

COMPANY REGISTRATION NUMBER 5831018

# MITRE CAPITAL PARTNERS LIMITED

## FINANCIAL STATEMENTS

31 DECEMBER 2009

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**MITRE CAPITAL PARTNERS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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**MITRE CAPITAL PARTNERS LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

<b>Company registration number</b>	5831018
<b>The board of directors</b>	A E Briggs C R Morley S R Murrell S J Pateman D E Pearson
<b>Company secretary</b>	R A Hawker
<b>Registered office</b>	Building 3 Floor 2 Carlton Park Narborough Leicester LE19 0AL
<b>Statutory auditor</b>	Deloitte LLP Chartered Accountants & Statutory Auditors Birmingham United Kingdom
<b>Bankers</b>	Alliance & Leicester plc Bridle Road Bootle Merseyside L30 4GB

# **MITRE CAPITAL PARTNERS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

The directors present their report and audited financial statements for Mitre Capital Partners Limited, company registration number 5831018 (the "Company"), for the year ended 31 December 2009

#### **RESULTS AND DIVIDENDS**

The loss for the year on ordinary activities after taxation amounted to £42,248,864 (2008 loss £37,099,343) The directors are unable to recommend a dividend (2008 Same)

#### **CONTROLLING PARTY AND PARENT UNDERTAKINGS**

The immediate parent undertaking is Alliance & Leicester plc

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

On 1 May 2009 Lanebridge Securities Limited ceased to have a controlling interest in the Company as disclosed in the Group restructure section below

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

The controlling party Banco Santander S A delegates various authorities to the intermediate parent undertaking of the Company, Santander UK plc (formerly Abbey National plc) and to the immediate parent undertaking Alliance & Leicester plc. These parent undertakings are collectively referred to as associated parent undertakings in this Report and in the notes to financial statements

#### **GROUP RESTRUCTURE**

On 1 May 2009, the Company's immediate parent undertaking, Lanebridge Securities Limited, sold its entire shareholding in the Company to a fellow group undertaking, Alliance & Leicester plc On that date Lanebridge Securities Limited ceased to have a controlling interest in the Company and Alliance & Leicester plc became the immediate parent undertaking

The Group restructure resulted in a net loss to the Company of £13,540,483 This net loss was taken to the Income Statement as disclosed in note 9 to the financial statements

The waiver of an intercompany loan of £26,828,710 (2008 £Nil) from the Company's immediate parent undertaking Lanebridge Securities Limited, is reported in the Statement of Changes in Equity – Other reserves on page 11 and is disclosed in note 11 to the financial statements

As part of this Group restructure certain loan agreements were sold by the Company to Lanebridge Securities Limited at their market value

Subsequently, Alliance & Leicester plc sold its entire shareholding in Lanebridge Securities Limited to a third party

#### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The Company is a wholly owned subsidiary of Alliance & Leicester plc and operates as part of Banco Santander S A 's Corporate Banking Division within the United Kingdom Operation

The Company's principal activities are those of financiers of property assets for the commercial property sector

# **MITRE CAPITAL PARTNERS LIMITED**

## **DIRECTORS' REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES (continued)**

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.

As shown in the Company's Income Statement on page 10, the Company's loss from operations decreased during the year compared to the prior year due to impairment charges incurred in the prior year.

The Balance Sheet on page 12 shows that the net liabilities of the Company increased during the year. Details of amounts owed by the Company's immediate parent undertaking at 31 December 2009 are shown in note 15 to the financial statements.

The Santander UK Group manages operations on a divisional basis. For this reason, the Company's directors believe that non-financial 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 Santander UK Group which includes the Company, are discussed in the Group's Annual Report which does not form part of this Report.

The Key Performance Indicators (KPIs) for the Company are set out below.

#### **Loss from operations**

2009 £37,149,524

2008 £41,811,743

#### **Customer balances**

2009 £144,170,482

2008 £208,262,738

#### **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. The Company's objectives, policies and processes for managing its capital are described in note 21 to the financial statements.

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

# **MITRE CAPITAL PARTNERS LIMITED**

## **DIRECTORS' REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **STATEMENT OF GOING CONCERN (continued)**

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

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

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

#### **DIRECTORS**

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

S Annison	(Resigned 1 May 2009)
P A Cragg	(Resigned 20 April 2009)
P J Griggs	(Resigned 1 May 2009)
J D Mitchell	(Resigned 30 June 2009)
A E Briggs	(Appointed 22 January 2009)
S J Pateman	(Appointed 22 January 2009)
C R Morley	
S R Murrell	
D E Pearson	
C D Sutton	(Resigned 30 June 2009)
C T F White	(Resigned 1 May 2009)

#### **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

# **MITRE CAPITAL PARTNERS LIMITED**

## **DIRECTORS' REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)**

- 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.

#### **DIRECTORS' INTERESTS IN CONTRACTS**

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

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are operational risk, credit risk and liquidity risk. The Company's risks were managed during the year on a group level by the ultimate parent company, Banco Santander S.A. and the intermediate parent undertaking Santander UK plc.

The Company is financed by loans from its immediate parent undertaking, Alliance & Leicester 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 the intermediate parent company, Santander UK plc, has confirmed that the funding will remain in place for the foreseeable future. Santander UK plc is itself exposed to negative impacts on the availability of liquidity and on levels of capital arising out of the current economic climate. In confirming the availability of funding to the Company, the Board of Santander UK plc has taken account of its own ability to manage these risks. More details on the management of these risks is given in note 5.

Residual values are reviewed for impairment in line with the policy of the immediate parent undertaking, Alliance & Leicester plc, and an appropriate provision is recognised in the Income Statement.

#### **DISCLOSURE OF 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 Annual Report and Financial Statements. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

# **MITRE CAPITAL PARTNERS LIMITED**

## **DIRECTORS' REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **AUDITORS**

Each of the directors as at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given in accordance with the provisions of Section 418 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



Colin Richard Morley  
Director

16 April 2010

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITRE CAPITAL PARTNERS LIMITED**

We have audited the financial statements of Mitre Capital Partners Limited, (the "Company"), for the year ended 31 December 2009 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

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

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its 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.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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 Auditors  
Birmingham  
United Kingdom

27 April 2010

**MITRE CAPITAL PARTNERS LIMITED**  
**(COMPANY REGISTRATION NUMBER 5831018)**

**INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £	2008 £
Revenue	22	7,963,224	18,697,269
Cost of sales finance costs		(4,195,911)	(13,924,926)
<b>GROSS PROFIT</b>		<b>3,767,313</b>	<b>4,772,343</b>
Administrative expenses		(1,774,030)	(3,249,854)
Impairment losses on loans and advances		(39,142,807)	(40,783,728)
Impairment in goodwill	12	-	(2,550,504)
<b>LOSS FROM OPERATIONS</b>	6	<b>(37,149,524)</b>	<b>(41,811,743)</b>
Finance income	8	1,048	287,557
Loss on group restructure	9	(13,540,483)	-
<b>LOSS BEFORE TAX</b>		<b>(50,688,959)</b>	<b>(41,524,186)</b>
Corporation tax income	10	8,440,095	4,424,843
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF MITRE CAPITAL PARTNERS LIMITED</b>		<b><u>(42,248,864)</u></b>	<b><u>(37,099,343)</u></b>

All of the activities of the Company are classed as continuing

The notes on pages 14 to 32 form part of these financial statements

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

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

The notes on pages 14 to 32 form part of these financial statements

**MITRE CAPITAL PARTNERS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	Issued capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1 January 2009		1	(38,934,324)	-	(38,934,323)
Loss for the year		-	(42,248,864)	-	(42,248,864)
Waiver of intercompany loan	11	-	-	26,828,710	26,828,710
Balance at 31 December 2009		<u>1</u>	<u>(81,183,188)</u>	<u>26,828,710</u>	<u>(54,354,477)</u>

		Issued capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1 January 2008		1	(1,834,981)	-	(1,834,980)
Loss for the year		-	(37,099,343)	-	(37,099,343)
Balance at 31 December 2008		<u>1</u>	<u>(38,934,324)</u>	<u>-</u>	<u>(38,934,323)</u>

The notes on pages 14 to 32 form part of these financial statements

**MITRE CAPITAL PARTNERS LIMITED**  
**(COMPANY REGISTRATION NUMBER 5831018)**

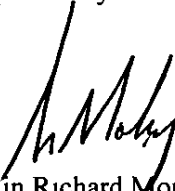
**BALANCE SHEET**

**AS AT 31 DECEMBER 2009**

	Notes	2009 £	2008 £
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Intangible assets	12	-	-
Property, plant and equipment	13	<u>175,281</u>	<u>248,730</u>
		<b>175,281</b>	<b>248,730</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	<u>159,233,186</u>	<u>218,972,976</u>
Cash and cash equivalents	16	<u>-</u>	<u>-</u>
		<b>159,233,186</b>	<b>218,972,976</b>
<b>TOTAL ASSETS</b>		<b><u>159,408,467</u></b>	<b><u>219,221,706</u></b>
<b>EQUITY</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
Issued share capital	17	<u>1</u>	<u>1</u>
Retained loss		<u>(81,183,188)</u>	<u>(38,934,324)</u>
Other reserves		<u>26,828,710</u>	<u>-</u>
<b>DEFICIT ATTRIBUTABLE TO EQUITY HOLDERS OF MITRE CAPITAL PARTNERS LIMITED</b>		<b>(54,354,477)</b>	<b>(38,934,323)</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	<u>213,762,944</u>	<u>258,156,029</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>159,408,467</u></b>	<b><u>219,221,706</u></b>

The notes on pages 14 to 32 form part of these financial statements

Approved by the Board on 16 April 2010 and signed on its behalf by

  
Colin Richard Morley  
Director

**MITRE CAPITAL PARTNERS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £	2008 £
<b>Loss for the year</b>		<b>(42,248,864)</b>	<b>(37,099,343)</b>
<b>NON-CASH ADJUSTMENTS</b>			
Depreciation		69,692	69,693
Loss on disposal of property, plant and equipment		3,757	-
Impairment of goodwill		-	2,550,504
Decrease/(increase) in trade and other receivables		64,415,691	(22,118,057)
Increase in consortium relief		(1,488,938)	(5,043,379)
Increase/(decrease) in trade and other payables		5,933,659	(8,286)
Decrease in deferred taxes		-	635,161
Waiver of intercompany loan		26,828,710	-
		<u>95,762,571</u>	<u>(23,914,364)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>53,513,707</b>	<b>(61,013,707)</b>
Group relief paid		(6,927,041)	(16,625)
Consortium relief paid		-	-
Interest paid to parent undertakings		-	(15,113,716)
Management charges paid to parent undertakings		-	(613,088)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(6,927,041)</b>	<b>(15,743,429)</b>
		<u>46,586,666</u>	<u>(76,757,136)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Cash advances to)/receipt of cash advances from related parties		(46,586,666)	76,757,136
		<u>(46,586,666)</u>	<u>76,757,136</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents as at 1 January		-	-
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b>16</b>	<u><b>-</b></u>	<u><b>-</b></u>

The notes on pages 14 to 32 form part of these financial statements

# **MITRE CAPITAL PARTNERS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

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

The financial statements for Mitre Capital Partners Limited, company registration number 5831018 (the "Company"), for the year were authorised for issue on 16 April 2010 and the Balance Sheet signed on the Board's behalf by Colin Richard Morley. The Company is incorporated and domiciled in England & Wales. The Company's registered office is shown on page 2.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS adopted for use by the European Union. In 2009, the Company adopted the following new or revised IFRS:

- a) IAS 23 'Borrowing Costs' – On 29 March 2007, the IASB issued an amendment to IAS 23 'Borrowing costs' which removes the option to expense borrowing costs incurred during the acquisition, construction or production of a qualifying asset. The adoption of the amendment to IAS 23 did not have any impact on the Company's profit or loss or financial position.
- b) IAS 1 'Presentation of Financial Statements' – On 6 September 2007, the IASB issued an amendment to IAS 1 'Presentation of Financial Statements' which changes the way in which non-owner changes in equity are required to be presented. As a result, a 'Statement of Changes in Equity' has been included as a separate primary financial statement showing changes in equity during the periods presented. In addition, the Statement of Recognised Income and Expenses has been replaced with a 'Statement of Comprehensive Income'. The adoption of the amendment to IAS 1 did not have any impact on the Company's profit or loss or financial position.
- c) IFRS 2 'Share based payments - vesting conditions and cancellations' – On 17 January 2008, the IASB issued an amendment to IFRS 2 'Share based payments' which requires share option awards lapsing due to a failure to meet the service condition to be treated as cancellations rather than forfeitures. The adoption of the amendment to IFRS 2 did not have any impact on the Company's profit or loss or financial position.
- d) IFRS 7 'Financial Instruments Disclosures - Improving Disclosures about Financial Instruments' – On 5 March 2009, the IASB issued an amendment to IFRS 7 'Financial Instruments Disclosures' which requires enhanced disclosures about fair value measurements and liquidity risk. Among other things, the amendment:
  - (1) requires disclosure of any change in the method for determining fair value and the reasons for the change,
  - (2) establishes a three-level hierarchy for making fair value measurements,
  - (3) requires disclosure for each fair value measurement in the balance sheet of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever level 3 of the hierarchy is used including a measure of sensitivity to a change in input data,
  - (4) clarifies that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts, and
  - (5) requires disclosure of a maturity analysis for derivative financial liabilities. The disclosures required by the amendment to IFRS 7 are reported in note 5 to the financial statement.

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

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

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**2. ACCOUNTING POLICIES**

**Accounting convention**

The Company prepares its accounts under the historical cost convention and on the going concern basis. The directors continue to adopt the going concern basis as disclosed in the Directors' Report - Statement of Going Concern. The principal policies adopted are set out below.

**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.

**Interest expense recognition**

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 relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

**Taxation**

The tax income represents the sum of the tax currently receivable and deferred income tax.

The tax currently receivable is based on taxable profit for the year. Taxable profit differs from 'Profit before tax' as reported in the Income Statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxable profit also includes items that are taxable or deductible that are not included in 'Profit before tax'. The Company's asset for current tax and deferred tax is calculated using tax rates that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**2. ACCOUNTING POLICIES (continued)**

**Financial assets**

The company classifies all its financial assets as determined at initial recognition as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are carried at amortised cost using the effective interest rate method. Interest calculated using the effective interest rate method is recognised in the income statement.

Trade and other receivables are recognised by the Company and carried at original invoice amount less an allowance for any uncollectible or impaired amounts.

**Financial liabilities**

Non-trading financial liabilities are held at amortised cost. Finance costs are charged to the Income Statement 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.

**Impairment of financial assets**

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets. 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
- 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.

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. ACCOUNTING POLICIES (continued)**

**Impairment of financial assets (continued)**

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.

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**Foreign currencies**

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

**Intangible fixed assets**

Intangible fixed assets are included at cost and are subject to annual impairment tests.

Goodwill

Indefinite life

**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

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. ACCOUNTING POLICIES (continued)**

**Changes to IFRS not adopted in the 2009 accounts**

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

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

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

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

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. ACCOUNTING POLICIES (continued)**

**Changes to IFRS not adopted in the 2009 accounts (continued)**

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

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

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

**3. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF SIGNIFICANT MANAGEMENT JUDGEMENT**

Some asset and liability amounts reported in the accounts are based on management judgement, estimates and assumptions. There is a risk of significant changes to the carrying amounts for these assets and liabilities within the next financial year.

**Provisions for bad and doubtful debts**

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

**Impairment of intangible assets**

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

**Effective interest rate calculations**

IAS 39 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 an increase in the Balance Sheet carrying value and a gain in the Income Statement.

# **MITRE CAPITAL PARTNERS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **4. RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK**

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are operational risk, credit risk and liquidity risk. The Company manages its risk in line with the central risk management function of the Santander UK Group. Santander UK's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Santander UK Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Santander UK Group's strategic objectives. Authority flows from the Santander UK plc Board to the Chief Executive Officer and from him to his direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management and oversight. Further information can be found in the Santander UK plc Annual Report which does not form part of this report.

#### **5. RISK MANAGEMENT DISCLOSURES**

##### **Operational risk**

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

##### **Credit risk**

Credit risk is the risk of loss arising from a customer or counterparty failing to meet their financial obligations to the Company as and when they fall due. The credit quality of customer assets is mitigated by the credit approval process in place. Credit risk is mitigated by security taken over the borrower's assets. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

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.

# MITRE CAPITAL PARTNERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2009

#### 5. RISK MANAGEMENT DISCLOSURES (continued)

##### Credit risk (continued)

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.

At 31 December 2009, the lending book exposures wholly related to the property industry 100% (2008 100%) of these balances were secured. The main types of security are charges over property assets being financed.

##### Arrears and impairment

60.8% (2008 32.1%) of the Company's lending balances were over 30 days in arrears or individually impaired at 31 December 2008.

##### Payment due status

	2009		2008	
	Total loans and advances to customers		Total loans and advances to customers	
	£	%	£	%
<b>Not impaired</b>				
Neither past due nor impaired	79,603,440	39.2	172,596,999	67.9
Past due up to 3 months but not impaired			-	-
<b>Impaired</b>				
Past due 3 to 5 months			-	-
Past due over 5 months			-	-
<b>Individually assessed impairments</b>	<b>123,541,279</b>	<b>60.8</b>	<b>81,424,288</b>	<b>32.1</b>
	<b>203,144,719</b>	<b>100</b>	<b>254,021,287</b>	<b>100</b>
Provisions	(58,974,237)		(45,758,549)	
<b>Total</b>	<b>144,170,482</b>		<b>208,262,738</b>	

The carrying value of repossessed assets at 31 December 2009 was £Nil (2008 £Nil).

The fair value of collateral on impaired assets at 31 December 2009 was £65,158,632 (2008 £58,558,545).

Interest accrued on impaired assets at 31 December 2009 was £94,077 (2008 £158,700).

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**5. RISK MANAGEMENT DISCLOSURES (continued)**

**Arrears and impairment (continued)**

The portfolio is subject to regular monitoring for potential impairment. 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.

£Nil (2008: £Nil) of loans that would have been past due or impaired, have had their terms renegotiated. In the normal course of business some loans to customers have had their maturity dates extended.

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

£Nil of loans are bank guaranteed in accordance with a sub-participation agreement with the non-related bank (2008: £17,366,965).

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

**Impairment on loans and advances**

	2009 £	2008 £
At 1 January		
Individual	23,148,513	4,731,335
Collective	22,610,036	740,294
Total impairments	<u>45,758,549</u>	<u>5,471,629</u>
Charge for the year	39,142,807	40,783,728
Provision utilised in the year	(25,927,119)	(496,808)
Total amounts charged in year	<u>13,215,688</u>	<u>40,286,920</u>
At 31 December		
Individual	58,382,626	23,148,513
Collective	591,611	22,610,036
Total impairments	<u>58,974,237</u>	<u>45,758,549</u>

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. RISK MANAGEMENT DISCLOSURES (continued)**

**Market risk**

Market risk is the potential adverse change in Company income or the value of Company net worth arising from movements in market rates, including interest rates, exchange rates, inflation rates and equity prices. The Company recognises that the effective management of market risk is essential to the maintenance of stable earnings and the preservation of shareholder value, and manages market risk accordingly. Details of the market risk management policy are disclosed in the Risk Management Policy and Control Framework in the Santander UK plc Annual Report.

**Interest rate risk**

Interest 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. The exposure in this area is hedged with Santander UK plc Treasury using fixed rate loans and other appropriate instruments.

Value at Risk (VaR) is a measurement of the maximum amount likely to be lost from existing risk positions as a result of movement in market rates and prices. This is calculated over a particular period and at a particular confidence level.

Santander UK plc treasury uses a variance-covariance VaR model, based on historical volatility and correlation data, to a 95% confidence level over a 1 month holding period time horizon.

Although it is a useful tool in measuring Risk, VaR does contain some limitations:

- It does not accurately measure extreme events
- The use of a 95% confidence level does not by definition include losses beyond this level of confidence
- It relies on the historical volatility and correlation data being similar to the volatility and correlation positions going forward.

The interest rate value at risk exposure for the Company at 31 December 2009 and at 31 December 2008 was immaterial.

**Foreign exchange risk**

The Company clears its positions with Santander UK plc treasury function in accordance with the policy of transferring market risk positions to Santander UK plc treasury wherever possible. As part of its normal operations Santander UK plc treasury borrows and invests funds in currencies other than Sterling. The foreign exchange risks of these activities are hedged within Santander UK plc treasury's limits.

**Equity risk**

The Company has no material exposure to equity markets.

**MITRE CAPITAL PARTNERS LIMITED**  
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**5. RISK MANAGEMENT DISCLOSURES (continued)**

**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 undertaking

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

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

2009	Repayable on demand £	Less than 3 months £	3 to 12 months £	1 to 5 years £	Over 5 years £	Total £
Due to suppliers	6,121,431	-	-	-	-	6,121,431
Due to related parties	207,641,513	-	-	-	-	207,641,513
<b>Total liabilities</b>	<b>213,762,944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>213,762,944</b>
2008	Repayable on demand £	Less than 3 months £	3 to 12 months £	1 to 5 years £	Over 5 years £	Total £
Due to suppliers	187,772	-	-	-	-	187,772
Due to related parties	257,968,257	-	-	-	-	257,968,257
<b>Total liabilities</b>	<b>258,156,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>258,156,029</b>

**Fair values of financial assets and liabilities**

The fair value of the Company's financial assets and liabilities is approximate to their carrying values

**MITRE CAPITAL PARTNERS LIMITED**  
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**6. LOSS FROM OPERATIONS**

Loss from operations is stated after charging the following

	<b>2009</b>	2008
	<b>£</b>	<b>£</b>
Impairment losses on loans and advances	<b>39,142,807</b>	40,783,728
Impairment in goodwill	-	2,550,504
Depreciation	<b>69,692</b>	69,693
Auditors' remuneration	<b>11,400</b>	4,441

Auditors' remuneration paid to Deloitte LLP relates to the statutory audit of the Company

No non-audit fees were paid in respect of the current or prior year

**Particulars of employees**

The average number of staff employed by the Company during the financial year were

	<b>2009</b>	2008
	<b>No</b>	<b>No</b>
Sales	<b>3</b>	6
Office, sales support and administration	<b>4</b>	6
Total	<b>7</b>	12

The aggregate payroll costs of the above were

	<b>2009</b>	2008
	<b>£</b>	<b>£</b>
Wages and salaries	<b>775,691</b>	1,394,324
Social security costs	<b>79,735</b>	164,520
Other pension costs	<b>76,726</b>	163,490
Total	<b>932,152</b>	1,722,334

**7. DIRECTORS' EMOLUMENTS**

Mr Morley is an employee of Alliance and Leicester plc, and his remuneration is borne by that company, with the majority of his services carried out in relation to that company and other Group companies

The director listed above deems it appropriate not to directly allocate any of the above directors' costs to the income statement of Mitre Capital Partners Limited

Mr Cragg, Mr Mitchell, Mr Murrell, Mr Pearson, and Mr Sutton were directors of Mitre Capital Partners Limited during the year, and their remuneration was borne by the Company, and disclosed below

No other directors received any emoluments in respect of qualifying services to the Company during the year (2008 £Nil)

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. DIRECTORS' EMOLUMENTS (continued)**

The directors' aggregate emoluments in respect of qualifying services were

	2009 £	2008 £
Emoluments receivable	502,790	974,908
Compensation for loss of office	506,787	128,948
Value of company pension contributions to money purchase schemes	48,709	134,505
Total	<u>1,058,286</u>	<u>1,238,361</u>

**Emoluments of highest paid director:**

	2009 £	2008 £
Emoluments receivable	153,676	232,570
Value of company pension contributions to money purchase schemes	17,184	32,500
Total	<u>170,860</u>	<u>265,070</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2009 No	2008 No
Money purchase schemes	<u>5</u>	<u>6</u>

**8. FINANCE INCOME**

	2009 £	2008 £
Interest receivable from related parties	1,048	287,557
	<u>1,048</u>	<u>287,557</u>

**9. LOSS ON GROUP RESTRUCTURE**

	2009 £	2008 £
Write off of inter company balances	(846,111)	-
Provisions and restructure costs	14,386,594	-
	<u>13,540,483</u>	<u>-</u>

The Group restructure took place on 1 May 2009 as detailed in the Directors' Report – Group Restructure

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. CORPORATION TAX INCOME**

**Components of Corporation tax income**

	2009 £	2008 £
<b>Current tax income</b>		
Current tax income	8,440,095	5,059,906
Adjustments to current tax of prior period	-	98
Current tax income (note 15)	<u>8,440,095</u>	<u>5,060,004</u>
<b>Deferred tax expense</b>		
Relating to origination and reversal of temporary differences	-	(651,191)
Adjustments to deferred tax of prior period	-	16,030
Deferred tax expense	<u>-</u>	<u>(635,161)</u>
Corporation tax income reported in income statement	<u>8,440,095</u>	<u>4,424,843</u>

**Reconciliation of corporation tax income to accounting profit**

The effective rate of tax for the year was lower than (2008 lower than) the standard rate of corporation tax in the UK for the year ended 31 December 2009 of 28% (2008 28.5%) where the Company generates substantially all its profits. The differences are explained below

	2009 £	2008 £
Loss on ordinary activities before taxation	<u>(50,688,959)</u>	<u>(41,524,186)</u>
Tax calculated at a tax rate of 28% (2008 28.5%)	14,192,909	11,834,393
Non-taxable income and disallowable expenses	(3,756,370)	(45,274)
Movement in deferred taxation not recognised	(1,996,444)	(6,729,215)
De-recognition of prior year deferred tax asset	-	(651,191)
Adjustment to tax expense in relation to prior years	-	16,130
Corporation tax income	<u>8,440,095</u>	<u>4,424,843</u>

**11. WAIVER OF INTERCOMPANY LOAN**

	2009 £	2008 £
Waiver of intercompany loan	<u>26,828,710</u>	-
	<u>26,828,710</u>	-

On 1 May 2009, the inter company loan was waived by the Company's immediate parent undertaking, Lanebridge Securities Limited.

As required by IAS 1 "Presentation of Financial Statements" this transaction has been disclosed in the statement of changes in equity

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**12. INTANGIBLE ASSETS**

	2009 £	2008 £
<b>Goodwill</b>		
<b>Cost</b>		
At 1 January	2,550,504	2,550,504
Additions in the year	-	-
At 31 December	<u>2,550,504</u>	<u>2,550,504</u>
<b>Accumulated Impairment losses</b>		
At 1 January	(2,550,504)	-
Impairment losses for the year	-	(2,550,504)
At 31 December	<u>(2,550,504)</u>	<u>(2,550,504)</u>
<b>Net book value</b>		
At 1 January	-	2,550,504
At 31 December	<u>-</u>	<u>-</u>

**Impairment of goodwill**

The prior year impairment loss of £2,550,504 was recognised following an impairment review

**13. PROPERTY, PLANT AND EQUIPMENT**

<b>Fixtures &amp; Fittings</b>	2009 £	2008 £
<b>Cost</b>		
At 1 January	334,468	334,468
Additions	-	-
Disposals	(3,757)	-
At 31 December	<u>330,711</u>	<u>334,468</u>
<b>Depreciation</b>		
At 1 January	85,738	16,045
Disposals	-	-
Charge for year	69,692	69,693
At 31 December	<u>155,430</u>	<u>85,738</u>
<b>Net book value</b>		
At 1 January	248,730	318,423
At 31 December	<u>175,281</u>	<u>248,730</u>

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. TRADE AND OTHER RECEIVABLES**

	2009 £	2008 £
<b>Current</b>		
Loans and advances to customers	144,170,482	208,262,738
Other receivables	187,935	455,227
Prepayments	17,742	73,885
Amounts owed by related parties (note 15)	<u>14,857,027</u>	<u>10,181,126</u>
	<u>159,233,186</u>	<u>218,972,976</u>

**15. RELATED PARTY TRANSACTIONS**

**Ultimate controlling parties**

The Company's immediate parent company is Alliance & Leicester plc, a company registered in England and Wales

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

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

**Trading activities**

**Payable to related parties**

	2009 £	2008 £
Amounts owed to related parties	<u>207,641,513</u>	<u>257,968,257</u>

In the prior year included in the amounts owed to related parties is £26,828,710 owed to the Company's then immediate parent undertaking, Lanebridge Securities Limited and £231,139,547 owed to the Company's then intermediate parent undertaking, Alliance & Leicester plc

In the current year included in the amounts owed to related parties is £207,641,513 owed to the Company's immediate parent undertaking, Alliance & Leicester plc.

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**15. RELATED PARTY TRANSACTIONS (continued)**

The company entered into transactions with related parties as shown below

	2009 £	2008 £
<b>Amount owed to related parties</b>		
As at 1 January	257,968,257	192,568,108
Net movements	<u>(50,326,744)</u>	<u>65,400,149</u>
As at 31 December (note 19)	<u>207,641,513</u>	<u>257,968,257</u>
 <b>Interest paid to related parties</b>	 <u>4,195,911</u>	 <u>13,924,926</u>

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

**Key management compensation**

Key management compensation paid by this Company is shown within the director's emoluments disclosure in note 7

**Administration expenses**

During the current year the Company paid administrative cost recharges to other Group undertakings of £166,438 (2008 £525,000)

**Receivable from related parties**

	2009 £	2008 £
Current tax Group relief	6,951,157	24,116
Current tax consortium relief	<u>1,488,938</u>	<u>5,043,379</u>
Current tax (note 10)	8,440,095	5,067,495
Tax consortium relief brought forward	5,043,379	-
Amounts owed by related parties	<u>1,373,553</u>	<u>5,113,631</u>
	<u>14,857,027</u>	<u>10,181,126</u>

The company entered into transactions with related parties as shown below

	2009 £	2008 £
<b>Amount owed from related parties</b>		
As at 1 January	10,181,126	751,305
Net movements	<u>4,675,901</u>	<u>9,429,821</u>
As at 31 December (note 14)	<u>14,857,027</u>	<u>10,181,126</u>
 <b>Interest received from related parties</b>	 <u>1,048</u>	 <u>287,557</u>

**MITRE CAPITAL PARTNERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. RELATED PARTY TRANSACTIONS (continued)**

**Directors' interests**

During the year ended 31 December 2007 the Company entered into a loan agreement with Gateway Development (Cambs) Limited, of which a close family member of Mr Sutton is a director. This loan of £4,976,379 was still outstanding at the date of his resignation, 30 June 2009. The directors consider this loan agreement to be at arm's length and on a normal commercial basis.

**16. CASH AND CASH EQUIVALENTS**

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

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

**17. ISSUED SHARE CAPITAL**

	2009 No	2009 £	2008 No	2008 £
<b>Issued and fully paid</b>				
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

**18. DEFERRED TAX ASSET**

	Balance Sheet Unprovided 2009 £	2008 £	Balance Sheet Provided 2009 £	2008 £
<b>Deferred tax asset</b>				
Relating to tax losses	9,237,627	7,250,986	-	-
Accelerated capital allowances	16,583	-	-	-
Unprovided deferred tax asset	<u>9,254,210</u>	<u>7,250,986</u>	<u>-</u>	<u>-</u>

	Income Statement 2009 £	2008 £
<b>Deferred tax asset</b>		
Relating to tax losses	<u>-</u>	<u>635,161</u>

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**18. DEFERRED TAX (continued)**

The movement in the deferred tax account is as follows

	2009	2008
	£	£
At 1 January	-	(635,161)
Income statement expense (note 10)	-	635,161
At 31 December	-	-

**19. TRADE AND OTHER PAYABLES**

	2009	2008
	£	£
<b>Current</b>		
Related parties (note 15)	207,641,513	257,968,257
Accruals and deferred income	6,121,431	187,772
<b>Total trade and other payables</b>	<b>213,762,944</b>	<b>258,156,029</b>

**20. PENSIONS**

The Company contributions payable during the year to defined contribution schemes were £76,726 (2008 £163,490) There were no unpaid contributions at 31 December 2009 (2008 £Nil)

**21. CAPITAL**

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

**22. OPERATING SEGMENTS**

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

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