

MITRE CAPITAL PARTNERS LIMITED

**Registered in England and Wales
Company Number: 5831018**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2012**



MITRE CAPITAL PARTNERS LIMITED - 5831018

REPORT OF THE DIRECTORS

The Directors submit their Report together with the financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of Mitre Capital Partners Limited, (the "Company") is that of financiers of property assets for the commercial property sector

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, are 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.

The Company has agreed in principle on 28th May 2013 to the disposal of a portfolio of loan facilities to an external third-party for consideration of circa £20m, the sale of which will be finalised shortly after the approval of the Report & Accounts.

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 4.

RESULTS AND DIVIDENDS

The loss for the year on ordinary activities after taxation amounted to £34,717,431 (2011: loss £7,078,418). The Directors do not recommend the payment of a final dividend (2011: £Nil).

DIRECTORS

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

A E Briggs
C R Morley
S J Pateman

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. 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, International Accounting Standard 1 requires that directors:

- 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.

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REPORT OF THE DIRECTORS (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and 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 4 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.

The Company is part of the Santander UK Group. The Company has net liabilities and is reliant on other companies in the Santander UK Group for a significant proportion of its funding. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Board of Santander UK plc has confirmed that it is a going concern and that it will provide funding to the Company for the foreseeable future.

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

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Santander UK plc, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

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 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.

The class of asset most exposed to credit risk in the Company is trade and other receivables. Credit risk is mitigated by security over the borrower's assets and is monitored on a revolving basis and subject to an annual or more frequent review. All customer exposures are to corporate customers in the property industry.

The Company is financed by loans from its immediate parent company, Santander UK plc. The funding has no fixed repayment date and is therefore repayable on demand, which creates uncertainty in respect of the future funding position of the Company. This risk is mitigated by the fact that the board of directors of Santander UK plc, has confirmed that the funding will remain in place for the foreseeable future.

Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found in note 4 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.

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REPORT OF THE DIRECTORS (continued)

AUDITORS

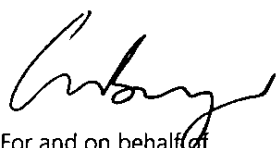
Each of the Directors as at the date of approval of this report has confirmed that

- 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 the steps that he/she ought to have taken as a Director in order 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 is deemed to have been re-appointed as auditors of the Company

By Order of the Board,



For and on behalf of
Santander Secretariat Services Limited,
Secretary
10 June 2013

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITRE CAPITAL PARTNERS LIMITED

We have audited the financial statements of Mitre Capital Partners Limited for the year ended 31 December 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its loss 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITRE CAPITAL PARTNERS LIMITED (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

13 June 2013

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INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Revenue		558,493	3,324,309
Cost of sales		(816,476)	(1,965,714)
GROSS LOSS		(257,983)	1,358,595
Administrative expenses	12	(835,465)	(5,158)
Impairment losses on loans and advances		(45,352,365)	(12,590,996)
LOSS FROM OPERATIONS	5	(46,445,813)	(11,237,559)
Finance income	6	603,921	1,607,058
LOSS BEFORE TAX		(45,841,892)	(9,630,501)
Tax	7	11,124,461	2,552,083
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF MITRE CAPITAL PARTNERS LIMITED		(34,717,431)	(7,078,418)

All of the activities of the Company are classed as continuing

The accompanying notes form an integral part of the accounts

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

There is no comprehensive income or expense in either the current or previous financial year other than the loss (2011 loss) as set out in the Income Statement, therefore a separate Statement of Comprehensive Income and Expense has not been presented

The accompanying notes form an integral part of the accounts

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Issued Capital £	Retained earnings £	Other Reserves £	Total equity £
Balance at 1 January 2012	1	(103,834,413)	26,828,710	(77,005,702)
Loss for the year	-	(34,717,431)	-	(34,717,431)
Balance at 31 December 2012	<u>1</u>	<u>(138,551,844)</u>	<u>26,828,710</u>	<u>(111,723,133)</u>

	Issued Capital £	Retained Earnings £	Other Reserves £	Total Equity £
Balance at 1 January 2011	1	(96,755,995)	26,828,710	(69,927,284)
Loss for the year	-	(7,078,418)	-	(7,078,418)
Balance at 31 December 2011	<u>1</u>	<u>(103,834,413)</u>	<u>26,828,710</u>	<u>(77,005,702)</u>

The accompanying notes form an integral part of the accounts

MITRE CAPITAL PARTNERS LIMITED - 5831018

BALANCE SHEET

AS AT 31 DECEMBER 2012

	Notes	2012 £	2011 £
ASSETS			
NON CURRENT ASSETS			
Intangible assets	8	-	-
Property, plant and equipment	9	-	-
		-	-
CURRENT ASSETS			
Trade and other receivables	10	36,889,342	84,484,929
TOTAL ASSETS		36,889,342	84,484,929
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	(148,612,475)	(161,490,631)
TOTAL LIABILITIES		(148,612,475)	(161,490,631)
TOTAL NET LIABILITIES		(111,723,133)	(77,005,702)
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	16	1	1
Retained loss		(138,551,844)	(103,834,413)
Other reserves		26,828,710	26,828,710
DEFICIT ATTRIBUTABLE TO EQUITY HOLDERS OF MITRE CAPITAL PARTNERS LIMITED		(111,723,133)	(77,005,702)

The accompanying notes form an integral part of the accounts

The financial statements were approved by the Board of Directors and authorised for issue on 10 June 2013. They were signed on its behalf by

Colin Morley
Director

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Loss for the year		(34,717,431)	(7,078,418)
NON-CASH ADJUSTMENTS			
Depreciation		-	4,408
Decrease in trade and other receivables		56,147,405	34,911,918
Decrease in trade and other payables		(1,082,944)	(1,898,688)
		55,064,461	33,017,638
CASH FLOWS FROM OPERATING ACTIVITIES		20,347,030	25,939,220
Group relief received		-	854,999
NET CASH FLOWS FROM OPERATING ACTIVITIES		20,347,030	26,794,219
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payment of cash advances to parent undertakings		(20,347,030)	(26,794,219)
		(20,347,030)	(26,794,219)
NET INCREASE IN CASH AND CASH EQUIVALENTS		-	-
Cash and cash equivalents as at 1 January		-	-
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	15	-	-

For the current year, where tax assets have been group relieved, they are accounted for as operating receivables

The accompanying notes form an integral part of the accounts

MITRE CAPITAL PARTNERS LIMITED - 5831018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES

Principal accounting policies

The principal accounting policies adopted are set out below

Basis of preparation

The financial statements have been prepared under the Companies Act 2006 and the historical cost convention, as modified by the revaluation of all derivative financial instruments and on the going concern basis of accounting as disclosed in the Directors' Report - Statement of Going Concern

The functional and presentation currency of the Company is Sterling

Compliance with International Financial Reporting Standards

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB that, under European Union Regulations, are effective and available for adoption at the reporting date. The Company has complied with IFRS as issued by the IASB in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union.

Recent accounting developments

In 2012, the Company adopted the following amendments to standards which became effective for financial years beginning on 1 January 2012

- a) 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. Disclosures are not required for comparative periods before the date of initial application of the amendments. These changes did not have an impact on the Company's financial statements.
- b) There are a number of other changes to IFRS that were effective from 1 January 2012. Those changes did not have a significant impact on the Company's financial statements.

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) IAS 1 'Presentation of Financial Statements' – In June 2011, the IASB issued amendments to IAS 1 that retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss, and (ii) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The Company anticipates that IAS 1 (2011) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013 and that the application of the new Standard will modify the presentation of items of other comprehensive income accordingly. Retrospective application is required. The Company does not anticipate that these amendments to IAS 1 will have a significant impact on the Company's disclosures.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

Future accounting developments (continued)

- b) IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – In May 2011, the IASB issued new and amended guidance on consolidated financial statements and joint arrangements. IFRS 10, IFRS 11 and IFRS 12 were new standards issued while IAS 27 and IAS 28 were amended. Each of the standards issued is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted as long as each of the other standards is also applied earlier.
- > Under IFRS 10 'Consolidated Financial Statements', control is the single basis for consolidation, irrespective of the nature of the investee, this standard therefore eliminates the risks-and-rewards approach. IFRS 10 identifies the three elements of control as power over the investee, exposure, or rights, to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of the investor's returns. An investor must possess all three elements to conclude that it controls an investee. The assessment of control is based on all facts and circumstances, and the conclusion is reassessed if there are changes to at least one of the three elements. Retrospective application is required subject to certain transitional provisions.
 - > IFRS 11 applies to all entities that are parties to a joint arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. IFRS 11 establishes two types of joint arrangements, joint operations and joint ventures, which are distinguished by the rights and obligations of the parties to the arrangement. In a joint operation, the parties to the joint arrangement (referred to as 'joint operators') have rights to the assets and obligations for the liabilities of the arrangement. By contrast, in a joint venture, the parties to the arrangement (referred to as 'joint venturers') have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognise its share of the assets, liabilities, revenues, and expenses in accordance with applicable IFRSs, however, a joint venturer would account for its interest by using the equity method of accounting under IAS 28 (2011). Transitional provisions vary depending on how an interest is accounted for under IAS 31 and what its nature is under IFRS 11.
 - > IFRS 12 integrates the disclosure requirements on interests in other entities, currently included in several standards to make it easier to understand and apply the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard also contains additional requirements on a number of topics. Under IFRS 12, an entity should disclose information about significant judgements and assumptions (and any changes to those assumptions) made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement. IFRS 12 also requires additional disclosures to provide information to enable users to assess the nature of, and risks associated with the Company's interests in other entities and the effect of those interests on the Company's financial position, performance and cash flow. Disclosures shall be aggregated or disaggregated so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics. The standard applies prospectively from the beginning of the annual period in which it is adopted.

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 that clarify the transitional guidance in IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interest in Other Entities. The amendments provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information to only the preceding comparative period, and are in response to constituent requests for clarification on certain aspects of the transition guidance.

The Company anticipates that IFRS 10, IFRS 11 and IFRS 12 will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013.

The Company does not anticipate that the application of the new standards will have a significant impact on its profit or loss, financial position or disclosure.

- > IAS 27 was amended for the issuance of IFRS 10 but retains the current guidance on separate financial statements.

- > IAS 28 was amended for conforming changes on the basis of the issuance of IFRS 10 and IFRS 11.

The Company anticipates that IAS 27 (2011) and IAS 28 (2011) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013. The Company does not anticipate that these amendments to IAS 27 and IAS 28 will have a significant impact on its disclosures and on amounts reported in respect of the Company's profit or loss, financial position or disclosures.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued) Future accounting developments (continued)

- c) IFRS 13 'Fair Value Measurement' - In May 2011, the IASB issued IFRS 13, which establishes a single source of guidance for fair value measurement. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. IFRS 13 applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current accounting standards. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with early adoption permitted, and applies prospectively from the beginning of the annual period in which it is adopted.
The Company anticipates that IFRS 13 will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013. The Company does not anticipate that the application of the new standards will have a significant impact on its profit or loss, financial position or disclosures.
- d) IFRS 9 'Financial Instruments' - In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9') which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued an amendment to IFRS 9 incorporating requirements for financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments.
Following the IASB's decision in December 2011 to defer the effective date, the standard is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. IFRS 9 is required to be applied retrospectively but prior periods need not be restated.
The second and third phases in the IASB's project to replace IAS 39 will address impairment of financial assets measured at amortised cost and hedge accounting.
The IASB re-opened the requirements for classification and measurement in IFRS 9 in 2012 to address practice and other issues, with an exposure draft of revised proposals issued in November 2012.
The Company anticipates that IFRS 9 will be adopted in the Company's financial statements for the annual period beginning on 1 January 2015 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.
- e) IAS 19 'Employee Benefits' - In June 2011, the IASB issued amendments to IAS 19 that change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.
The Company anticipates that IAS 19 (2011) will be adopted in the Company's financial statements for the annual period beginning on 1 January 2013. The Company does not anticipate that these amendments to IAS 19 will have a significant impact on its profit or loss or financial position as the Company does not utilise the 'corridor approach'.
- f) In December 2011, the IASB issued amendments to IFRS 7 'Disclosures - Offsetting Financial Assets and Financial Liabilities' which requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are required to be applied retrospectively.
- g) In December 2011, the IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively.
The Company is currently assessing the impact of these clarifications but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES (continued)

Future accounting developments (continued)

- h) There are a number of other standards which have been issued or amended that are expected to be effective in future periods. However, it is not practicable to provide a reasonable estimate of their effects on the Company's financial statements until a detailed review has been completed.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. All such revenue is reported net of discounts and value added and other sales taxes.

Upfront arrangement fees on financing agreements with customers are spread on an effective interest rate basis over the expected life of that agreement.

Finance income and finance costs

Income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit and loss are determined using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of the financial instrument and all other premiums or discounts. Interest income on assets classified as loans and receivables, interest expense on liabilities classified at amortised cost and interest income and expense on hedging derivatives are recognised in the income statement.

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 income statement 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

The Company does not hold cash or cash equivalents.

MITRE CAPITAL PARTNERS LIMITED - 5831018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument

Financial assets

The Company classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market and which are not classified as available-for-sale or fair value through profit or loss

'Loans and advances to customers' are classed as Loans and Receivables 'Net investment in finance leases' are treated in accordance with the Company's policy on finance lease agreements

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 rate method, less any impairment. Interest calculated using the effective interest rate method is recognised in the income statement. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all of the risks and rewards of ownership

Financial liabilities

Financial liabilities are initially recognised when the Company becomes contractually bound to the transfer of economic benefits in the future. Financial liabilities are derecognised when extinguished

Non-trading financial liabilities are initially recognised at fair value net of transaction costs incurred. They are subsequently stated at amortised cost and the redemption value recognised in the income statement over the period of the liability using the effective interest rate method

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

Effective interest method

Interest expense on financial assets and liabilities held at amortised cost is measured using the effective interest rate method, which allocates the interest income or interest expense over the expected life of the lease agreements. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount on initial recognition

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, are experiencing significant financial difficulty, or the debt has been restructured to reduce the burden to the borrower. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events

- a) significant financial difficulty of the issuer or obligor,
- b) a breach of contract, such as a default or delinquency in interest or principal payments,
- c) the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Company would not otherwise consider,
- d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation,
- e) the disappearance of an active market for that financial asset because of financial difficulties, or

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including
 - i) adverse changes in the payment status of borrowers in the group, or
 - ii) national or local economic conditions that correlate with defaults on the assets in the group

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is no objective evidence of impairment for an individually assessed financial asset it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Commercial lending is reviewed for impairment on a case by case basis for individually significant loans. Loans that are not individually significant are assessed for impairment on a portfolio basis.

Impairment is calculated based on the probability of default, exposure at default and the loss given default, using recent data. An adjustment is made for the effect of discounting cash flows.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate.

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

Property, plant and equipment and depreciation

The cost of additions and improvements to office premises, fixtures and fittings, and equipment is capitalised. The cost of fixed assets less estimated residual value is written off on a straight line basis over the estimated useful lives as follows:

Fixtures and fittings	5 years
IT equipment	4 years

2 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 Loss Allowances

Individual impairment loss allowances are made in respect of finance and rental agreements where recovery is considered doubtful, a collective impairment loss allowance is made for losses which, although not specifically identified, are known to be inherent in any portfolio of lending. The impairment loss allowances are deducted from the net investment in finance agreements. The charge in the income statement comprises write offs, recoveries and the net movement in impairment loss allowances in the year.

Effective interest rate calculations

IAS 39 "Financial Instruments: Recognition and Measurement" requires certain financial assets and liabilities to be held at amortised cost, with income recognised using the effective interest rate (EIR) methodology. In order to calculate EIR, the contracted repayment profile is used. If customers repay earlier than anticipated, this will generally lead to a reduction in the Balance Sheet carrying value and a gain in the Income Statement.

MITRE CAPITAL PARTNERS LIMITED - 5831018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3. 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 her to specific individuals. Formal standing committees are maintained for effective management of oversight. Their authority is derived from the person they are intended to assist. Further information can be found in the Santander UK plc Annual Report which does not form part of this Report.

4 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. This includes regulatory, legal and compliance risk. Operational risk is monitored and managed within 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.

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 credit, or for which the Company has assumed a financial obligation, after realising collateral held. 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.

Lending decisions are based on independent credit risk analysis supplemented by the use of internal ratings tools which assess the obligor's likelihood of default. The output of the ratings tools is a borrower grade which maps to a long-run average one year probability of default.

Borrower grades are reviewed at least annually, allowing identification of adverse individual and sector trends. The grade is integrated into an overall Credit & Risk evaluation, including wider factors such as transaction and borrower structure (ranking and structural subordination), debt serviceability and security (initial and residual value considerations). Consideration is also given to risk mitigation measures to protect the Company, such as third-party guarantees, supporting collateral and security, robust legal documentation, financial covenants and hedging. Transactions are further assessed using an internal pricing model which measures both the return on equity and the risk adjusted return on capital against a series of benchmarks to ensure risks are appropriately priced.

Portfolio asset quality monitoring is based on a number of measures, including expected loss, financial covenant monitoring, security revaluations, pricing movements and external input from rating agencies and other organisations. Should particular exposures begin to show adverse features such as payment arrears, covenant breaches or business trading performance that is materially worse than expected at the point of lending, a full risk reappraisal is undertaken. Where appropriate, case management is transferred to a specialist recovery team that works with the customer in an attempt to resolve the situation. If this does not prove possible, cases are classified as being unsatisfactory and are subject to intensive monitoring and management procedures designed to maximise debt recovery.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

4. RISK MANAGEMENT DISCLOSURES (continued)

Credit risk (continued)

At 31 December 2012, the lending book exposures wholly related to the property industry 100% (2011 100%) of these balances were secured. The main types of security are charges over property assets being financed.

Arrears and impairment

100% (2011 89.5%) of the Company's lending balances were over 30 days in arrears or individually impaired at 31 December 2012.

Payment due status

	2012		2011	
	Total loans and advances to customers		Total loans and advances to customers	
	£	%	£	%
Not impaired				
Neither past due nor impaired	-	0	15,232,761	10.5
Past due up to 3 months but not impaired	-		-	
Impaired				
Past due 3 to 5 months	-		-	
Past due over 5 months	-		-	
Individually assessed impairments	98,401,575	100	129,686,552	89.5
	98,401,575	100	144,919,313	100
Provisions	(73,620,388)		(65,229,260)	
Total	24,781,187		79,690,053	

The carrying value of repossessed stock at 31 December 2012 was £Nil (2011 £Nil).

The fair value of collateral on impaired assets at 31 December 2012 was £22,544,921 (2011 £63,457,280).

Interest accrued on impaired assets at 31 December 2012 was £149,891 (2011 £156,632).

The portfolio is subject to regular monitoring for potential impairment under the impairment of financial assets policy set out in note 1.

This monitoring includes review of each counterparty's repayment record and examination of new financial and business sector information relevant to each counterparty. In the event of deterioration in a counterparty's creditworthiness being identified through this monitoring a thorough analysis is undertaken to establish the full circumstances surrounding the cause and severity of that deterioration. Where this indicates a reasonable expectation that future anticipated cashflows may not be received, the asset originating these doubtful cashflows is deemed to be impaired. Typical reasons for an impairment charge being made include counterparty insolvency, failure to make agreed repayments or a breach of a covenant included within facility documentation.

Loans up to 3 months past due have a collective impairment loss allowance set aside to cover losses on loans which are not yet identifiable.

All customer exposures are to corporates and principals involved in developments.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

4. RISK MANAGEMENT DISCLOSURES (continued)

Arrears and impairment (continued)

Impairment loss allowances on loans and advances

	2012 £	2011 £
At 1 January		
Individual	65,229,260	61,965,291
Collective	-	591,611
Total impairments	65,229,260	62,556,902
Charge for the year	45,352,365	12,590,996
Impairment loss allowance utilised in the year	(34,724,971)	(9,082,660)
Forex	(2,236,266)	(835,978)
Total amounts charged in year	8,391,128	2,672,358
At 31 December		
Individual	73,620,388	65,229,260
Collective	-	-
Total impairments	73,620,388	65,229,260

Market risk

Market risk is the risk of a reduction in economic value or reported income resulting from a change in the variables of financial instruments including interest rate, equity, credit spread, property and foreign currency risks. 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 Santander UK plc Annual Report – Risk Management, which does not form part of this Report.

Interest rate risk

Interest rate risk is the most significant market risk to which the Company is exposed. This risk mainly arises from mismatches between the re-pricing dates of the interest bearing assets and liabilities on the Company's Balance Sheet, and from the investment of the Company's reserves. Interest rate risk primarily arises in the Company's leasing trade. The exposure in this area is hedged with Santander UK plc Treasury function using fixed rate loans and other appropriate instruments.

Changes in interest rates would result in no impact on either the equity of the Company or on the profit before tax as interest is allocated on a lease agreement by lease agreement basis within the Company and all interest rate risk is borne by the ultimate UK parent company, Santander UK plc.

Liquidity risk

Liquidity risk is the risk that the Company, though solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can only secure them at excessive cost.

The Company is dependent on loans from its immediate parent company Santander UK plc. All liabilities are repayable on demand.

The day to day management of liquidity is the responsibility of Asset and Liability Management ("ALM") within Santander UK plc's Group Infrastructure, which provides funding to and takes surplus funds from the Company as required.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

4 RISK MANAGEMENT DISCLOSURES (continued)

Liquidity risk (continued)

The following table analyses the Company's non-derivative liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date (to contractual maturity). These have been drawn on the undiscounted contractual maturities of financial liabilities including interest that will accrue to those liabilities except where the Company is entitled and intends to repay the liability before its maturity.

2012	Repayable on demand £	Less than 3 months £	3 to 12 months £	1 to 5 years £	Over 5 years £	Total £
Due to suppliers	3,189,988	-	-	-	-	3,189,988
Due to related parties	145,422,487	-	-	-	-	145,422,487
Total liabilities	148,612,475	-	-	-	-	148,612,475

2011	Repayable on demand £	Less than 3 months £	3 to 12 months £	1 to 5 years £	Over 5 years £	Total £
Due to suppliers	4,272,933	-	-	-	-	4,272,933
Due to related parties	157,217,698	-	-	-	-	157,217,698
Total liabilities	161,490,631	-	-	-	-	161,490,631

5 LOSS FROM OPERATIONS

Loss from operations is stated after charging depreciation of £Nil (2011 £4,408) and impairment losses on loans and advances £45,352,365 (2011 £12,590,996).

Auditors' remuneration

Auditors' remuneration of £11,700 (2011 £11,700) was borne by the immediate parent company in the current 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 during the year or the preceding year. The Company had no employees in either the current or the preceding year.

The directors' aggregate emoluments in respect of qualifying services to the Company are borne by the ultimate UK parent company Santander UK plc and were:

	2012 £	2011 £
Emoluments receivable	-	244,521
Compensation for loss of office	-	30,000
Value of company pension contributions to money purchase schemes	-	4,975
Total	-	279,496

No directors accrued benefits under a Money Purchase pension scheme (2011 one).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

6 FINANCE INCOME / (COSTS)

	2012 £	2011 £
Interest payable	(3)	(28)
Currency gains	603,924	1,607,086
	603,921	1,607,058

7. TAX

	2012 £	2011 £
Current tax		
UK corporation tax on loss of the year	(11,232,546)	(2,552,083)
Adjustments in respect of prior years	108,085	-
	(11,124,461)	(2,552,083)

UK corporation tax is calculated at 24.5% (2011: 26.5%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 26% to 24% with effect from 1 April 2012.

The Finance Act 2012, which provides for a reduction in the main rate of UK corporation tax to 23% effective from 1 April 2013 was enacted on 17 July 2012. As this change in rate was substantively enacted prior to 31 December 2012, it has been reflected in the deferred tax asset at 31 December 2012. The UK Government has also indicated that it intends to enact further reductions in the main tax rate, to 21% by 1 April 2014, and then to 20% by 1 April 2015. These changes to the main tax rate have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The tax on the Company's loss (2011: loss) before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2012 £	2011 £
Loss before tax	(45,841,892)	(9,630,501)
	(11,231,263)	(2,552,083)
Tax calculated at a rate of 24.5% (2011: 26.5%)	108,085	-
Adjustment to prior year provisions	-	707
Non deductible expenses	(1,283)	(707)
Movement in current period deferred tax not recognised	(11,124,461)	(2,552,083)

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

8 INTANGIBLE ASSETS

	2012 £	2011 £
Goodwill		
Cost		
At 1 January	-	2,550,504
Disposals	-	(2,550,504)
At 31 December	-	-
Accumulated Impairment losses		
At 1 January	-	(2,550,504)
Disposals	-	2,550,504
At 31 December	-	-
Net book value		
At 31 December	-	-

9 PROPERTY, PLANT AND EQUIPMENT

	2012 £	2011 £
Cost		
At 1 January	21,754	21,754
Disposals	-	-
At 31 December	21,574	21,754
Accumulated Depreciation		
At 1 January	21,754	17,346
Charge for year	-	4,408
At 31 December	21,574	21,754
Net book value		
At 31 December	-	-

10 TRADE AND OTHER RECEIVABLES

	2012 £	2011 £
Current		
Loan agreement receivables	24,781,187	79,690,053
Other receivables	185,544	569,084
Amounts due from related parties (note 12)	11,922,611	4,225,792
Total trade and other receivables	36,889,342	84,484,929

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.

MITRE CAPITAL PARTNERS LIMITED - 5831018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

12 RELATED PARTY TRANSACTIONS

Trading activities

Amounts due to related parties

	2012	2011
	£	£
Tax Group relief	-	139,310
Amounts due to parent undertakings	145,422,487	157,078,388
	145,422,487	157,217,698

The Company entered into transactions with other related parties as shown in the table below

	2012	2011
	£	£
Amount due to parent undertakings		
As at 1 January	157,217,698	180,632,809
Net movements	(11,795,211)	(23,415,111)
As at 31 December (note 13)	145,422,487	157,217,698
Interest paid to parent undertakings	816,476	1,928,425

The amounts due to related parties are unsecured, repayable on demand and bear interest at market rates

Administrative expenses

During the year, administrative expenses of £608,762, of which £490,243 related to 2011, were recharged by parent undertaking, Santander UK plc (2011 £Nil). Also during the year, administrative expenses of £226,703, of which £113,013 related to 2011, were recharged by fellow subsidiary undertaking, Santander Asset Finance plc (2011 £Nil).

Amounts due from related parties

	2012	2011
	£	£
Amounts receivable from other group companies	937,460	4,225,792
Tax Group relief	10,985,151	-
	11,922,611	4,225,792

The Company entered into transactions with other related parties as shown in the table below

	2012	2011
	£	£
Amounts due from parent undertakings		
As at 1 January	4,225,792	1,701,683
Net movements	7,696,819	2,524,109
As at 31 December (note 10)	11,922,611	4,225,792

13 TRADE AND OTHER PAYABLES

	2012	2011
	£	£
Payable to related parties (note 12)	145,422,487	157,217,698
Other payables	3,189,988	4,272,933
	148,612,475	161,490,631

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

14 DEFERRED TAX ASSET

Deferred tax assets are attributable to the following items

	Unprovided 2012	2011
	£	£
Deferred tax assets		
Tax losses carried forward	12,833,643	13,949,612
Accelerated book depreciation	5,305	7,075
	<u>12,838,948</u>	<u>13,956,687</u>

The deferred tax assets scheduled above have not been recognised in the Company on the basis that sufficient future taxable profits are not forecast within the foreseeable future, in excess of the profits arising from the reversal of existing taxable temporary differences, to allow for the utilisation of the assets as they reverse. Under current UK tax legislation, the tax losses in respect of which deferred tax assets have not been recognised do not expire. The benefit of the tax losses carried forward in the Company may only be realised by utilisation against the future taxable profits of the Company.

15 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following

	2012	2011
	£	£
Cash at bank	<u>-</u>	<u>-</u>

16. ISSUED SHARE CAPITAL

	2012 No	2012 £	2011 No	2011 £
Issued and fully paid				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

All issued share capital is classified as equity

17 CONTINGENT LIABILITIES

The Company, along with certain other subsidiaries of Santander UK plc, is a party to a capital support deed dated 14 December 2012 with Santander UK plc, Abbey National Treasury Services plc and Cater Allen Limited (each a "regulated entity"). The Capital Support Deed supports a core UK group for the purposes of section 10 of the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") of the FSA Handbook. Under section 10.8 of BIPRU, exposures of each regulated entity to other members of the core UK group, including the Company, are exempt from large exposure limits that would otherwise apply. The purpose of the Capital Support Deed is to facilitate the prompt transfer of available capital resources or repayment of liabilities to a regulated entity to ensure that a regulated entity continues to comply with requirements relating to capital resources and risk concentrations.

18 PARENT UNDERTAKING AND CONTROLLING PARTY

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

The Company's ultimate parent undertaking and controlling party is Banco Santander, 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.