

# **GESBAN UK LIMITED**

**Registered in England and Wales  
Company Number 03072287**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2017**

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## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2017.

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 Gesban UK Limited (the Company), is to provide a single source of accounting and invoice payment services to Banco Santander SA group entities in the UK and Ireland.

### Likely Future Developments

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

### Results and dividends

The profit for the year after tax amounted to £99,021 (2016: profit £95,825). The Directors do not recommend the payment of a final dividend (2016: £nil).

### Directors

The Directors who served throughout the year and to the date of this report were:

M Cueva Díaz  
R J Morrison

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records which 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. 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 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 16 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 operational 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.

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.

### Qualifying Third Party Indemnities

Enhanced indemnities are provided to certain Directors of the Company by Santander UK plc (where such person has been nominated in writing by Santander UK plc as its representative on the board) against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities were in force during the financial year and at the date of approval of the Annual Report and financial Statements. All indemnities were qualifying third party indemnities. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

## REPORT OF THE DIRECTORS *(continued)*

### Independent Auditors

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

By Order of the Board



Alexander O'Brien

For and on behalf of  
Santander Secretariat Services Limited  
Secretary

12 September 2018

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

# ***Independent auditors' report to the members of Gesban UK Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Gesban UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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: the balance sheet as at 31 December 2017; the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **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.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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### **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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# ***Independent auditors' report to the members of Gesban UK Limited (continued)***

## ***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 2017 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 set out on page 1, 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.

### ***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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### ***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.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

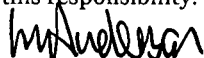
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified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

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### **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 take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Hamish Anderson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

13 September 2018

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

Continuing operations	Note	2017 £	2016 £
Revenue	3	4,626,673	4,658,040
Cost of sales	4	(4,471,687)	(4,451,241)
<b>Gross profit</b>		<b>154,986</b>	<b>206,799</b>
Interest and similar income	7	2,605	6,853
Other operating expenses		(37,984)	(89,885)
<b>Profit before tax</b>	8	<b>119,607</b>	<b>123,767</b>
Tax charge	9	(20,586)	(27,942)
<b>Profit for the year after tax</b>		<b>99,021</b>	<b>95,825</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>99,021</b>	<b>95,825</b>

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Share capital £	Retained earnings £	Total equity £
At 1 January 2016	100,000	580,180	680,180
Profit for the year after tax and total comprehensive income	-	95,825	95,825
At 31 December 2016 and 1 January 2017	100,000	676,005	776,005
Profit for the year after tax and total comprehensive income	-	99,021	99,021
At 31 December 2017	100,000	775,026	875,026

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

**BALANCE SHEET**

As at 31 December

	Note	2017 £	2016 £
<b>Non-current assets</b>			
Deferred tax	10	12,628	31,301
<b>Total non-current assets</b>		<b>12,628</b>	<b>31,301</b>
<b>Current assets</b>			
Trade and other receivables	11	7,851	-
Cash and cash equivalents	12	1,696,881	2,167,518
<b>Total current assets</b>		<b>1,704,732</b>	<b>2,167,518</b>
<b>Total assets</b>		<b>1,717,360</b>	<b>2,198,819</b>
<b>Current liabilities</b>			
Trade and other payables	13	(842,334)	(1,398,061)
Corporation tax		-	(24,753)
<b>Total current liabilities</b>		<b>(842,334)</b>	<b>(1,422,814)</b>
<b>Net current assets</b>		<b>862,398</b>	<b>744,704</b>
<b>Net assets</b>		<b>875,026</b>	<b>776,005</b>
<b>Equity</b>			
Share capital	14	100,000	100,000
Retained earnings		775,026	676,005
<b>Total equity</b>		<b>875,026</b>	<b>776,005</b>

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

These 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 were approved by the Board of Directors, authorised for issue and signed on its behalf by:



M Cueva Diaz  
Director

12 September 2018

**CASH FLOW STATEMENT**

For the year ended 31 December

	Note	2017 £	2016 £
Profit before tax		119,607	123,767
<b>Net cash flow before working capital changes</b>		<b>119,607</b>	<b>123,767</b>
<b>Operating activities</b>			
Net change in trade and other receivables		(7,851)	182,250
Net change in trade and other payables		(582,393)	(31,949)
<b>Cash flows (used in)/ generated from operating activities</b>		<b>(470,637)</b>	<b>274,068</b>
<b>Net (decrease)/ increase in cash during the year</b>		<b>(470,637)</b>	<b>274,068</b>
Cash and cash equivalents at beginning of year		2,167,518	1,893,450
<b>Cash and cash equivalents at end of year</b>	12	<b>1,696,881</b>	<b>2,167,518</b>

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



## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The principal accounting policies that have been applied to Gesban UK Limited (the Company) in the preparation of financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### General information

The Company is a private limited company, incorporated in the United Kingdom and is part of a European listed group whose ultimate parent is Banco Santander SA, incorporated in Spain. The registered office address of the Company is 2 Triton Square, Regent's Place, London, NW1 3AN.

#### Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The functional and presentation currency of the Company is sterling.

The Financial Statements have been prepared under the historical cost convention and on a going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

#### Future accounting developments

At 31 December 2017, Gesban UK Limited has not yet adopted the following significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective for the Company:

- a) IFRS 9 'Financial Instruments' (IFRS 9) – In July 2014, the International Accounting Standards Board (IASB) approved IFRS 9 to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 sets out the requirements for recognition and measurement of financial instruments. The main new developments of the standard are discussed below.

*Classification and measurement of financial assets and financial liabilities.* Under IFRS 9, financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

*Impairment.* IFRS 9 introduces fundamental changes to the impairment of financial assets measured at amortised cost or at fair value through other comprehensive income, lease receivables and certain commitments to extend credit and financial guarantee contracts. It is no longer necessary for losses to be incurred before credit losses are recognised. Instead, under IFRS 9, an entity always accounts for expected credit losses (ECLs), and any changes in those ECLs. The ECL approach must reflect both current and forecast changes in macroeconomic data over a horizon that extends from 12 months to the remaining life of the asset if a borrower's credit risk is deemed to have deteriorated significantly at the reporting date compared to the origination date. The estimate of ECLs should reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considering reasonable and supportable information at the reporting date. Similar to the current incurred credit loss provisioning approach, management will exercise judgement as to whether additional adjustments are required in order to adequately reflect possible events or current conditions that could affect credit risk.

*Transition and impact:* IFRS 9 has been endorsed for use in the European Union. The mandatory effective date of IFRS 9 is 1 January 2018. The Company is assessing the likely impact of the standard and it is not yet practicable to quantify the effect of IFRS 9 in these Financial Statements.

- b) IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) – In May 2014, the IASB issued IFRS 15. The effective date of IFRS 15 is 1 January 2018. The standard establishes a principles-based approach for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied. Revenue relating to lease contracts, insurance contracts and financial instruments is outside the scope of IFRS 15. The impact of the standard is currently being assessed and it is not yet practicable to quantify the effect of IFRS 15 on these Financial Statements.

#### Critical accounting policies and areas of significant management judgments and estimates

In the application of the Company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical judgements that the directors have made in the process of applying the Company's accounting policies that have significant effect on the amounts recognised in financial statements.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 1. ACCOUNTING POLICIES *(continued)*

#### Foreign currency translation

Items included in the financial statements of the Company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that Company ("the functional currency"). The financial statements are presented in Pounds Sterling (£), as this is the currency of the primary economic environment in which the Company operates. The financial statements of the Company's immediate parent company, Gesban Servicios Administrativos Globales SL are presented in Euros.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

#### Revenue recognition

Revenue represents fees receivable in respect of accounting and invoice payment services provided to affiliates of Banco Santander SA in the United Kingdom.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Interest income is accrued on a time basis, 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.

Expenses in relation to cost of sales are accounted for on an accruals basis.

#### Income taxes, including deferred taxes

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

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

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

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

#### 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, amounts due from other banks and short-term investments in securities.

#### Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### Trade and other payables

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1. ACCOUNTING POLICIES (continued)****Retirement Benefits Schemes**

The Company participates in the Santander UK Group Pension Scheme. There is no contractual agreement of stated policy for charging the net cost in relation to the Pension Schemes. The contribution to be paid by the Company is calculated as the contributions made by Santander UK plc to the Schemes in respect of the Company's employees. Details of the schemes and any associated deficit or surplus appear in the financial statements of Santander UK plc which are available from Santander Secretariat (Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN).

The pension expense incurred for the Company is noted in note 5.

**2. FINANCIAL RISK MANAGEMENT**

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

The financial risk management objectives of and policies of the Group; and the exposure of the company to price risk, credit risk, liquidity risk and cash-flow risk are outlined in the notes to the financial statements of Banco Santander SA.

**Credit risk**

Credit risk is the risk of financial loss arising from the default of a customer or counterparty to which the Company has directly provided services.

The class of financial assets most exposed to credit risk in the Company are Trade receivables. Total Trade receivables as at 31 December 2017 were £7,851. The balance comprised prepayments of £3,351 and Intercompany receivables of £4,500 on which the risk of the default is considered remote. The balance is not overdue.

There were no balances past due but not impaired.

The carrying amount of financial assets recorded in the financial statements is net of impairment losses and represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

**Liquidity risk**

Liquidity risk is the potential that, although remaining solvent, the Company does not have sufficient liquid financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Company manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet obligations as they fall due. The Company manages liquidity risk with support of its parent.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date. There are no significant financial liabilities related to financial guarantee contracts:

	Less than 6 months	6-12 Months	1-5 years	Over 5 years	2017 Total
At 31 December 2017	£	£	£	£	£
Intercompany liabilities	72,526	-	-	-	72,526
Other payables	769,808	-	-	-	769,808
<b>Total financial liabilities</b>	<b>842,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>842,334</b>

	Less than 6 months	6-12 Months	1-5 years	Over 5 years	2016 Total
At 31 December 2016	£	£	£	£	£
Intercompany liabilities	62,227	-	-	-	62,227
Other payables	1,360,587	-	-	-	1,360,587
<b>Total financial liabilities</b>	<b>1,422,814</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,422,814</b>

**Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes regulatory, legal and compliance risk. Operational risk is monitored and managed within the Banco Santander Group ("the Group"). An independent central operational risk function (Enterprise and Operational Risk) has responsibility for establishing the framework within which these risks are managed and is aligned to operational risk professionals within business areas (co-ordinated by IT and Operational Risk) to ensure consistent approaches are applied across the Group. The primary purpose of the framework is to define and articulate the Group-wide policy, processes, roles and responsibilities. The framework incorporates industry practice and regulatory requirements.

The day-to-day management of operational risk is the responsibility of business managers who identify, assess and monitor the risks, in line with the processes described in the framework. The operational risk function ensures that all key risks are regularly reported to the Group's risk fora, risk committee and board of directors.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***3. REVENUE**

	2017 £	2016 £
Management fees – related parties	4,626,673	4,658,040
<b>Total revenue</b>	<b>4,626,673</b>	<b>4,658,040</b>

Revenue is wholly attributable to the principal activity of the Company.

**4. COST OF SALES**

	2017 £	2016 £
Staff costs (see Note 5)	3,854,784	3,693,656
Professional fees	584,123	748,492
Other expenses	32,780	9,093
<b>Total cost of sales</b>	<b>4,471,687</b>	<b>4,451,241</b>

**5. STAFF COSTS**

	2017 £	2016 £
Wages and salaries	3,115,220	3,058,634
Social security costs	344,856	321,672
Other pension costs	394,708	313,350
<b>Total staff costs</b>	<b>3,854,784</b>	<b>3,693,656</b>

The pension contributions made by the Company represent recharges of costs borne by Santander UK plc and not direct contributions to any of Santander UK plc's Pension schemes.

The monthly average number of persons employed by the Company during the year was as follows:

	Full Time	
	2017 Number	2016 Number
<b>Total</b>	<b>71</b>	<b>70</b>

**6. DIRECTORS AND EMPLOYEES**

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by Santander UK plc, a subsidiary of Banco Santander SA. The Directors' services to the Company are an incidental part of their duties. No emoluments were paid by the Company to Directors during the year (2016: £nil). It is not possible to make an accurate apportionment of the Directors remuneration paid by Santander UK plc in respect of each of the subsidiaries.

**7. INTEREST AND SIMILAR INCOME**

	2017 £	2016 £
Interest on bank deposits held with related parties	2,605	6,853
<b>Total interest and similar income</b>	<b>2,605</b>	<b>6,853</b>

**8. PROFIT BEFORE TAX**

The audit fee payable to the Company's auditors for the audit of the Company's financial statements for the current year is £20,350 (2016: £12,000).

**NOTES TO THE FINANCIAL STATEMENTS (continued)****9. TAX CHARGE**

	2017 £	2016 £
<b>Current tax:</b>		
UK corporation tax on profit of the year	1,006	24,753
Adjustments in respect of prior years	907	12,128
<b>Total current tax charge</b>	<b>1,913</b>	<b>36,881</b>
<b>Deferred tax:</b>		
Change in rate of UK Corporation tax	(2,574)	1,842
Adjustments in respect of prior years	(771)	(10,781)
Origination and reversal of temporary differences	22,018	-
<b>Total deferred tax charge/ (credit)</b>	<b>18,673</b>	<b>(8,939)</b>
<b>Tax charge on profit for the year</b>	<b>20,586</b>	<b>27,942</b>

UK corporation tax is calculated at 19.25% (2016: 20%) of the estimated assessable profits for the year.

The Finance (No. 2) Act 2015, which provides for reductions in the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 18% from 1 April 2020 was enacted on 18 November 2015. The Finance Act 2016, which was substantively enacted on 6 September 2016, introduced a further reduction in the corporation tax rate to 17% from 2020. Since this further change was substantively enacted prior to 31 December 2017, the effects have been reflected in the deferred tax balances at the balance sheet date.

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

	2017 £	2016 £
Profit before tax:	119,607	123,767
Tax calculated at a tax rate of 19.25% (2016: 20%)	23,024	24,753
Effect of change in tax rate on deferred tax provision	(2,574)	1,842
Adjustments in respect of prior years	136	1,347
<b>Tax charge for the year</b>	<b>20,586</b>	<b>27,942</b>

**10. DEFERRED TAX**

Deferred taxes are calculated on temporary differences under the liability method using the tax rates expected to apply when the liability is settled or the asset is realised. The movement on the deferred tax account was as follows:

	2017 £	2016 £
At 1 January 2017	31,301	22,362
Income statement (charge)/ credit	(18,673)	8,939
<b>At 31 December 2017</b>	<b>12,628</b>	<b>31,301</b>

Deferred tax assets are attributable to the following items:

	Balance Sheet		Statement of comprehensive Income	
	2017 £	2016 £	2017 £	2016 £
<b>Deferred tax asset</b>				
Other temporary differences	12,628	31,301	(18,673)	8,939
<b>Total deferred tax</b>	<b>12,628</b>	<b>31,301</b>	<b>(18,673)</b>	<b>8,939</b>

**11. TRADE AND OTHER RECEIVABLES**

	2017 £	2016 £
Amounts due from group companies	4,500	-
Prepayments	3,351	-
<b>Total trade and other receivables</b>	<b>7,851</b>	<b>-</b>

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***12. CASH AND CASH EQUIVALENTS**

	2017 £	2016 £
Deposits with banks	1,696,881	2,167,518
<b>Total cash and cash equivalents</b>	<b>1,696,881</b>	<b>2,167,518</b>

**13. TRADE AND OTHER PAYABLES**

	2017 £	2016 £
Amounts due to group companies	6,469	62,227
Amounts due to group companies (group relief)	66,057	39,391
Other creditors	17,300	18,400
Accruals	752,508	1,278,043
<b>Total</b>	<b>842,334</b>	<b>1,398,061</b>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

**14. SHARE CAPITAL**

	2017 £	2016 £
<b>Issued and fully paid:</b>		
100,000 (2016: 100,000) ordinary shares of £1 each	100,000	100,000

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

**15. RELATED PARTY TRANSACTIONS**

The following were transactions with related parties for the years ending 31 December:

	2017 £	2016 £
<b>Revenue:</b>		
Santander UK plc	3,602,128	3,507,430
Santander UK Technology Limited (formerly Isban UK Limited)	255,692	255,692
Santander Asset Management UK Limited	196,000	181,000
PRODUBAN UK Limited	174,548	174,548
Santander Insurance Services Ireland Limited	-	36,666
SAM Investment Holdings Limited	76,500	76,500
Santander UK Operations Limited (formerly Geoban UK Limited)	61,152	61,152
Santander Insurance Services UK Limited	47,000	47,000
Santander Consumer (UK) plc	14,364	19,584
Amazonia Trade Limited	12,750	18,000
Besaya ECA Limited	12,000	12,000
Aquanima UK Branch	8,490	8,490
Isban UK Branch	8,490	8,490
Geoban UK Branch	8,490	8,490
SAM UK Investment Holdings Limited	10,054	10,054
WTW Shipping Limited	3,000	3,000
Darep Limited	3,000	3,000
Phoenix C1 Aviation Limited	3,000	3,000
Santander Asset management UK Holdings Limited	13,500	13,500
Trans Rotor Limited	14,000	25,000
Merlin Aviation Limited	3,000	3,000
Roc Shipping One Limited	18,000	18,000
Energy Efficient Global Project Limited	-	5,000
Santander ISA Managers Limited	36,465	109,394
Santander Fintech Limited	21,050	21,050
Abbey Stock Brokers Limited	15,000	20,000
Roc Aviation One	3,000	3,000
Sazaku Aviation One Limited	3,000	3,000
Unicorn Aviation	3,000	3,000
<b>Total</b>	<b>4,626,673</b>	<b>4,658,040</b>

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***15. RELATED PARTY TRANSACTIONS** *(continued)*

The following were transactions with related parties for the years ending 31 December:

	2017 £	2016 £
<b>Cost of sales and Other operating expenses:</b>		
Santander UK plc	4,471,687	4,520,710
<b>Total</b>	<b>4,471,687</b>	<b>4,520,710</b>

The following were the balances with related parties as at 31 December.

	2017 £	2016 £
<b>Amounts due from group companies</b>		
Amazonia Trade Limited	4,500	-
Santander UK plc – Bank account	1,696,881	2,167,518
<b>Total due from group companies</b>	<b>1,701,381</b>	<b>2,167,518</b>

Amounts owed by related parties include cash and cash equivalent relating to bank balances held with Santander UK plc. They were not included in the 2016 related party transactions.

	2017 £	2016 £
<b>Amounts due to group companies</b>		
Santander UK plc	6,469	62,227
Santander UK plc (Group relief)	66,057	39,391
<b>Total due to group companies</b>	<b>72,526</b>	<b>101,618</b>

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.

**16. CAPITAL MANAGEMENT AND RESOURCES**

The Company's ultimate parent, Banco Santander SA adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Santander Group. Disclosures relating to the groups capital management can be found in the Banco Santander Annual Report and financial statements.

**17. PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's immediate parent company is Gesban Servicios Administrativos Globales SL, a company registered in Spain.

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. Gesban SA is the 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 Secretariat (Santander UK plc), 2 Triton Square, Regent's Place, London, NW1 3AN.