

COMPANY REGISTRATION NUMBER 02504239

**ALLIANCE & LEICESTER
COMMERCIAL FINANCE (HOLDINGS) plc**

FINANCIAL STATEMENTS

31 DECEMBER 2009

WEDNESDAY



A25 *AOBKKKIF* 250
02/06/2010
COMPANIES HOUSE

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

CONTENTS	PAGE
Officers and professional advisers	2
Directors' report	3
Statement of directors' responsibilities	6
Independent auditor's report to the members of Alliance & Leicester Commercial Finance (Holdings) plc	7
Income statement	9
Statement of comprehensive income	9
Statement of changes in equity	10
Balance sheet	11
Notes to the financial statements	12

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2009

Company registration number	02504239
The board of directors	M W Evans C R Morley
Company secretary	Abbey National Nominees Limited
Registered office	Building 3 Floor 2 Carlton Park Narborough Leicester LE19 0AL
Statutory auditor	Deloitte LLP Chartered Accountants & Statutory Auditors Birmingham United Kingdom
Bankers	Alliance & Leicester plc Bridle Road Bootle Merseyside L30 4GB

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and the audited financial statements for the year ended 31 December 2009

RESULTS AND DIVIDENDS

The trading results for the year and the financial position of Alliance & Leicester Commercial Finance (Holdings) plc, company number 02504239 (the "Company") at the end of the year are shown in the attached financial statements. The directors have not recommended a dividend (2008 £Nil)

CONTROLLING PARTY AND PARENT UNDERTAKINGS

The immediate parent undertaking is Alliance & Leicester plc

On 9 January 2009 the entire share capital of Alliance & Leicester plc was transferred from Banco Santander S A to Abbey National plc. On that date Abbey National plc became an intermediate parent undertaking.

On 11 January 2010 Abbey National plc changed its name to Santander UK plc.

The controlling party Banco Santander S A delegates various authorities to the intermediate parent undertakings of the Company, Santander UK plc (formerly Abbey National plc).

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company's principal activity continues to be that of the holding company of Alliance & Leicester Commercial Finance plc and its subsidiaries. The principal activities of the Alliance & Leicester Commercial Finance plc Group are those of lessors and financiers of assets for the corporate and public sectors.

The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's income statement on page 9, there was no profit or loss for the Company during the year (2008 same).

The balance sheet on page 11 shows that the net assets of the Company remained unchanged during the year. Details of amounts owed to the Company's immediate parent undertaking at 31 December 2009 are shown in note 10 to the financial statements.

Although the accounts show that the Company has net current liabilities as at 31 December 2009, the directors have adopted the going concern basis having taken into account the continuing support for the foreseeable future from its immediate parent undertaking Santander UK plc.

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, liquidity position and borrowing facilities are set out in the financial statements. The Company's objectives, policies and processes for managing its capital are described in note 9 to the financial statements.

Details of the Company's financial risk management objectives, its financial instruments and hedging activities, and its exposures to credit risk, market risk, liquidity risk and other risks are set out in note 5 to the financial statements.

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2009

STATEMENT OF GOING CONCERN (continued)

The Company is part of the Santander UK Group. The Company has net current liabilities and is reliant on other companies in the Santander UK Group for a significant proportion of 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.

The directors, having assessed the responses of the directors of the Company's intermediate parent undertaking Santander UK plc to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Santander UK Group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Santander UK plc, 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 the annual report and financial statements.

DIRECTORS

The following persons were directors of the Company during the year, and to the date of this report, unless stated otherwise:

M W Evans

C S Jones (Resigned 16 May 2009)

C R Morley

W H Paterson (Resigned 23 October 2009)

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest at any time during the year in any contract of significance with the Company (2008: none).

PRINCIPAL RISKS AND UNCERTAINTIES

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, market risk and liquidity risk. The Company's risks were managed during the year on a group level by the ultimate parent company, Banco Santander S.A., and the intermediate parent undertaking Santander UK plc.

Information specific to this Company in relation to risk is disclosed in note 5 of the financial statements.

The Company is wholly financed by loans from its immediate parent undertaking and it has no third party debt.

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009

DISCLOSURE OF THIRD PARTY INDEMNITIES

The directors confirm that -

Enhanced third party indemnity provisions 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 Annual Report and Financial Statements. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors as at the date of approval of this report confirms 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 ought to have taken as a director in order to make himself 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 Section 418 of the Companies Act 2006.

STATUTORY AUDITORS

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.

Approved by the board on 9 February 2010 and signed on its behalf by


Colin Richard Morley
Director

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2009

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. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 2006.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

We have audited the financial statements of Alliance & Leicester Commercial Finance (Holdings) plc, (the 'Company'), for the year ended 31 December 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 14. 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 auditors' 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 AUDITORS

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

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 2009 and of its result 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc (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 Auditors
Birmingham
United Kingdom

11 February 2010

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
(Company registration number 02504239)

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £000	2008 £000
PROFIT BEFORE TAX		-	-
Corporation tax expense	7	-	-
RESULT FOR THE YEAR		<u>-</u>	<u>-</u>

All of the activities of the Company are classed as continuing

The Company had no trading activities during the year or prior year

The notes on pages 12 to 22 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

The Company has no comprehensive income or expenses attributable to the equity holders other than the result (2008 result) for the current and previous year as set out in the Income Statement

The notes on pages 12 to 22 form part of these financial statements

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Issued capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2009	18,194	21,310	39,504
Result for the year	-	-	-
Balance at 31 December 2009	<u>18,194</u>	<u>21,310</u>	<u>39,504</u>

	Issued capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2008	18,194	21,310	39,504
Result for the year	-	-	-
Balance at 31 December 2008	<u>18,194</u>	<u>21,310</u>	<u>39,504</u>

The notes on pages 12 to 22 form part of these financial statements

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
(Company registration number 02504239)


BALANCE SHEET

AS AT 31 DECEMBER 2009

	Notes	2009 £000	2008 £000
ASSETS			
NON CURRENT ASSETS			
Investments in Group undertakings	8	<u>145,120</u>	<u>145,120</u>
CURRENT ASSETS			
Cash and cash equivalents	11	-	-
TOTAL ASSETS		<u>145,120</u>	<u>145,120</u>
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	12	18,194	18,194
Retained profit		<u>21,310</u>	<u>21,310</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		39,504	39,504
CURRENT LIABILITIES			
Trade and other payables	14	<u>105,616</u>	<u>105,616</u>
TOTAL EQUITY AND LIABILITIES		<u>145,120</u>	<u>145,120</u>

The notes on pages 12 to 22 form part of these financial statements

Approved by the Board on 9 February 2010 and signed on its behalf by


Colin Richard Morley
Director

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The Company's financial statements for the year were authorised for issue on 9 February 2010 and the balance sheet signed on the board's behalf by Colin Richard Morley Alliance & Leicester Commercial Finance (Holdings) plc is a company incorporated and domiciled in England & Wales The company's registered office is shown on page 2

Although the accounts show that the Company has net current liabilities as at 31 December 2009, the directors have adopted the going concern basis having taken into account the continuing support for the foreseeable future from its intermediate parent undertaking Santander UK plc

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) The financial statements have also been prepared in accordance with IFRS adopted for use by the European Union (EU), and therefore the financial statements comply with Article 4 of the EU IAS regulation

There have been no cash flows in either the current or prior year and therefore a Cash Flow Statement has not been presented

In 2009, the Company adopted the following new or revised IFRS

a) IAS 23 'Borrowing Costs' – On 29 March 2007, the IASB issued an amendment to IAS 23 'Borrowing costs' which removes the option to expense borrowing costs incurred during the acquisition, construction or production of a qualifying asset The adoption of the amendment to IAS 23 did not have any impact on the Company's profit or loss or financial position

b) IAS 1 'Presentation of Financial Statements' – On 6 September 2007, the IASB issued an amendment to IAS 1 'Presentation of Financial Statements' which changes the way in which non-owner changes in equity are required to be presented As a result, a 'Statement of Changes in Equity' has been included as a separate primary financial statement showing changes in equity during the periods presented In addition, the Statement of Recognised Income and Expenses has been replaced with a 'Statement of Comprehensive Income' The adoption of the amendment to IAS 1 did not have any impact on the Company's profit or loss or financial position

c) IFRS 2 'Share based payments - vesting conditions and cancellations' – On 17 January 2008, the IASB issued an amendment to IFRS 2 'Share based payments' which requires share option awards lapsing due to a failure to meet the service condition to be treated as cancellations rather than forfeitures The adoption of the amendment to IFRS 2 did not have any impact on the Company's profit or loss or financial position

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS (continued)

d) IFRS 7 'Financial Instruments Disclosures - Improving Disclosures about Financial Instruments' On 5 March 2009, the IASB issued an amendment to IFRS 7 'Financial Instruments Disclosures' which requires enhanced disclosures about fair value measurements and liquidity risk. Among other things, the amendment

(1) requires disclosure of any change in the method for determining fair value and the reasons for the change,

(2) establishes a three-level hierarchy for making fair value measurements,

(3) requires disclosure for each fair value measurement in the balance sheet of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever level 3 of the hierarchy is used including a measure of sensitivity to a change in input data,

(4) clarifies that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts, and

(5) requires disclosure of a maturity analysis for derivative financial liabilities. The disclosures required by the amendment to IFRS 7 are reported in note 5 to the financial statement.

In the prior year and in line with the immediate parent undertaking, Alliance & Leicester plc, the Company elected to adopt IFRS 8 "Operating Segments" earlier than the date required by The International Accounting Standards Board.

The principal accounting policies adopted by the Company are set out in note 2.

Results and disclosures for the comparative year are on the same basis as the 2009 results.

2. ACCOUNTING POLICIES

Accounting convention

The Company prepares its accounts under the historical cost convention. The principal policies adopted are set out below.

Investments in subsidiaries

Investments in subsidiaries are recorded in the Company balance sheet at cost, less any provision for impairment.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'Profit before tax' as reported in the Income Statement because it excludes items of income or expenditure 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 and deferred tax is calculated using tax rates that have been enacted or substantively enacted at 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.

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2. ACCOUNTING POLICIES (continued)

Taxation

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Foreign currency monetary transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions, and any monetary assets or liabilities are re-translated at year end exchange rates. Foreign exchange gains and losses are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

CHANGES TO IFRS NOT ADOPTED IN 2009 ACCOUNTS

The International Accounting Standards Board has published the following IAS, IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations:

Title	Subject	Mandatory for accounting periods starting on or after	Endorsed or when endorsement expected
IAS/IFRS standards			
IAS 24 (revised Nov 2009)	Related Party Disclosures	1 January 2011	To be confirmed
Amendments to IFRS 2 (Jun 2009)	Group Cash-settled Share-based Payment Transactions	See note 1 below	Q1 2010
Improvements to IFRSs 2009 (Apr 2009)	Improvements to IFRSs 2009	See note 2 below	Q1 2010
IFRS 3 (revised Jan 2008)	Business Combinations	1 July 2009	3 Jun 2009
Amendment to IAS 39 (Jul 2008)	Eligible Hedged Items	1 July 2009	15 Sept 2009
IFRS 9	Financial Instruments	1 January 2013	To be confirmed
Amendments to IAS 27 (Jan 2008)	Consolidated and Separate Financial Statements	1 July 2009	3 Jun 2009
Interpretations			
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009	Q4 2009 ⁽³⁾
IFRIC 18	Transfers of Assets from Customers	Transfers on or after 1 July 2009	Q4 2009 ⁽³⁾
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010	To be confirmed
Amendment to IFRIC 14	Prepayments of a minimum funding requirement	1 January 2011	To be confirmed

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

2. ACCOUNTING POLICIES (continued)

CHANGES TO IFRS NOT ADOPTED IN 2009 ACCOUNTS (continued)

Note 1 The amendments to IFRS 2 in June 2009 to clarify the accounting for group cash-settled share-based payment transactions are effective for annual periods beginning on or after 1 January 2010

The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 and IFRIC 11. These amendments to IFRS 2 supersede IFRIC 8 and IFRIC 11 and continue to have the same effective date as the original interpretations (IFRIC 8 was effective for annual periods beginning on or after 1 May 2006 and IFRIC 11 for annual periods beginning on or after 1 March 2007).

Note 2 Improvements to IFRSs 2009 includes amendments to a number of Standards and Interpretations. The effective date of all the amendments is either for annual periods beginning on or after 1 July 2009 or 1 January 2010.

Note 3 May be applied prior to endorsement as interpretative only, but transitional relief (i.e. prospective application) will be lost.

The Company has not elected to adopt these Standards and Interpretations early in these financial statements. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3. 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.

Impairment of investments

Determining whether investments are impaired requires an estimation of the value in use of these investments. The value in use calculation requires the Company to estimate future cash flows expected to arise and a suitable discount rate in order to calculate present value.

4. 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 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 him to his direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management of oversight. Further information can be found in the Santander UK plc Annual Report which does not form part of this report.

5. 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'. Operational risk is monitored by the independent operational risk team within Santander UK plc. The operational risk team has the overall responsibility for ensuring effective operation of the framework within which operational risk is managed, and for its consistent application across group companies. Day to day management of operational risk rests with line managers. It is managed through a combination of internal controls, processes and procedures and various risk mitigation techniques, including insurance and business continuity planning.

Credit risk

Credit risk is the risk of loss arising from a customer or counterparty failing to meet their financial obligations to the Company as and when they fall due. 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.

The Company has no credit risk exposure in either the current or preceding year.

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

5. RISK MANAGEMENT DISCLOSURES (continued)

Market risk

Market risk is the potential adverse change in Company income or the value of Company net worth arising from movements in market rates, including interest rates, exchange rates, inflation rates and equity prices. 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 Risk Management Policy and Control Framework in the Santander UK plc Annual Report.

Interest rate risk

Interest is not charged on balances owed to related parties and therefore the Company has no interest rate risk.

Equity risk

The Company has no material exposure to equity markets.

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 mainly financed by loans from its subsidiary undertaking and has no third party debt.

The day to day management of liquidity is the responsibility of the Alliance & Leicester plc Treasury function, which provides funding to and takes surplus funds from the Company as required.

All liabilities are repayable on demand.

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

6. PROFIT FROM OPERATIONS

Particulars of employees

The company had no employees in either the current year or the preceding year

The directors received no remuneration for their services to this company in either the current year or the preceding year

Mr Evans and Mr Morley are directors, and Mr Jones and Mr Paterson were directors until the dates of their resignations of Alliance & Leicester Commercial Finance plc and their remuneration was borne by that company. The majority of the directors' activities relate to services carried out in relation to these and other group companies. Therefore the directors deem it appropriate not to directly allocate any of their costs to the profit and loss account of Alliance & Leicester Commercial Finance (Holdings) plc

Auditors' remuneration

Auditors' remuneration of £2,300 (2008 £3,000) was borne by a subsidiary company, Alliance & Leicester Commercial Finance plc, in both the current and the preceding year

7. CORPORATION TAX EXPENSE

Components of Corporation tax

	2009	2008
	£000	£000
Current tax expense		
Tax expense reported in income statement	<u>-</u>	<u>-</u>

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

8. INVESTMENTS IN GROUP UNDERTAKINGS

	Investment in subsidiaries £000
Cost or valuation and net book value	
At 1 January 2009	145,120
Additions	-
At 31 December 2009	<u>145,120</u>

The Company's only subsidiary undertaking at 31 December 2009 is Alliance & Leicester Commercial Finance plc, a lessor and financier, which is wholly owned and registered in England and Wales. It has a financial year end of 31 December and its share capital consists entirely of 10p Ordinary shares.

The subsidiaries of Alliance & Leicester Commercial Finance plc which all are 100% owned and all registered in England and Wales, are as follows:

Name	Trade	Year End
A & L CF March (1) Limited	Lessors	31 March
A & L CF March (3) Limited	Lessors	31 March
A & L CF March (5) Limited	Lessors	31 March
A & L CF March (6) Limited	Lessors	31 March
A & L CF March (7) Limited	Lessors	31 March
A & L CF March (8) Limited	Lessors	31 March
A & L CF March (9) Limited	Lessors	31 March
A & L CF June (1) Limited	Lessors	30 June
A & L CF June (2) Limited	Lessors	30 June
A & L CF June (3) Limited	Lessors	30 June
A & L CF June (5) Limited	Lessors	30 June
A & L CF June (6) Limited	Lessors	30 June
A & L CF June (7) Limited	Lessors	30 June
A & L CF June (8) Limited	Lessors	30 June
A & L CF September (1) Limited	Lessors	30 September
A & L CF September (2) Limited	Lessors	30 September
A & L CF September (3) Limited	Lessors	30 September
A & L CF September (4) Limited	Lessors	30 September
A & L CF September (5) Limited	Lessors	30 September
A & L CF December (1) Limited	Lessors	31 December
A & L CF December (2) Limited	Lessors	31 December
A & L CF December (10) Limited	Lessors	31 December
A & L CF December (11) Limited	Lessors	31 December

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

8. INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Trade	Year End
Sovereign Freeze Limited(*)	Lessors	31 December
Sovereign Gimi Limited(*)	Lessors	31 December
Sovereign Hilli Limited(*)	Lessors	31 December
Sovereign Khannur Limited(*)	Lessors	31 December
Sovereign Spirit Limited(*)	Lessors	31 December
A & L CF (Jersey) Limited (**)	Lessors	31 December
A & L CF (Jersey) No 2 Limited (**)	Lessors	31 December
A & L CF (Guernsey) Limited (***)	Lessors	31 December
ALCF Investments Limited	Investment	31 December

* Incorporated in Bermuda and registered in England and Wales as an overseas branch

** Incorporated in Jersey and registered in England and Wales as an overseas branch

*** Incorporated in Guernsey and registered in England and Wales as an overseas branch

As permitted under Chapter 4 of Part 15 of the Companies Act 2006, details of the Company's dormant subsidiaries are not given

Details of the principal joint venture interests of the subsidiary undertaking Alliance & Leicester Commercial Finance plc which are all 50% owned and registered in England and Wales, are as follows

Name	Trade	Year End
Charta Leasing No 1 Limited	Lessors	30 September
Charta Leasing No 2 Limited	Lessors	31 December

9. CAPITAL

Capital was managed centrally during the year by Santander UK Group. Disclosures relating to the capital management process can be found in the Santander UK plc Annual Report and Accounts. The Company does not have a non-centralised process for managing its own capital.

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

10. RELATED PARTY TRANSACTIONS

Ultimate controlling party

The Company's immediate parent company is Alliance & Leicester 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 Alliance & Leicester plc is the parent undertaking of the smallest group of undertakings for which the 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

Trading activities

Payable to related parties

	2009	2008
	£000	£000
Amounts owed to Group undertakings (note 14)	<u>105,616</u>	<u>105,616</u>

The Company entered into no transactions with other Group undertakings in either the current or the prior year

Key management compensation

As detailed in note 6 the Company had no employees in either the current or preceding year and the directors are remunerated through Alliance & Leicester Commercial Finance plc therefore no key management compensation was paid by this Company

11. CASH AND CASH EQUIVALENTS

The cash and cash equivalents comprise the following

	2009	2008
	£000	£000
Cash at bank	<u>-</u>	<u>-</u>

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

12. ISSUED SHARE CAPITAL

	2009		2008	
	No	£000	No	£000
Issued and fully paid				
Ordinary shares of £1 each	<u>18,194,000</u>	<u>18,194</u>	<u>18,194,000</u>	<u>18,194</u>

All issued share capital is classified as equity

13. DEFERRED TAX LIABILITIES

The Company had no recognised or unrecognised deferred tax asset or liability in either the current year or prior year

14. TRADE AND OTHER PAYABLES

	2009	2008
	£000	£000
Current		
Payable to related parties	<u>105,616</u>	<u>105,616</u>