

ALLIANCE & LEICESTER (JERSEY) LIMITED

**Registered in England and Wales
No. 4415189**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2010**

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ALLIANCE & LEICESTER (JERSEY) LIMITED

COMPANY NUMBER: 4415189

REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended 31 December 2010

This Directors' report has been prepared in accordance with the special provisions relating to small companies under section 415(A)(1) & (2) of the Companies Act 2006

Principal activity and review of the year

The principal activity of Alliance & Leicester (Jersey) Limited (the "Company") is to make and hold investments

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £38,083 (2009 £66,908)

The Company paid an interim dividend of £5,000,000 for the year (2009 £nil) The Directors do not recommend the payment of a final dividend (2009 £nil)

Directors

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

Ian J Hares

Rachel J Morrison

David M Green

(Appointed 30 November 2010)

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

ALLIANCE & LEICESTER (JERSEY) LIMITED
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REPORT OF THE DIRECTORS (continued)

Statement of Going Concern

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 10 and 2 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposures to credit risk, liquidity risk and market risk.

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

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.

Auditors

Each of the Directors as at the date of approval of this report confirms 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, Deloitte LLP are deemed to have been re-appointed as auditors of the Company.

By Order of the Board



Richard A Hawker, Secretary

30 March 2011

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE & LEICESTER (JERSEY) LIMITED

We have audited the financial statements of Alliance & Leicester (Jersey) Limited, (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 Cash Flow Statement, the Balance Sheet and the related notes 1 to 11. 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 profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

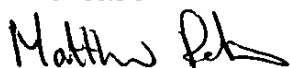
Opinion on other matter prescribed by the Companies Act 2006

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.

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, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Report of the Directors.



Matthew Perkins (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 March 2011

ALLIANCE & LEICESTER (JERSEY) LIMITED
COMPANY NUMBER: 4415189

FINANCIAL STATEMENTS
For the year ended 31 December 2010

Income Statement

For the year ended 31 December 2010

		2010 £	2009 £
Continuing Operations	Note		
Interest receivable and similar income		53,066	93,487
Profit before tax		53,066	93,487
Tax	4	(14,983)	(26,579)
Profit attributable to equity holders of the Company		38,083	66,908

The accompanying notes form an integral part of the financial statements

Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 £	2009 £
Profit for the year	38,083	66,908
Other comprehensive income		-
- Valuation losses taken to equity	(9,760)	(17,593)
- Tax on items taken directly to equity	2,733	5,030
Net loss recognised directly in equity	(7,027)	(12,563)
Total comprehensive income for the year	31,056	54,345
Attributable to equity holders of the Company	31,056	54,345

Statement of Changes in Equity

For the year ended 31 December 2010

	Share Capital £	Retained Earnings £	Available-for-Sale £	Total £
Balance at 1 January 2009	200,000	7,618,727	19,590	7,838,317
Comprehensive income				
- Profit for the year	-	66,908	-	66,908
- Valuation losses taken to equity	-	-	(17,593)	(17,593)
- Tax on items taken directly to equity	-	-	5,030	5,030
	200,000	7,685,635	7,027	7,892,662
Balance at 1 January 2010	200,000	7,685,635	7,027	7,892,662
Comprehensive income				
- Profit for the year	-	38,083	-	38,083
- Valuation losses taken to equity	-	-	(9,760)	(9,760)
- Tax on items taken directly to equity	-	-	2,733	2,733
Dividends paid	-	(5,000,000)	-	(5,000,000)
Balance at 31 December 2010	200,000	2,723,718	-	2,923,718

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FINANCIAL STATEMENTS
For the year ended 31 December 2010

Cash Flow Statement
For the year ended 31 December 2010

	Notes	2010 £	2009 £
Net cash (used in)/generated from operating activities	8	(208,247)	81,068
Investing activities			
Redemption of available-for-sale investments	5	500,000	-
Net cash flows generated from investing activities		500,000	-
Financing activities			
Dividends paid to Company shareholders		(5,000,000)	-
Net cash flows generated from investing activities		(5,000,000)	-
Net (decrease)/ increase in cash and cash equivalents		(4,708,247)	81,068
Cash and cash equivalents at beginning of year		7,646,017	7,564,949
Cash and cash equivalents at end of year		2,937,770	7,646,017

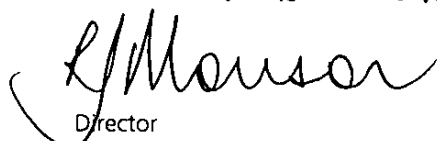
The accompanying notes form an integral part of the financial statements

Balance Sheet
As at 31 December 2010

	Notes	2010 £	2009 £
Current assets			
Available-for-sale investments	5	-	522,857
Cash and cash equivalents		2,937,770	7,646,017
Deferred tax asset		528	640
Total current assets		2,938,298	8,169,514
Current liabilities			
Payables – group relief		(2,545)	(276,852)
Current tax		(12,035)	-
Total current liabilities		(14,580)	(276,852)
Net assets		2,923,718	7,892,662
Equity			
Share capital	6	200,000	200,000
Available-for-sale reserve	7	-	7,027
Retained earnings		2,723,718	7,685,635
Total equity attributable to equity holders of the Company		2,923,718	7,892,662

The accompanying notes form an integral part of the financial statements

The financial statements were approved by the board of directors and authorised for issue on 30 March 2011. They were signed on its behalf by *RACHEL MORRISON*


Director

ALLIANCE & LEICESTER (JERSEY) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union that are effective or available for early adoption at the Company's reporting date. The Company, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

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 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 is effective for annual periods beginning on or after 1 January 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.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

1 Accounting policies (continued)

Future accounting developments (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 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.

Revenue recognition

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.

Cash and cash equivalents

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

Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not classified as available-for-sale. They arise when the entity provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the entity has transferred substantially all of the risks and rewards of ownership.

Available-for-sale investments are non-derivative financial investments that are designated as available-for-sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. Interest is determined using the effective interest method. Impairment losses and translation differences on monetary items are recognised in the income statement. The investments are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

At each balance sheet date, the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets classified as loans and receivables have become impaired. Evidence of impairment may include indications that the borrower or group of borrowers have defaulted or are experiencing significant financial difficulty.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

A write-off is made when all collection procedures have been completed and is charged against previously established provisions for impairment.

When an available-for-sale investment is considered impaired, cumulative gains previously recognised in equity are reclassified to profit and loss in the period.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1 Accounting policies (continued)

Financial liabilities

The Company classifies its financial liabilities, including intercompany financial liabilities, as deposits and payables which are held at amortised cost unless designated as held at fair value through profit and loss. The carrying value of financial liabilities is a fair approximation of their fair values.

Income taxes, including deferred income taxes

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

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

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

Share capital

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

2 Financial risk management

The Company's risk management focuses on the major areas of credit risk and liquidity risk. Risk management is carried out by the central risk management function of the Santander UK plc Group, (the "Santander UK Group"). Santander UK plc's ("Santander UK") 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 Board to the Chief Executive Officer and from her to her direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management of oversight.

The Santander UK Group has three tiers of risk governance.

The first is provided by the Santander UK Board which approves Santander UK's Risk Appetite for each of the risks below, in consultation with Santander UK as appropriate, and approves the strategy for managing risk and is responsible for the Santander UK Group's system of internal control. Within this tier, there is a process for transaction review and approval within certain thresholds, discharged by the Risk Approval Committee. Transactions reviewed which exceed the threshold limits set are subject to prior review by Santander UK Risk before final approval by the Risk Approval Committee.

The second comprises the Santander UK Board and is supported by the Risk Division. The role of the Chief Risk Officer and Risk Division includes development of risk measurement methodologies, risk approval, risk monitoring, risk reporting and escalation of risk issues in line with the relevant risk policies for all risks in the Santander UK Group. The Santander UK Group's central risk function provides services to the Company, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which ensure compliance with Group policies and limits, including risk policies, limits and parameters, an approval process relating to transactions that exceed local limits and the systematic review of exposures to large clients, sectors, geographical areas and different risk types.

The third tier comprises Risk Assurance, who provides independent objective assurance on the effectiveness of the management and control of risk across all of the Santander UK Group. This is provided through the Non-Executive Directors, Internal Audit function and the Audit and Risk Committee.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

2. Financial risk management (continued)

Liquidity risk

Liquidity risk is the potential that, although remaining solvent, the company does not have sufficient liquid financial resources to meet its obligations as they fall due, or can secure them only at an excessive cost

The Company manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet its obligations as they fall due

Market risk

Market risk is the potential for loss of income or decrease in the value of net assets caused by movements in the levels and prices of financial instruments. Market risk arises as a result of interest rate risk and exposures to changes in equity market. The Company's income is exposed to investments in the LIBOR rate on cash and cash equivalents. Payables relating to group relief are non-interest bearing.

Sensitivity analysis

A 50 basis point adverse movement in interest rates would result in a reduction in operating profit of £38,928 (2009: £38,063) and a corresponding reduction in net assets. A 50 basis point positive movement in interest rates would result in an increase in operating profit of £38,928 (2009: £38,063) and a corresponding increase in net assets.

3 Profit from operations

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by its UK parent company, Santander UK plc. No emoluments were paid by the Company to Directors during the year (2009: £nil).

The Company had no employees in the current or previous financial year.

The statutory audit fee for the current and prior year has been paid on the Company's behalf by its UK parent undertaking, Santander UK plc, in accordance with Company policy, for which no recharge has been made. The statutory audit fee for the current year is £5,100 (2009: £5,000).

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

4 Tax

	2010 £	2009 £
Current tax		
UK corporation tax on profit of the year	14,859	26,176
Adjustments in respect of prior years	104	403
Total current tax	14,963	26,579
Deferred tax		
Origination and reversal of temporary differences	20	-
Total deferred tax	20	-
Tax charge on profit for the year	14,983	26,579

UK corporation tax is calculated at 28% (2009 28%) of the estimated assessable profits for the year

The Finance (No 2) Act 2010, which provides for a reduction in the main rate of UK corporation tax from 28% to 27% effective from 1 April 2011, was enacted on 27 July 2010. As this change in rate was substantively enacted prior to 31 December 2010, it has been reflected in the deferred tax balance at 31 December 2010.

The UK Budget on 23 March 2011 proposed a further 1% reduction to 26%, effective from 1 April 2011. This further reduction was enacted on 29 March 2011 under the Budget Resolution process in advance of the Finance Act 2011. The UK Government has also indicated that it intends to enact further 1% reductions each year down to 23% by 1 April 2014. These changes in rate had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The estimated financial effect of these changes is insignificant.

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:

	2010 £	2009 £
Profit before tax	53,066	93,487
Tax calculated at a tax rate of 28% (2009 28%)	14,859	26,176
Adjustments to prior year provisions	104	403
Effect of change in tax rate on deferred tax provision	20	-
Tax charge on profit for the year	14,983	26,579

5. Available-for-sale investments

	2010 £	2009 £
Available-for-sale		
Fair value	-	522,857

The fair value of the available-for-sale investments is based on the quoted market price and they are re-valued on a regular basis throughout the year. On this basis they are classified as level 1 under the IFRS7 hierarchy.

	2010 £	2009 £
At 1 January	522,857	528,031
Net loss transferred to available-for-sale reserve (note 7)	(9,760)	(17,593)
Movement in accruals	(13,384)	11,750
Amortisation of discounts and premiums	287	669
Redemption of gilt	(500,000)	-
At 31 December	-	522,857

6. Share capital

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	2010 £	2009 £
Issued and fully paid		
200,000 ordinary shares of £1 each	200,000	200,000

7. Available-for-sale reserve

	2010 £	2009 £
At 1 January	7,027	19,590
Revaluation	(9,760)	(17,593)
Deferred tax	-	92
Current tax	2,733	4,938
At 31 December	-	7,027

8 Notes to the cash flow statement

	2010 £	2009 £
Profit before tax	53,066	93,487
Adjustments		
Amortisation	(287)	(669)
Decrease/(increase) in receivables	13,384	(11,750)
Decrease in payables	(274,410)	-
Net cash flow (used in)/generated from operating activities	(208,247)	81,068

9 Related party transactions

Trading transactions

The trading transactions with related parties relate to interest received on amounts due from related group entities

Related party transactions at balance date are as follows

	Income		Expenditure		Amounts due from related parties		Amounts due to related parties	
	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £
UK parent company	-	69,190	-	-	-	7,642,793	-	-
Fellow group company	42,414	-	-	-	2,937,770	-	2,545	276,852
	42,414	69,190	-	-	2,937,770	7,642,793	2,545	276,852

No Director or management personnel received any remuneration (2009 £nil)

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

10 Capital management and resources

The Company's immediate UK parent, 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. The Company has no non-centralised process for managing its own capital. Disclosures relating to the Santander Group's capital management can be found in the Santander UK plc Annual Report and Accounts.

Capital held by the Company and managed centrally as part of the Santander UK Group, comprises share capital and reserves which can be found in the Balance Sheet on page 5.

11 Parent undertaking and controlling party

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 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.