ultimate UK parent undertaking, Santander UK plc, in accordance with company policy, for which no recharge has been made. The audit fee payable to the Company's auditor for the audit of the Company's annual accounts for the current year is £11,700 (2010: £8,200).

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

Particulars of employees

No salaries or wages have been paid to employees, including the directors, during the year or the preceding year. The Company had no employees in either the current or the preceding year.

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

6 FINANCE COSTS

	2011 £	2010 £
Amounts payable to immediate parent undertakings	11,012,887	14,416,987

7 TAX

	2011 £	2010 £
Current tax		
UK corporation tax on profit of the year	16,010,953	3,027,824
Adjustments in respect of prior years	(5,789,028)	(15,092,556)
Total current tax	10,221,925	(12,064,732)
Deferred tax:		
Origination and reversal of temporary differences	(12,872,251)	(2,089,067)
Change in rate of UK corporation tax	1,242,959	435,223
Adjustments in respect of prior years	4,807,417	16,235,079
Total deferred tax	(6,821,875)	14,581,235
Tax charge on profit for the year	3,400,050	2,516,503

UK corporation tax is calculated at 26.5% (2010: 28%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 28% to 26% with effect from 1 April 2011.

The Finance Act 2011, which provided for a reduction in the main rate of UK corporation tax to 25% effective from 1 April 2012, was enacted on 19 July 2011. As this change in rate was substantively enacted prior to 31 December 2011, it has been reflected in the deferred tax asset at 31 December 2011.

The UK Budget on 21 March 2012 proposed further reductions to the main rate of UK corporation tax to reduce the rate to 24% from 1 April 2012 and then by 1% per annum to 22% by 1 April 2014. The reduction to 24% from 1 April 2012 was enacted on 26 March 2012 under the Budget Resolution process in advance of the Finance Act 2012. These changes in rate had not been substantively enacted at the Balance Sheet date and, therefore, are not included 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:

	2011 £	2010 £
Profit before tax	11,844,158	3,389,093
Tax calculated at a rate of 26.5% (2010: 28%)	3,138,702	948,946
Adjustment to prior year provisions	(981,611)	1,142,523
Effect of change in tax rate on deferred tax provision	1,242,959	435,223
Disallowable expenditure	-	(10,189)
Tax charge for the year	3,400,050	2,516,503

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

8 OPERATING LEASE ASSETS

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

	2011 £	2010 £
Cost		
At 1 January	358,958,590	447,561,004
Additions	11,704,663	24,029,723
Disposals	(59,595,886)	(112,632,137)
At 31 December	<u>311,067,367</u>	<u>358,958,590</u>
Depreciation		
At 1 January	177,832,582	192,793,426
Charge for year	57,056,286	57,118,333
Disposals	(34,482,962)	(72,079,177)
At 31 December	<u>200,405,906</u>	<u>177,832,582</u>
Net book value		
At 1 January	<u>181,126,008</u>	<u>254,767,578</u>
At 31 December	<u>110,661,461</u>	<u>181,126,008</u>

The loss on disposal of operating lease assets was £12,570,414 (2010 £9,629,491)

At the balance sheet date, the Company had contracted with lessees for the following future minimum lease payments

	2011 £	2010 £
Within 1 year	23,967,880	44,600,799
Between 1-5 years	40,967,558	70,203,714
In more than 5 years	197,852	2,128,694
Total	<u>65,133,290</u>	<u>116,933,207</u>

9 TRADE AND OTHER RECEIVABLES

	2011 £	2010 £
Non current		
Finance lease receivables	<u>137,403,247</u>	<u>94,526,569</u>
Current		
Finance lease receivables	73,223,722	51,319,100
Other receivables	10,413,983	18,154,380
Deferred tax asset (note 14)	18,572,898	11,751,023
	<u>102,210,603</u>	<u>81,224,503</u>
Total trade and other receivables	<u>239,613,850</u>	<u>175,751,072</u>

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

10 FINANCE LEASES

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

	<i>Gross investment in the lease</i>		<i>Present value of minimum lease payments</i>	
	2011	2010	2011	2010
	£	£	£	£
Less than one year	87,451,773	64,511,205	73,223,722	51,319,100
Later than one year but less than five years	152,601,871	105,530,175	127,334,800	83,473,345
Later than five years	11,817,020	13,066,129	10,068,447	11,053,224
	251,870,664	183,107,509	210,626,969	145,845,669
Less				
Unearned finance income	(32,460,445)	(15,967,962)		
Unguaranteed residual value accruing to the benefit of the lessor	(6,992,223)	(19,502,851)		
Provision for uncollectible minimum lease payments	(1,791,027)	(1,791,027)		
Net investment in finance leases	210,626,969	145,845,669		
Non-current			137,403,247	94,526,569
Current			73,223,722	51,319,100
			210,626,969	145,845,669

The directors consider that the net investment in finance leases is approximately equal to their fair value

11 CAPITAL

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

12 RELATED PARTY TRANSACTIONS

Trading activities

Payable to related parties

	2011	2010
	£	£
Current tax Group relief	841,733	12,064,732
Amounts owed to parent undertakings	(333,784,667)	(361,913,890)
	(332,942,934)	(349,849,158)

The Company entered into transactions with other related parties as shown in the table below

	2011	2010
	£	£
Amount owed to parent undertakings		
As at 1 January	(349,849,158)	(423,639,512)
Net movements	16,906,224	73,790,354
As at 31 December (note 13)	(332,942,934)	(349,849,158)
Interest paid to parent undertakings	11,012,887	14,416,987

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

12 RELATED PARTY TRANSACTIONS (continued)

Key management compensation

As detailed in note 5 the Company had no employees in either the current or preceding year and the directors are remunerated through Santander UK plc therefore no key management compensation was paid by this Company

Administration expenses

During the current year the Company paid administrative cost recharges to other parent undertakings of £2,092,155 (2010 £2,373,792)

13 TRADE AND OTHER PAYABLES

	2011 £	2010 £
Current		
Trade payables	5,620,032	854,728
Accrued liabilities	3,103,531	6,008,488
Payable to related parties (note 12)	332,942,934	349,849,158
	341,666,497	356,712,374

14 DEFERRED TAX ASSET

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

	2011 £	2010 £
At 1 January	11,751,023	26,216,809
Income statement credit / (charge) (note 7)	6,821,875	(14,581,235)
Transfer lease agreements from group undertakings	-	115,449
At 31 December	18,572,898	11,751,023

Deferred tax assets and liabilities are attributable to the following items

	Balance Sheet		Income Statement	
	2011 £	2010 £	2011 £	2010 £
Deferred tax assets				
Accelerated book depreciation/ (Accelerated tax depreciation)	13,513,334	7,022,444	6,489,540	(14,601,798)
Relating to provisions	5,058,214	4,727,229	-	20,453
Other temporary differences	1,350	1,350	332,335	110
	18,572,898	11,751,023	6,821,875	(14,581,235)

The deferred tax assets scheduled above have been recognised in the Company on the basis that sufficient future taxable profits are forecast within the foreseeable future, in excess of the profits arising from the reversal of existing taxable temporary differences, to allow for the utilisation of the assets as they reverse. Under current UK tax legislation, the tax losses in respect of which deferred tax assets have been recognised do not expire.

SANTANDER ASSET FINANCE (DECEMBER) LIMITED - 1562865

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

15 CASH AND CASH EQUIVALENTS

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

	2011	2010
	£	£
Cash at bank	-	-

16 ISSUED SHARE CAPITAL

	2011 No	2011 £	2010 No	2010 £
Issued and fully paid				
Ordinary shares of £1 each	100	100	100	100

All issued share capital is classified as equity

17 PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

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