ABBEY NATIONAL PROPERTY INVESTMENTS

Registered in England and Wales
No. 02412672

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2022

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2022.

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

Principal activities

The principal activity of Abbey National Property Investments (the "Company") is that of a property investment company.

Results and dividends

The loss for the year after taxation amounted to £456,337 (2021: loss £2,739,238).

During the year, fair value movements on the reversionary interests increased in line with the Halifax regional index which saw growth increase by 6% in 2022 compared with 9.1% in 2021. Individual properties can and do out/underperform dependent on their condition and location which will mean that upon revaluation the portfolio deviates from the overall index performance. Although there was an overall increase in property valuations during the year, these fair value increases were offset by a loss from marking a negative growth assumption for future house price growth. This remark was driven by concerns over the impact of interest rates on mortgage rates and thus house price affordability. The result of these factors was that the fair value of the portfolio as a whole during the current year resulted in a loss of £4,764,031 (2021: gain £1,352,953).

The Directors did not pay an interim dividend (2021: £230,000,000).

The Directors do not recommend the payment of a final dividend (2021: £nil).

Recent events within the global banking industry

Significant market uncertainty has been generated by the collapse of Silicon Valley Bank (SVB) in the United States on 10 March 2023 and the rescue of Credit Suisse by UBS following the announcement on 14 March 2023 by Credit Suisse of material weaknesses in its financial controls.

The Company is part of the Santander UK Group which has an established, mature Risk Framework and a stable, low risk business model with highly diversified assets across different markets and businesses. The Santander UK Group's funding is also well diversified with the majority of deposits held by retail customers which, in the majority of cases, are insured by state-backed deposit guarantee schemes.

Uncertain macroeconomic and geopolitical environment

In the past few years, a number of broader, more complex and uncertain risks have evolved which may present future headwinds. These include geopolitical tensions between regions across the world, in particular the current conflict in the Ukraine. This has impacted global energy prices and supply chains which added to inflationary pressures, as well as stretching household finances. These risks accelerate trends towards deglobalisation, and a reduction of variety of goods and services, causing prices to increase over the medium to long-term. These factors are also playing into increased localised political risk across the globe, including in the UK with a second new Prime Minister in 2022.

The Company is closely following these developments and the potential for any material impacts, which may need to be taken into consideration in its business plans and intends to take a coordinated approach with the other members of the Santander UK Group. .

Post Balance Sheet events

No adjusting or significant non-adjusting events have occurred between the 31 December 2022 and the date of authorisation of the financial statements.

Directors

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

S D Affleck	
M R Rule	(appointed 30 September 2022)
CJ Wise	(resigned 30 September 2022)

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

REPORT OF THE DIRECTORS *(continued)*

Statement of Directors' responsibilities in respect of the financial statements (continued)

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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.

Streamlined Energy and Carbon Reporting (SECR)

The Company is out of scope of the Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Statement of Going Concern and Financial Management

The Company's business activities are set out above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 2 and 15 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk, liquidity risk and market 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 at least the period of 12 months from the date the financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Financial Instruments

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

The financial risk management objectives of and policies of the Group and the exposure of the Group to price risk, credit risk and liquidity risk and cash flow risk are outlined in the Group financial statements.

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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.

REPORT OF THE DIRECTORS *(continued)*

Independent Auditors

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

By order of the board

Stephen Affleck
Director

07 June 2023

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

Independent auditors' report to the members of Abbey National Property Investments

Report on the audit of the financial statements

Opinion

In our opinion, Abbey National Property Investments's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Financial statements (the "Annual Report"), which comprise: balance sheet as at 31 December 2022; income statement, statement of changes in equity and cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Abbey National Property Investments (continued)

Reporting on other information

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

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

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

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

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Independent auditors' report to the members of Abbey National Property Investments (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Discussions with management and communication with those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Identifying and testing manual journal entries based on specified risk parameters; and
- Assessing significant assumptions and judgements made by management, in particular in relation to the HPI forward growth assumption used to determine the fair value of property reversions
- Involving valuation specialist to assist in the audit of the valuation assertion of the HPI portfolio

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Independent auditors' report to the members of Abbey National Property Investments (continued)

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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

Jennifer Hale

Jennifer Hale (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
07 June 2023

PRIMARY FINANCIAL STATEMENTS

INCOME STATEMENT

For the years ended 31 December

	Note	2022 £	2021 £
Continuing operations			
Net trading (expense)/income	3	**(4,764,031)**	1,352,953
Interest and other income	4	**2,717,155**	262,834
Operating expenses		**(49,680)**	(42,300)
(Loss)/Profit before tax	5	**(2,096,556)**	1,573,487
Tax	6	**1,640,219**	(4,312,725)
Loss after tax for the year		**(456,337)**	(2,739,238)

The Company has no comprehensive income or expenses attributable to the equity holders other than the loss of £456,337 (2021: loss of £2,739,238) for the current and previous year.

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

STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December

	Share capital £	Non - Distributable capital reserve £	Retained earnings £	Total Equity £
Balance at 1 January 2021	**138,180,520**	**5,199,480**	**335,316,252**	**478,696,252**
Loss and total comprehensive expense for the year	-	-	**(2,739,238)**	**(2,739,238)**
Dividends paid	-	-	**(230,000,000)**	**(230,000,000)**
Balance at 31 December 2021	**138,180,520**	**5,199,480**	**102,577,014**	**245,957,014**
Balance at 1 January 2022	**138,180,520**	**5,199,480**	**102,577,014**	**245,957,014**
Loss and total comprehensive expense for the year	-	-	**(456,337)**	**(456,337)**
Dividends paid	-	-	-	-
Balance at 31 December 2022	**138,180,520**	**5,199,480**	**102,120,677**	**245,500,677**

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

CASH FLOW STATEMENT

For the years ended 31 December

	Note	2022 £	2021 £
Net cash inflow from operating activities	7	**16,900,748**	15,490,443
Cash flows from financing activities			
Dividends paid to the Company's shareholders		-	(230,000,000)
Net cash outflow from financing activities		-	(230,000,000)
Net increase/(decrease) in cash and cash equivalents		**16,900,748**	(214,509,557)
Cash and cash equivalents at beginning of year		**176,154,772**	390,664,329
Cash and cash equivalents at end of year	7	**193,055,520**	176,154,772

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

PRIMARY FINANCIAL STATEMENTS *(continued)*

BALANCE SHEET
As at 31 December

	Note	2022 £	2021 £
Non-current assets			
Financial assets at fair value through profit or loss	8	**69,489,210**	90,979,065
Total non-current assets		**69,489,210**	90,979,065
Current assets			
Cash	7	**293,779**	-
Financial assets at amortised cost	9	**192,761,741**	178,242,550
Trade and other receivables		**77,885**	-
Total current assets		**193,133,405**	178,242,550
Total assets		**262,622,615**	269,221,615
Current liabilities			
Bank overdraft	7	-	(2,087,778)
Other liabilities		**(49,680)**	(42,300)
Current tax liabilities	6	**(2,611,154)**	(2,172,301)
Total current liabilities		**(2,660,834)**	(4,302,379)
Non-current liabilities			
Deferred tax	10	**(14,461,104)**	(18,962,222)
Total non-current liabilities		**(14,461,104)**	(18,962,222)
Total liabilities		**(17,121,938)**	(23,264,601)
Net assets		**245,500,677**	245,957,014
Equity			
Share capital	11	**138,180,520**	138,180,520
Non-distributable capital reserve	12	**5,199,480**	5,199,480
Retained earnings		**102,120,677**	102,577,014
Total equity		**245,500,677**	245,957,014

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

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

The financial statements on pages 8 to 20 were approved by the Board of Directors, authorised for issue and signed on its behalf by:

Stephen Affleck
Director

07 June 2023

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 years presented, unless otherwise stated.

These financial statements are prepared for Abbey National Property Investments under the Companies Act 2006.

General information

The Company is an unlimited private company with shares, incorporated and domiciled in England and Wales. The registered office is 2 Triton Square, Regent's Place, London, NW1 3AN.

Basis of preparation

The Company's financial statements have been prepared in accordance with UK-adopted international accounting standards (IAS). On 31 December 2021, International Financial Reporting Standards (IFRSs) as adopted by the European Union at that date were brought into UK law and became UK-adopted IAS, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted IAS in its financial statements on 1 January 2022, however, this change had no impact on recognition, measurement or disclosures in the periods reported.

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities measured at fair value.

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 2 and 15 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk, liquidity risk and market 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 financial statements.

The financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company (the functional currency). The financial statements are presented in Pound Sterling, which is also the functional currency of the Company.

Recent accounting developments

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB amended IAS 1 'Presentation of Financial Statements' to require entities to disclose their material rather than their significant accounting policies. To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality. The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments have been applied in preparing these financial statements and, consequently, only material accounting policy information is disclosed.

Future accounting developments

At 31 December 2022, for the Company, there were no significant new or revised standard and interpretations, and amendments thereto, which have been issued but which are not yet effective or which have otherwise not been early adopted where permitted.

Revenue recognition

Income from financial assets designated at fair value through profit and loss comprises all gains and losses from changes in the fair value of financial assets held at fair value through profit and loss, together with related income and expenses.

Interest income is accrued daily, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Financial instruments

a) Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2022

1. ACCOUNTING POLICIES *(continued)*

Financial instruments (continued)

b) Financial assets and liabilities

i) Classification and subsequent measurement
The Company classifies its financial assets in the measurement categories of amortised cost, FVOCI and FVTPL.

Financial assets and financial liabilities are classified as FVTPL where there is a requirement to do so or where they are otherwise designated at FVTPL on initial recognition. Financial assets and financial liabilities which are required to be held at FVTPL include:

- Financial assets and financial liabilities held for trading
- Debt instruments that do not have solely payments of principal and interest (SPPI) characteristics. Otherwise, such instruments are measured at amortised cost or FVOCI, and
- Equity instruments that have not been designated as held at FVOCI.

Financial assets and financial liabilities are classified as held for trading if they are derivatives or if they are acquired or incurred principally for the purpose of selling or repurchasing in the near-term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.

In certain circumstances, other financial assets and financial liabilities are designated at FVTPL where this results in more relevant information. This may arise because it significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on a different basis, where the assets and liabilities are managed and their performance evaluated on a fair value basis or, in the case of financial liabilities, where it contains one or more embedded derivatives which are not closely related to the host contract.

The classification and measurement requirements for financial asset debt and equity instruments and financial liabilities are set out below.

Financial assets: debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government or corporate bonds. Classification and subsequent measurement of debt instruments depend on the Santander UK group's business model for managing the asset, and the cash flow characteristics of the asset.

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

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

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

- Amortised cost – Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL recognised. Interest income from these financial assets is included in 'Interest and other income' using the effective interest rate method. When the estimates of future cash flows are revised, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the income statement.

- FVTPL – Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL, including any debt instruments designated at fair value, is recognised in profit or loss and presented in the income statement in 'Net trading income' in the period in which it arises.

At the balance sheet date, all financial assets were measured at amortised cost and FVTPL.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2022

1. ACCOUNTING POLICIES *(continued)*

Financial instruments (continued)

b) Financial assets and liabilities (continued)

i) Classification and subsequent measurement (continued)

Financial liabilities

The Company's financial liabilities comprise 'Bank overdraft' which are classified and measured at amortised cost.

ii) Impairment of debt instrument financial assets

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

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

c) Fair value hierarchy

The Company applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three categories are: quoted prices in active markets (Level 1), internal models based on observable market data (Level 2) and internal models based on other than observable market data (Level 3). If the inputs used to measure an asset or a liability fall to different levels within the hierarchy, the classification of the entire asset or liability will be based on the lowest level input that is significant to the overall fair value measurement of the asset or liability.

The Company categorises assets at fair value within the fair value hierarchy based on the inputs to the valuation techniques as follows:

Level 1:
Unadjusted quoted prices for identical assets or liabilities in an active market that the Group has the ability to access at the measurement date.

Level 2:
Quoted prices in markets that are not active, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the asset or liability that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability.

Level 3:
Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset are unobservable.

Cash and cash equivalents

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

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. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2022

1. ACCOUNTING POLICIES *(continued)*

Share capital

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Shares are recognised in accordance with the substance of the transaction. Shares which have a contractual obligation to deliver cash or other financial assets to the preference shareholders are classified as debt. Otherwise, they are classified as equity instruments.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved.

Critical accounting judgements and key sources of estimation uncertainty

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

In the course of preparing the financial statements, the Directors believe that the only significant judgements made in relation to accounting estimates relates to the fair value of the property reversions as disclosed in note 7. The fair value of the reversionary interests are measured using valuation techniques that estimate the growth of the properties values based on assumptions relating to the growth in the Halifax's UK House Price Index ('HPI') forward prices. The sensitivity around these assumptions is covered in note 2.

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, liquidity risk and market risk. The Company manages its risk in line with the central risk management function of Santander UK Group Holdings plc (the Santander UK Group). Santander UK Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK Group's regulators.

Effective and efficient risk governance and oversight provide management with assurance that the Santander UK Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Santander UK Group's strategic objectives.

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

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. Market risk arises as a result of interest rates and exposures to changes in equity markets.

Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit and loss are managed on a fair value basis and are subject to movements in market interest rates, market prices (relating to the UK house price index) and prepayment risk. These risks are managed at a Group level by the use of derivative contracts held by other group companies.

(a) Fair value estimation

The fair value of a property reversion is the applicable percentage share of the estimated net present value of the property value at the expected date of the reversion of the property. This is calculated using an internally developed model applying forward growth estimates to current market values until the expected date of reversion.

Current market values are based on valuations by experienced property valuers. The estimated growth of the property value is based on assumptions relating to the growth in the house price index. The expected dates of reversion are based on the estimated length of time a property will be occupied. The interest rate used to discount the future value is based on the funding rates for the Group.

The main valuation technique employed in the Company's internal model to measure the fair value of the financial asset are valued using probability weighted set of the Halifax's UK House Price Index ('HPI') forward prices. These are determined using HPI Spot Rates adjusted to reflect estimated forward growth. Launched in 1984, the Halifax House Price Index is based on the lending of the UK's largest mortgage lender and provides the longest unbroken monthly data series of any UK housing index. The indices calculated are standardised and represent the price of a typically transacted house. Regional and national HPI indices are published, which are similar except that the former reflects the national HPI indices disaggregated into 12 UK regions and is published quarterly. The national indices are published monthly.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT *(continued)*
(a) Fair value estimation(continued)

The inputs used to determine the value of the reversionary property interests are HPI spot, HPI forward growth and mortality rates. The principal pricing parameter is HPI forward growth.

HPI spot rate
The regional HPI spot rate (which is observable market data) is only published on specific quarterly dates. In between these dates, its value is estimated by applying the changes in the national HPI spot rate (which is also observable market data and published monthly) to the most recently available regional HPI spot rate. An adjustment is made to reflect the specific property risk i.e. the difference in the actual regional composition of the property underlying the Group's reversionary interest portfolio and the composition of the published regional indices. This adjustment is based on the average historical deviation of price changes of the Group's actual property portfolio from that of the published indices.

HPI forward growth rate
Long-dated HPI forward growth rate is not directly observable in the market but is estimated. A specific spread is applied to the long-dated forward growth rate to reflect the uncertainty surrounding long-dated data. This spread is calculated by analysing the historical volatility of the HPI. An adjustment is made to reflect the specific property risk as for the HPI spot rate above.

Internal valuation review
In all instances, risk control teams review positions to assess a realistic realisable value for the position and develop a methodology for any adjustment to fair value which marks the position to that value using information relevant to that asset. Consideration is given to the quality of the information available that provides the current mark-to-model valuation and estimates of how different these valuations could be on an actual trade, taking into consideration how active the market is. For spot assets that cannot be sold due to illiquidity, forward estimates are discounted to provide an estimate of a realisable value over time.

(b) Fair value interest rate risk

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the reporting date, if interest rates had been 50 basis points higher and all other variables were held constant, the Company's loss would increase by £0.3 million (2021: profit would decrease by £0.6 million).

(c) House price index risk
The Company is exposed to House Price Index risk arising from the property reversionary interests. Property reversionary interests are held for strategic rather than trading purposes. The Company does not actively trade these interests. The sensitivity analyses below have been determined based on the exposures to HPI risk at the reporting date.

At the reporting date, if the HPI forward growth inputs to the valuation model had been 1 percent higher (on a relative basis) while all other variables were held constant, the Company's loss would decrease by £0.6 million (2021: profit would increase by £1.0 million). If the HPI forward growth inputs to the valuation model had been 1 percent lower (on a relative basis) while all other variables were held constant the Company's loss would increase by £0.6 million (2021: profit would decrease by £1.0 million).

Amounts due to/from group companies

The majority of market risk on amounts due to/from group companies arises as a result of interest rate risk as interest is charged on a floating basis based on the UK Government base rate.

Sensitivity analysis
A 50 basis point adverse movement in interest rates would result in an increase to the operating loss of £0.9m (2021: reduction in operating profit of £0.2m) and a corresponding reduction in net assets. A 50 basis point positive movement in interest rates would result in a decrease to the operating loss of £0.9m (2021: increase in operating profit of £1.2m) and a corresponding increase in net assets.

Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held. It occurs in intercompany assets and financial assets held by the Company. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. See notes 8 and 9 for details.

The financial assets held by the Company are reversionary interests in property. When the property is sold the Company receives the funds through a third party. The Company is therefore exposed to settlement risk relating to the funds held by the third party not transferred to the Company. The amount of funds held by the third party at any given time is not material and therefore the Company does not use credit derivatives to mitigate the exposure to credit risk.

As at 31 December 2022 there were no assets that were either past due or impaired (2021: £nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT *(continued)*

(c) House price index risk (continued)
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 if can meet its obligations as they fall due.

The balances included in current liabilities on the face of the balance sheet are due within 12 months.

3. NET TRADING (EXPENSE)/INCOME

	2022 £	2021 £
(Loss)/Gain from financial assets designated at fair value through profit and loss	(4,764,031)	1,352,953
	(4,764,031)	1,352,953

4. INTEREST AND OTHER INCOME

	2022 £	2021 £
Interest from group companies	2,717,155	262,834
	2,717,155	262,834

5. (LOSS)/PROFIT BEFORE TAX

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the parent company, Santander UK plc. No emoluments were paid by the Company to the Directors during the year (2021: £nil). The Company had no employees in the current or previous financial year.

The (loss)/ profit from operations in the current year has been arrived at after charging audit fees of £41,400 (2021: £35,250). The fees including VAT were £49,680 (2021: £42,300) and recharged in the current and prior year by Santander UK plc. These fees were based on the statutory audit of the Company's annual financial statements.

There were no fees (2021: £nil) payable to the Company's auditors for non-audit services to the Company.

6. TAX

	Note	2022 £	2021 £
Current tax:			
UK corporation tax for the year		2,611,154	2,172,301
Adjustments in respect of prior years		249,745	(235,329)
Total current tax		2,860,899	1,936,972
Deferred tax:			
Origination and reversal of temporary differences		(3,420,850)	(2,332,738)
Change in rate of UK corporation tax		(1,080,269)	4,550,934
Adjustments in respect of prior years		1	157,557
Total deferred tax	10	(4,501,118)	2,375,753
Tax (credit)/charge for the year		(1,640,219)	4,312,725

UK corporation tax is calculated at 19.00% (2021: 19.00%) of the estimated assessable profits for the year.

The UK government announced in its budget on 3 March 2021 that it would increase the main rate of corporation tax by 6% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 and, as a result, the effect has been reflected in the closing deferred tax position included in these financial statements for both the 2021 and 2022 balance sheet dates.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2022

6. TAX (CONTINUED)

The tax on the Company's profit /(loss) before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2022 £	2021 £
(Loss)/Profit before tax	(2,096,556)	1,573,487
Tax calculated at a tax rate of 19.00% (2021: 19.00%)	(398,346)	298,962
Chargeable gains indexation	(411,351)	(459,399)
Effect of change in tax rate on deferred tax provision	(1,080,269)	4,550,934
Adjustments in respect of prior years	249,747	(77,772)
Tax (credit)/charge for the year	**(1,640,219)**	4,312,725

7. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of profit before tax to net cash outflow from operating activities:

	2022 £	2021 £
Loss for the year	(456,337)	(2,739,238)
Add tax	(1,640,219)	4,312,725
(Loss)/profit before tax	**(2,096,556)**	1,573,487
Net proceeds from sale of interests in property reversions	16,725,824	17,487,905
Fair value movements in investments	4,764,031	(1,352,953)
Deferred tax movement	(4,501,118)	2,375,753
Operating cash flows before movements in working capital	14,892,181	20,084,192
(Increase) in receivables	(77,885)	-
Change in operating payables	2,086,452	(4,593,749)
Net cash inflow from operating activities	**16,900,748**	15,490,443

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

Reconciliation of cash and cash equivalents:

	2022 £	2021 £
Financial assets at amortised cost	192,761,741	178,242,550
Cash	293,779	-
Bank overdraft	-	(2,087,778)
Cash and cash equivalents	**193,055,520**	176,154,772

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 £	2021 £
Debt securities - interest in property reversions	69,489,210	90,979,065

The interests in property reversions have no fixed maturity date. The contractual maturity of the reversions is based on third party sales of property over a period estimated to be greater than five years. The financial assets held at fair value through profit and loss are classified as Level 3 under the IFRS 7 hierarchy.

The Company has designated the assets at fair value through profit and loss as they are managed, evaluated and reported on a fair value basis in accordance with a documented risk management strategy.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2022

9. FINANCIAL ASSETS AT AMORTISED COST

	2022 £	2021 £
Current		
Amounts due from group companies	192,761,741	178,242,550
Total	192,761,741	178,242,550

	2022 £	Effective interest %	2021 £	Effective interest %
Amounts due in less than one year – interest bearing, floating interest rate	192,761,741	1.47	178,242,550	0.11

The Directors consider that the carrying amount of amounts due from group companies approximates to their fair value. Amounts due from group companies are repayable on demand and interest is charged on a floating basis based on the UK Government base rate.

The loans and receivables are classified as Level 3 under the IFRS 7 hierarchy. An IFRS 9 impairment review was conducted based on an internal model, the expected credit loss generated by this model which was immaterial in both 2022 and 2021.

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 deferred tax liability arises on the difference between the accounting and tax treatment of fair value movements on financial assets.

The movement on the deferred tax account was as follows:

	2022 £	2021 £
At 1 January	18,962,222	16,586,469
Income statement (credit)/charge	(4,501,118)	2,375,753
At 31 December	14,461,104	18,962,222

The deferred taxation is expected to unwind through the income statement as follows:

	2022 £	2021 £
No more than twelve months after the reporting period	-	-
More than twelve months after the reporting period	14,461,104	18,962,222
	14,461,104	18,962,222

There were no unrecognised deferred tax assets or liabilities in 2022 (2021: £nil).

11. SHARE CAPITAL

	2022 £	2021 £
Issued and fully paid:		
138,180,520 (2021: 138,180,520) Ordinary shares of £1 each	138,180,520	138,180,520

The authorised share capital of the Company is £350,180,000 (2021: £350,180,000).

12. NON-DISTRIBUTABLE CAPITAL RESERVE

	2022 £	2021 £
Balance as at 31 December	5,199,480	5,199,480

The non-distributable capital reserve relates to special dividends paid on irredeemable preference shares, which were subsequently converted to ordinary shares in 2015.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2022

13. RELATED PARTY TRANSACTIONS

Trading transactions
The trading transactions with related parties relate to interest received and paid on amounts due from and due to related group entities. These transactions were made on normal commercial terms and conditions and at market rates.

	Income		Amounts due from related parties		Amounts due to related parties	
	2022	2021	**2022**	2021	**2022**	2021
	£	£	**£**	£	**£**	£
Immediate parent company	**2,717,155**	262,834	**192,761,741**	178,242,550	**49,680**	42,300
	2,717,155	262,834	**192,761,741**	178,242,550	**49,680**	42,300

During the year the Company received interest from group companies.

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

14. FINANCIAL INSTRUMENTS

The following tables summarise the fair values at 31 December 2022 and 31 December 2021 of the asset classes accounted for at fair value, by the valuation methodology used by the Company to determine their fair value. The tables also disclose the percentages that the recorded fair values of financial assets represent of the total assets, that are recorded at fair value in the balance sheet:

At 31 December 2022

Balance sheet category	**Note**	**Level 3 Internal models based on significant unobservable data**		**Total**	
		£	**%**	**£**	**%**
Assets					
Financial assets at fair value through profit or loss	8	**69,489,210**	**100**	**69,489,210**	**100**
Total assets at fair value		**69,489,210**	**100**	**69,489,210**	**100**

At 31 December 2021

Balance sheet category	Note	Level 3 Internal models based on significant unobservable data		Total	
		£	%	£	%
Assets					
Financial assets at fair value through profit or loss	8	90,979,065	100	90,979,065	100
Total assets at fair value		90,979,065	100	90,979,065	100

Valuation techniques
The valuation technique employed by the Company to measure the fair value of the financial instruments disclosed above at 31 December 2022 and 31 December 2021 is set out in Note 2. The Company did not make any material changes to the valuation techniques and internal models it used previously.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2022

14. FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy
The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments, measured at fair value using a valuation technique with significant unobservable inputs:

	Financial assets at fair value through profit or loss	
	2022	2021
	£	£
At 1 January	90,979,065	107,114,017
Total (loss)/gain recognised in profit:		
- Fair value movements	(4,764,031)	1,352,953
Sales	(16,725,824)	(17,487,905)
At 31 December	69,489,210	90,979,065
Total (loss)/gain recognised in profit relating to those assets held at the end of the year	(4,764,031)	1,352,953

Effect of changes in significant unobservable assumptions to reasonably possible alternatives
As discussed above, the fair value of financial instruments is, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data and, as such require the application of a degree of judgement. Changing one or more of the inputs to the valuation models to reasonably possible alternative assumptions would change the fair values significantly. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions.

Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable input as described in the table below. The potential effects do not take into effect any offsetting or hedged positions.

As at 31 December 2022

				Reflected in income statement	
Balance sheet note line item and product	**Fair value**	**Assumptions**	**Shift**	**Favourable changes**	**Unfavourable changes**
	£			**£m**	**£m**
Financial assets at fair value through profit or loss - reversionary property securities	**69,489,210**	**HPI forward growth rate**	**1%**	**0.6**	**0.6**
		HPI spot rate	**10%**	**2.8**	**2.8**

As at 31 December 2021

				Reflected in income statement	
Balance sheet note line item and product	Fair value	Assumptions	Shift	Favourable changes	Unfavourable changes
	£			£m	£m
Financial assets at fair value through profit or loss - reversionary property securities	90,979,065	HPI forward growth rate	1%	1.0	1.0
		HPI spot rate	10%	4.3	4.3

15. CAPITAL MANAGEMENT AND RESOURCES

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

Capital held by the Company and managed centrally as part of the Santander UK Group, comprises share capital and reserves which can be found in the Balance Sheet on page 9.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2022

16. PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

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

17. CONTINGENT LIABILITIES AND COMMITMENTS

Capital support arrangements

At 31 December 2022, Santander UK plc (RFB), Cater Allen Limited, Santander ISA Managers Limited and certain other non-regulated subsidiaries within the RFB, including Abbey National Property Investments Limited, were party to the RFB Sub-Group Capital Support Deed dated 17 December 2021. These parties were permitted by the PRA to form a core UK group, as defined in the PRA Rulebook, a permission which will expire on 31 December 2024. Exposures of each of the regulated entities to other members of the core UK group were exempt from large exposure limits that would otherwise apply. These intra-group exposures were risk-weighted at 0% and excluded from leverage exposure on a solo as well as consolidated basis. The purpose the Deed was to facilitate the prompt transfer of available capital resources from, or repayment of liabilities by, the non-regulated parties to any of the regulated parties in the RFB Sub-Group in the event that one of the regulated parties breached or was at risk of breaching its capital resources or risk concentrations requirements.