COMPANY REGISTRATION NUMBER 02504239

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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FOR THE YEAR ENDED 31 DECEMBER 2010

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ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

OFFICERS AND PROFESSIONAL ADVISERS

FOR THE YEAR ENDED 31 DECEMBER 2010

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 Auditor Birmingham United Kingdom
Bankers	Santander UK plc Bridle Road Bootle Merseyside L30 4GB

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

REPORT OF THE DIRECTORS

The directors submit their Report together with the audited financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of Alliance & Leicester Commercial Finance (Holdings) plc, (the "Company") is that of the holding company of Santander Asset Finance plc (formerly Alliance & Leicester Commercial Finance plc) and its subsidiaries The principal activities of the Santander Asset Finance plc Group are those of lessors and financiers of assets for the corporate and public sectors

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

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

On 28 May 2010 the trade and assets of the Company's immediate parent company, Alliance & Leicester plc, were hived up into Santander UK plc From this date the Company's immediate parent was Santander UK plc

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal risks and uncertainties together with the processes that are in place to monitor and mitigate those risks where possible can be found in note 5 to the financial statements

RESULTS AND DIVIDENDS

The profit for the year attributable to equity holders of the Company was £Nil (2009 £Nil) The directors have not recommended a dividend (2009 Same)

DIRECTORS

The directors who served throughout the year and to the date of this report were as follows

M W Evans
C R Morley

No director had a material interest at any time during the year in any contract of significance with the Company (2009 none)

REPORT OF THE DIRECTORS (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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

STATEMENT OF GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this Report The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements In addition, note 5 to the financial statements includes the Company's objectives, policies and processes for managing its financial risk management objectives and its exposures to credit risk, market risk, liquidity risk and other risks As disclosed in note 11 to the financial statements the Company's capital is managed by the Santander UK Group

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

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

FINANCIAL INSTRUMENTS

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

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

Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found in note 5 to the financial statements

THIRD PARTY INDEMNITIES

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

PAYMENT POLICY

Given the nature of the Company's business, the Company does not have any suppliers and therefore does not operate a payment policy The Company has no external creditors and is unable to quantify the practice on payment of creditors

AUDITOR

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 auditor is 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 auditor is 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

Deloitte LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Company's forthcoming Annual General Meeting

By Order of the Board,

Colin Richard Morley
Director
21 March 2011

Registered Office Address Building 3 Floor 2, Carlton Park, Narborough, Leicester LE19 0AL

INDEPENDENT AUDITOR'S 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 2010 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 15 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

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 2010 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 Report of the Directors 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 Auditor
Birmingham
United Kingdom

11 March 2011

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £000	2009 £000
PROFIT BEFORE TAX		-	-
Tax	8	-	-
RESULT FOR THE YEAR		-	-

All profits durng the year were generated from continuing operations

The Company had no tradng activities durng the current year or prior year

The notes on pages 11 to 20 form an integral part of the accounts

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

There is no comprehensive income or expense in either the current or previous financial year other than the result (2009 result) for the current and previous year as set out in the Income Statement, therefore a separate Statement of Comprehensive Income and Expense has not been presented

The notes on pages 11 to 20 form an integral part of the accounts

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) plc

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Issued capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2010	18,194	21,310	39,504
Result for the year	-	-	-
Balance at 31 December 2010	18,194	21,310	39,504

	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	18,194	21,310	39,504

The notes on pages 11 to 20 form an integral part of the accounts

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

BALANCE SHEET

AS AT 31 DECEMBER 2010

	Notes	2010 £000	2009 £000
ASSETS			
NON CURRENT ASSETS			
Investments in Group undertakings	9	**145,120**	145,120
TOTAL ASSETS		**145,120**	145,120
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	**(105,616)**	(105,616)
TOTAL LIABLITIES		**(105,616)**	(105,616)
TOTAL NET ASSETS		**39,504**	39,504
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	14	**18,194**	18,194
Retained profit		**21,310**	21,310
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC		**39,504**	39,504

The notes on pages 11 to 20 form an integral part of the accounts

The financial statements were approved by the board of directors and authorised for issue on 21 March 2011 They were 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 2010

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

The financial statements for Alliance & Leicester Commercial Finance (Holdings) plc, Company registration number 02504239 (the "Company"), for the year ended 31 December 2010 were authorised for issue on 24 March 2011 and the Balance Sheet signed on the Board's behalf by Colin Richard Morley The Company is incorporated and domiciled in England & Wales The Company's registered office is shown on page 2

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 2010 results

2. ACCOUNTING POLICIES

Basis of accounting

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and adopted for use by the European Union In 2010, the Company adopted the following significant new or revised standards or amendments to standards

a) IFRS 3 'Business Combinations' – In January 2008, the IASB issued an amendment to IFRS 3 which clarifies and changes certain elements of accounting for a business combination, including the measurement and accounting for non-controlling interests, contingent consideration, step acquisitions and acquisition-related costs and also widens the scope of the standard There are also associated amendments to IAS 27, IAS 28 and IAS 31

- IFRS 3 (2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 January 2010 Its adoption has affected the accounting for business combinations in the current year as follows
- IFRS 3 (2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree
- IFRS 3 (2008) changes the recognition and subsequent accounting requirements for contingent consideration Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably, any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition Under the revised Standard, contingent consideration is measured at fair value at the acquisition date, subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss
- Any adjustments to contingent considerations for acquisitions made prior to 1 January 2010 which result in an adjustment to goodwill continue to be accounted for under IFRS 3 (2004) and IAS 27 (2005)
- IFRS 3 (2008) requires the application of acquisition accounting only at the point where

2. ACCOUNTING POLICIES (continued)

control is achieved, for a business combination achieved in stages (step acquisition) If an acquirer has a pre-existing equity interest in an acquiree and increases its equity interest sufficiently to achieve control, it must remeasure its previously-held equity interest in the acquiree at acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss Once control is achieved, all other increases and decreases in ownership interests are treated as transactions among equity holders and reported within equity Goodwill does not arise on any increase, and no gain or loss is recognised on any decrease

- IFRS 3 (2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition
- IFRS 3 (2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Company and the acquiree

The adoption of IFRS 3 (2008) did not affect the Company

b) IAS 27 'Consolidated and Separate Financial Statements' – In January 2008, the IASB issued an amendment to IAS 27, to reflect the amendment in IFRS 3 The changes in the accounting policy have been applied prospectively from 1 January 2010 The application of IAS 27 (2008) has resulted in changes in the Company's accounting policies for changes in ownership interests in subsidiaries

- Specifically, the revised Standard has affected the Company's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate, for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss
- When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Company to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss

The adoption of IAS 27 (2008) did not affect the Company

c) IAS 28 'Investment in Associates' and IAS 31 'Interest in Joint Ventures' – In January 2008, the IASB made consequential amendments to IAS 28 and IAS 31 to extend the changes in IAS 27 The principle adopted in IAS 27 (2008) that a change in accounting basis is recognised as a disposal and re-acquisition of any retained interest at fair value is extended to IAS 28 and IAS 31 as follows

- IAS 28 is amended such that for a change in equity interest in an associate, the investor remeasures at acquisition date fair value any investment retained in the former associate, with any consequential gain or loss compared to its carrying amount under IAS 28

2. ACCOUNTING POLICIES (continued)

recognised in profit or loss

- IAS 31 is amended such that for a change in joint control interest in an entity, the investor remeasures at fair value any investment retained in the former jointly controlled entity, with any consequential gain or loss compared to its carrying amount under IAS 31 recognised in profit or loss
- Any amount that has previously been recognised in other comprehensive income, and that would be reclassified to profit or loss following a disposal, is similarly reclassified to profit or loss

The adoption of IAS 28 (2008) did not affect the Company

The Company prepares its financial statements under the historical cost convention and on the going concern basis The directors continue to adopt the going concern basis as disclosed in the Report of the Directors - Statement of Going Concern 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

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

2. ACCOUNTING POLICIES (continued)

Future accounting developments

The Company has not yet adopted the following significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective for the Company

a) IFRS 9 'Financial Instruments' – In November 2009, the IASB issued IFRS 9 and in October 2010, issued an amendment to IFRS 9 which introduce new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted

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

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

The Company anticipates that IFRS 9 will be adopted in the Company's financial statements for the annual period beginning on or after 1 January 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed

b) IFRS 7 'Financial Instruments· Disclosures' – In October 2010, the IASB issued amendments to IFRS 7 that increase the disclosure requirements for transactions involving transfers of financial assets The amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period The amendments to IFRS 7 are effective for annual periods beginning on or after 1 July 2011, with earlier application permitted.

The Company does not anticipate that these amendments to IFRS 7 will have a significant effect on the Company's disclosures regarding transfers of financial assets However, if the Company enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected

2. ACCOUNTING POLICIES (continued)

c) IAS 24 'Related Party Transactions' – In November 2009, the IASB issued amendments to IAS 24, effective for annual periods beginning on or after 1 January 2011, with earlier application permitted The revised standard modifies the definition of a related party and simplifies disclosures for government-related entities

The disclosure exemptions introduced in IAS 24 (2009) do not affect the Company because the Company is not a government-related entity However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard

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, market risk, interest rate risk and liquidity risk The Company manages its risk in line with the central risk management function of the Santander UK Group Santander UK 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 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 and 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 teams within Santander UK Group 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

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 which does not form part of this 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 either does not have sufficient financial resources available to meet its obligations as they fall due, or can only secure them at excessive cost

The Company is dependent on loans from its subsidiary company Santander Asset Finance plc All liabilities are repayable on demand

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

6. OPERATING SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of internal reports Banco Santander S A manages its operations on a geographical basis The Company operates as part of the Banco Santander S A Group's Corporate Banking Division within the United Kingdom Operation and therefore considers that all of its operations are managed as part of the Corporate Banking Division and further segmental analysis is not necessary

7. PROFIT FROM OPERATIONS

Directors' emoluments

The directors were not remunerated for their services to the Company Directors' emoluments are borne by the ultimate UK parent company Santander UK plc No emoluments were paid by the Company to the directors during the year (2009 £Nil)

Auditors' remuneration

Auditors' remuneration of £2,300 (2009 £2,300) was borne by the ultimate UK parent company Santander UK plc in both the current year and preceding year

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

Particulars of employees

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

8. TAX

	2010	2009
	£000	£000
Current tax expense		
Tax expense for the year	**-**	-

9. INVESTMENTS IN GROUP UNDERTAKINGS

	Investment in subsidiaries £000
Cost or valuation and net book value	
At 1 January 2010	145,120
Additions	-
At 31 December 2010	**145,120**

The Company's only subsidiary undertaking at 31 December 2010 is Santander Asset 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 Santander Asset 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 (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 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 (8) Limited	Lessors	30 June
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
Santander Asset Finance (December) Limited (formerly 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
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
Sovereign Spirit Limited (***)	Lessors	31 December

* 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.
*** Incorporated in Bermuda 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

9. INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Details of the principal joint venture interests of the subsidiary undertaking Santander Asset 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

10. TRADE AND OTHER PAYABLES

	2010 £000	2009 £000
Current		
Payable to related parties	**105,616**	105,616

11. CAPITAL

The Company's ultimate UK parent company Santander UK plc 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 Disclosures relating to the Group's capital management can be found in the Santander UK plc Annual Report which does not form part of this Report

12. RELATED PARTY TRANSACTIONS

Parent undertaking and controlling party

Until 28 May 2010, the Company's immediate parent company was Alliance & Leicester plc On 28 May 2010 the trade and assets of the Company's immediate parent company, Alliance & Leicester plc, were hived up into Santander UK plc From this date the Company's immediate parent was Santander UK plc, a company registered in England and Wales

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

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

Trading activities

Payable to related parties

	2010 £000	2009 £000
Amounts owed to Group undertakings (note 10)	**105,616**	105,616

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

12. RELATED PARTY TRANSACTIONS (continued)

Key management compensation

As detailed in note 7 the Company had no employees in either the current or preceding year and the directors are remunerated through Santander UK plc therefore no key management compensation was paid by this Company

13. CASH AND CASH EQUIVALENTS

The cash and cash equivalents comprise the following

	2010	2009
	£000	£000
Cash at bank	**-**	-

14. ISSUED SHARE CAPITAL

	2010		2009	
	No	**£000**	No	£000
Issued and fully paid				
Ordinary shares of £1 each	**18,194,000**	**18,194**	18,194,000	18,194

All issued share capital is classified as equity

15. DEFERRED TAX LIABILITIES

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