SANTANDER LENDING LIMITED

Registered in England and Wales
Company Number 05831018

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2022

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2022.

This Report of the Directors has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemptions under Sections 415A (1) & (2) of the Companies Act 2006. Santander Lending Limited (the Company) is also exempt from preparing a Strategic Report in accordance with Section 414B of the Companies Act 2006.

Principal activities

The principal activity of the Company is that of financiers of property assets for the commercial property sector.

Likely future developments

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

Results and dividends

The profit for the year after tax amounted to £6,245,896 (2021: profit of £8,041,191). The Directors do not recommend the payment of a final dividend (2021: £nil).

Post Balance Sheet events

No adjusting or significant non-adjusting events have occurred between the 31 December 2022 and the date of authorisation of the financial statements.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

SD Affleck	
CP Fallis	(resigned 24 June 2022)
L-A C Irving	
AB Whelan	(appointed 23 June 2022)

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

REPORT OF THE DIRECTORS (CONTINUED)

Statement of going concern

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 3, 4 and 18 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit risk, market risk, liquidity risk and other risks.

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

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the period of 12 months from the date the financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Uncertain macroeconomic and geopolitical environment

In the past few years, a number of broader, more complex and uncertain risks have evolved which may present future headwinds. These include geopolitical tensions between regions across the world, in particular the current conflict in the Ukraine. This has impacted global energy prices and supply chains which added to inflationary pressures, as well as stretching household finances. These risks accelerate trends towards deglobalisation, and a reduction of variety of goods and services, causing prices to increase over the medium to long-term. These factors are also playing into increased localised political risk across the globe, including in the UK with a second new Prime Minister in 2022.

Recent events within the global banking industry

Significant market uncertainty has been generated by the collapse of Silicon Valley Bank (SVB) in the United States on 10 March 2023 and the rescue of Credit Suisse by UBS following the announcement on 14 March 2023 by Credit Suisse of material weaknesses in its financial controls.

The Company is part of the Santander UK Group which has an established, mature Risk Framework and a stable, low risk business model with highly diversified assets across different markets and businesses. The Santander UK Group's funding is also well diversified with the majority of deposits held by retail customers which, in the majority of cases, are insured by state-backed deposit guarantee schemes.

The Company is closely following these developments and the potential for any material impacts, which may need to be taken into consideration in its business plans and intends to take a coordinated approach with the other members of the Santander UK Group.

Qualifying third party indemnities

Enhanced indemnities are provided to the Directors of the Company by Santander UK Group Holdings plc ("HoldCo Group") against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities were in force during the financial year and at the date of approval of the Report and Financial Statements. All of the indemnities were qualifying third party indemnities. A copy of each of the indemnities is kept at the registered office address of Santander UK Group Holdings plc.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP are re-appointed as auditors under s487 (2) of the Companies Act 2006.

On behalf of the Board,

S D Affleck
Director
24 July 2023

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

Independent auditors' report to the members of Santander Lending Limited

Report on the audit of the financial statements

Opinion

In our opinion, Santander Lending Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2022; the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Santander Lending Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent auditors' report to the members of Santander Lending Limited (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to applicable tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management and communication with those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Identifying and testing manual journal entries based on specified risk parameters;
- Assessing significant assumptions and judgements made by management, in particular in relation to the key judgements used in determining expected credit losses on loan agreement receivables.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Jennifer Hale

Jennifer Hale (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 July 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022	2021
		£	£
Interest income	5	**8,120,419**	4,141,895
Interest expense	6	**(676,678)**	-
GROSS PROFIT		**7,443,741**	4,141,895
Administrative expenses	7	**(336,877)**	(167,927)
Impairment reversal	8	**1,101,348**	5,445,075
PROFIT BEFORE TAX	9	**8,208,212**	9,419,043
Tax charge	10	**(1,962,316)**	(1,377,852)
PROFIT FOR THE YEAR		**6,245,896**	8,041,191
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,245,896**	8,041,191

All of the activities of the Company are classed as continuing.

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Issued Share capital £	Accumulated losses £	Other reserves £	Total equity £
At 1 January 2021	150,000,001	(99,490,714)	153,234,634	203,743,921
Profit and total comprehensive income for the year	-	8,041,191	-	8,041,191
At 31 December 2021	150,000,001	(91,449,523)	153,234,634	211,785,112

	Issued Share capital £	**Accumulated losses £**	**Other reserves £**	**Total equity £**
At 1 January 2022	**150,000,001**	**(91,449,523)**	**153,234,634**	**211,785,112**
Profit and total comprehensive income for the year	**-**	**6,245,896**	**-**	**6,245,896**
At 31 December 2022	**150,000,001**	**(85,203,627)**	**153,234,634**	**218,031,008**

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

BALANCE SHEET

At 31 December 2022

	Note	2022	2021
		£	£
ASSETS			
NON-CURRENT ASSETS			
Financial assets measured at amortised cost:			
Loan and other receivables	11	**237,117,674**	85,269,523
Deferred tax	13	**37,544**	1,715,691
		237,155,218	86,985,214
CURRENT ASSETS			
Financial assets measured at amortised cost:			
Loan and other receivables	11	**4,763,240**	102,909,378
Cash and cash equivalents	12	**1,093,039**	21,795,934
Trade and other receivables – group relief		**623,971**	623,971
TOTAL ASSETS		**243,635,468**	212,314,497
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	**(24,903,356)**	(112,450)
Corporation tax		**(701,104)**	(416,935)
TOTAL LIABILITIES		**(25,604,460)**	(529,385)
TOTAL NET ASSETS		**218,031,008**	211,785,112
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	15	**150,000,001**	150,000,001
Accumulated losses		**(85,203,627)**	(91,449,523)
Other reserves		**153,234,634**	153,234,634
TOTAL EQUITY		**218,031,008**	211,785,112

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

The financial statements on pages 6 to 23 were approved by the Board of Directors on 13 July 2023, and signed on its behalf by:

S D Affleck
Director

24 July 2023

CASH FLOW STATEMENT

For the year ended 31 December 2022

	Note	2022 £	2021 £
Profit for the year		6,245,896	8,041,191
CHANGES IN OPERATING ASSETS AND LIABILITIES			
(Increase)/decrease in loan and other receivables	11	(53,702,013)	12,791,005
Increase/(decrease) in trade and other payables	14	24,790,906	(1,246,121)
Movement in corporation tax		284,169	416,935
Movement in deferred tax	13	1,678,147	960,917
CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(20,702,895)	20,963,927
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(20,702,895)	20,963,927
Cash and cash equivalents at start of year		21,795,934	832,007
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,093,039	21,795,934

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

General information

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

Basis of preparation

The Company's financial statements have been prepared in accordance with UK-adopted international accounting standards (IAS) and with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historic cost convention.

The financial statements have been prepared on a going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

The functional and presentation currency of the Company is GBP Sterling.

Recent accounting developments

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2:

In February 2021, the IASB amended IAS 1 'Presentation of Financial Statements' to require entities to disclose their material rather than their significant accounting policies. To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality. The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments have been applied in preparing these financial statements and, consequently, only material accounting policy information is disclosed.

Future accounting developments

At 31 December 2022, for the Company, there were no significant new or revised standard and interpretations, and amendments thereto, which have been issued but which are not yet effective or which have otherwise not been early adopted where permitted.

Material accounting policy information

The following material accounting policies have been applied in preparing these financial statements. These policies have been consistently applied to all years presented, unless otherwise stated. Those material accounting policies which involves the application of judgements or accounting estimates that are determined to be critical to the preparation of these financial statements are set out in the section headed "Critical accounting estimates and areas of significant management judgement".

Revenue recognition

Revenue for the Company is in the form of interest receivable.

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 contractual life of that agreement. The effective interest rate is the rate that exactly 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 but not 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 a financial instrument and all other premiums or discounts.

1. ACCOUNTING POLICIES (CONTINUED)

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. Interest income on assets classified as loans and receivables and interest expense on liabilities classified at amortised cost are recognised in the Statement of Comprehensive Income.

Impairment of financial assets

Expected credit losses are recognised on all financial assets at amortised cost or at fair value through other comprehensive income. The expected credit loss considers forward looking information to recognise impairment allowances earlier in the lifecycle of a product. A three-stage approach to impairment measurement is adopted as follows:

- Stage 1 - the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
- Stage 2 - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
- Stage 3 - lifetime expected credit losses for financial instruments which are credit impaired.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Loans to and receivables from group companies represent a loan to Santander UK plc and a receivable from Santander Asset Finance plc. At each balance sheet date an assessment is made as to whether, as a result of one or more events, there is a significant increase in credit risk since initial recognition. In assessing the loans and advances to group companies for impairment, the Directors first consider the impairment of the underlying mortgage loans using the above 3 stage approach and consider the ECL of the loans and advances to group companies taking into account the relevant credit enhancements available for the Company in the structure. Accordingly, expected losses for loans and advances to group companies are immaterial and are only likely to be material if the ECL on the underlying assets exceeded the available credit enhancements.

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

Income taxes including deferred taxes

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits. Short-term deposits are defined as deposits with less than three months' maturity from the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

a) Initial recognition and measurement

Financial assets and liabilities are initially recognised when the Company becomes a party to the contractual terms of the instrument. The Company determines the classification of its financial assets and liabilities at initial recognition and measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI.

b) Financial assets and liabilities

Classification and subsequent measurement

Financial assets and financial liabilities are classified as FVTPL where there is a requirement to do so or where they are otherwise designated at FVTPL on initial recognition. Financial assets and financial liabilities which are required to be held at FVTPL include debt instruments that do not have solely payments of principal and interest (SPPI) characteristics. Otherwise, such instruments are measured at amortised cost.

In certain circumstances other financial assets and financial liabilities are designated at FVTPL where this results in more relevant information.

Financial assets: debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds. Classification and subsequent measurement of debt instruments depend on the Company's business model for managing the asset, and the cash flow characteristics of the asset.

Business model

The business model reflects how the Company manages the assets in order to generate cash flows and, specifically, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable, such as where the financial assets are held for trading purposes, then the financial assets are classified as part of an 'other' business model and measured at FVTPL. Factors considered in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel and how risks are assessed and managed.

Solely Payments of Principal and Interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the assets' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related asset is classified and measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Based on these factors, the Company classifies its debt instruments into the following measurement category:

Amortised cost – Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL recognised. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method. When the estimates of future cash flows are revised, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the income statement.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of debt instrument financial assets

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

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- The time value of money, and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

For more on how ECL is calculated see the Credit risk section on Note 4.

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF SIGNIFICANT MANAGEMENT JUDGEMENT

Credit impairment allowance

The application of the ECL impairment methodology for calculating credit impairment allowances is highly susceptible to change from period to period. The methodology requires management to make a number of judgmental assumptions in determining the estimates. Any significant difference between the estimated amounts and actual amounts could have a material impact on the Company's future financial results and financial condition.

Key areas of judgement in ECL impairment methodology

The key judgements made by management in applying the ECL impairment methodology are set out below:

- Definition of default
- Forward-looking information
- Probability weights
- SICR
- Post model adjustments.

For more on each of these key judgements, see note 4 – Financial Risk Management.

Sensitivity of ECL allowance

The ECL allowance is sensitive to the methods, assumptions and estimates underlying its calculation. For example, management could have applied different probability weights to the economic scenarios and, depending on the weights chosen, this could have a material effect on the ECL allowance. Had management used different assumptions on probability weights, a larger or smaller ECL charge would arise that could have a material impact on the Company's reported ECL allowance and profit before tax. Sensitivities to these assumptions are set out in the Annual Report of the Company's immediate parent company, Santander UK plc.

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 HoldCo Group. HoldCo Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the HoldCo Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Santander UK plc 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 HoldCo Group's strategic objectives.

Authority flows from the Santander UK plc Board to the Chief Executive Officer and from him 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. FINANCIAL RISK MANAGEMENT

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 HoldCo 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 HoldCo Group. The primary purpose of the framework is to define and articulate the HoldCo 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 HoldCo Group's 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. All credit risk is concentrated in the United Kingdom.

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.

Credit risk management

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. Loans and advances to customers held at amortised cost have been fully cash collateralised.

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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (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.

In accordance with group policy, the Company manages its portfolios across the credit risk lifecycle, from drawing up risk strategy, plans, budgets and limits to making sure the actual risk profile of the Company's exposures stays in line with plans and the Company's appetite to risk.

Key metrics

The Company uses a number of key metrics to measure and control credit risk, as follows:

Metric	Description
Expected credit losses (ECL)	ECL tells the Company what credit risk is likely to cost either over the next 12 months on qualifying exposures, or defaults over the lifetime of the exposure where there is evidence of a significant increase in credit risk since origination.
Stages 1, 2 and 3	The Company assesses the credit risk profile to determine which stage to allocate and monitors where there is a significant increase in credit risk and transfers between the stages.
Expected Loss (EL)	EL is the product of the probability of default, exposure at default and loss given default. The Company calculates each factor in accordance with HoldCo Group policy and risk models and an assessment of each customer's credit quality. There are differences between regulatory EL and IFRS 9 ECL. More details can be found in the Annual Report of the parent company Santander UK plc. For the rest of the Risk review, impairments, losses and loss allowances refer to calculations in accordance with IFRS, unless specifically stated otherwise. For IFRS accounting policy on impairment, see Note 1 to the Financial Statements.
Non-Performing Loans (NPLs)	The Company uses NPLs to monitor how portfolios behave. Loans are classified as NPLs when customers do not make a payment for three months or more, or if information is available to make the Company doubt they can keep up with their payments. There are differences between NPL and Stage 3, details of which can be found in the Annual Report of the parent company Santander UK plc. The Company continues to monitor NPLs as a key metric.

Other metrics

The Company also assesses risks from other perspectives, such as geography, business area, product and process. This is done to identify areas requiring specific focus. Stress testing is also used to establish vulnerabilities to economic deterioration.

Significant Increase in Credit Risk (SICR)

Loans which have suffered a SICR since origination are subject to a lifetime ECL assessment which extends to a maximum of the contractual maturity of the loan. Loans which have not experienced a SICR are subject to 12-month ECL. We assess each facility's credit risk profile and use a range of quantitative, qualitative and backstop criteria to identify exposures that have experienced a SICR to determine which of three stages to allocate them to:

- Stage 1: when there has been no SICR since initial recognition. We apply a loss allowance equal to a 12-month ECL i.e. the proportion of lifetime expected losses that relate to that default event expected in the next 12 months
- Stage 2: when there has been a SICR since initial recognition, but no credit impairment has materialised. We apply a loss allowance equal to the lifetime ECL i.e. lifetime expected loss resulting from all possible defaults throughout the residual life of a facility
- Stage 3: when the exposure is considered credit impaired using default criteria set out below. We apply a loss allowance equal to the lifetime ECL. Objective evidence of credit impairment is required.

Criteria applicable to stage 2

Quantitative criteria

We use quantitative criteria to identify where an exposure has increased in credit risk. The quantitative criteria we apply are based on whether any increase in the lifetime probability of default ("PD") since the recognition date exceeds a set threshold both in relative and absolute terms. We base the value anticipated from the initial recognition on a similar set of assumptions and data to the ones we used at the reporting date, adjusted to reflect the account surviving to that date. The comparison uses either an annualised lifetime PD, where the lifetime PD is divided by the forecast period, or the absolute change in lifetime PD since initial recognition.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Qualitative criteria

We also use qualitative criteria to identify where an exposure has increased in credit risk, independent of any changes in PD. For each portfolio, the qualitative criteria used are: in forbearance, watch-list - proactive management of NPL in past 12 months and default at proxy origination.

Criteria applicable to stage 3

Definition of default (Credit impaired)

We define a financial instrument as in default (i.e. credit impaired) for purposes of calculating ECL if it is more than 90 days past due (DPD), or if we have data to make us doubt customers can keep up with their payments i.e. they are unlikely to pay. The data includes where:

- They have had a winding up notice issued, or something happens that is likely to trigger insolvency – such as, another lender calls in a loan
- Something happens that makes them less likely to be able to pay – such as they lose an important client or contract
- They have regularly missed or delayed payments, even though they have not gone over the three-month limit for default
- Their loan is unlikely to be refinanced or repaid in full on maturity.

Backstop criteria

We classify all exposures more than 30 or 90 DPD in at least Stage 2 or in Stage 3, respectively. We do not rebut the backstop presumptions in IFRS 9 (i.e. credit risk has significantly increased if contractual payments are more than 30 days past due) relating to either a SICR or default.

Multiple economic scenarios and probability weights

For all our portfolios, we use five forward-looking economic scenarios. They consist of a central base case, two upside scenarios and two downside scenarios. We use five scenarios to reflect a wide range of possible outcomes in the performance of the UK economy. In summary, the base case assumes that activity will continue to run at a relatively slow pace as we move through 2022 but will pick up further in subsequent years. The downside risks include unfavourable developments for Brexit, a further and sharper downturn in global growth, continuation of the very low productivity growth seen in the UK, and a move to a more protectionist agenda for trade. The upside risks are more muted at present and include the quick implementation of a new free trade agreement with the EU and an upturn in global growth, coupled with a move to more open trade. Further information on quantitative and qualitative criteria and multiple economic scenarios is set out in the Annual Report of the Company's immediate parent company, Santander UK plc.

Measuring ECL

For accounts not in default at the reporting date, we estimate a monthly ECL for each exposure and for each month over the forecast period. The lifetime ECL is the sum of the monthly ECLs over the forecast period, while the 12-month ECL is limited to the first 12 months. We calculate each monthly ECL as the discounted value for the relevant forecast month of the product of the following factors:

- Survival rate (SR): The probability that the exposure has not closed or defaulted since the reporting date.
- Probability of Default (PD): The likelihood of a borrower defaulting in the following month, assuming it has not closed or defaulted since the reporting date. For each month in the forecast period, we estimate the monthly PD from a range of factors. These include the current risk grade for the exposure, which becomes less relevant further into the forecast period, as well as the expected evolution of the account risk with maturity and factors for changing economics. We support this with historical data analysis.
- Exposure at Default (EAD): The amount we expect to be owed if a default event was to occur. We determine EAD for each month of the forecast period by the expected payment profile, which varies by product type. For amortising products, we base it on the borrower's contractual repayments over the forecast period. We adjust this for any expected overpayments on Stage 1 accounts that the borrower may make and for any arrears we expect if the account was to default. We vary these assumptions by product type and base them on analysis of recent default data.
- Loss Given Default (LGD): Our expected loss if a default event were to occur. We express it as a percentage and calculate it as the expected loss divided by EAD for each month of the forecast period. We base LGD on factors that impact the likelihood and value of any subsequent write-offs. We use the original effective interest rate as the discount rate. For accounts in default, we use the EAD as the reporting date balance. We also calculate an LGD to reflect the default status of the account, considering the current PD and loan to value. PD and SR are not required for accounts in default.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

Multiple economic scenarios

In accordance with methodology adopted by Santander UK plc, the Company uses five forward-looking economic scenarios. For 2022, they consist of a central base case, one upside scenario and three downside scenarios. These are used to reflect a wide range of possible outcomes for the UK economy. More information on forward looking economic scenarios adopted by the Company are contained in the Santander UK plc Annual Report.

Maximum exposure to credit risk

The table below shows the Company's maximum exposure to credit risk. The table only shows the financial assets that credit risk affects.

	Balance Sheet Asset		
	Gross Amounts	**Loss Allowances**	**Net Exposure**
2022	**£**	**£**	**£**
Financial assets at amortised cost:			
Loans and advances to customers	**239,845,600**	**(310,911)**	**239,534,689**
Total financial assets at amortised cost	**239,845,600**	**(310,911)**	**239,534,689**

	Balance Sheet Asset		
	Gross Amounts	Loss Allowances	Net Exposure
2021	£	£	£
Financial assets at amortised cost:			
Loans and advances to customers	187,141,624	(1,412,259)	185,729,365
Total financial assets at amortised cost	187,141,624	(1,412,259)	185,729,365

For balance sheet assets, the maximum exposure to credit risk is the carrying value after impairment loss allowances. Management does not believe that the intercompany receivable with related party gives rise to credit risk exposure. In addition to the above, the Company has existing undrawn commitments of £Nil (2021: £45,000,000).

The class of financial instruments that is most exposed to credit risk in the Company is finance agreements, comprising loans and advances to customers.

Credit exposures and corresponding ECL

The following table analyses the credit risk exposure of financial instruments for which an ECL allowance is recognised, and the corresponding ECL at 31 December.

31 December 2022	**Stage 1 £**	**Stage 2 £**	**Stage 3 £**	**Total £**
Exposures:				
Loans and advances to customers	**195,325,551**	**44,520,049**	**-**	**239,845,600**
Total exposures	**195,325,551**	**44,520,049**	**-**	**239,845,600**
IFRS 9 ECL				
Loans and advances to customers	**(79,344)**	**(231,567)**	**-**	**(310,911)**
Total ECL	**(79,344)**	**(231,567)**	**-**	**(310,911)**
Net exposure	**195,246,207**	**44,288,482**	**-**	**239,534,689**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

31 December 2021	Stage 1 £	Stage 2 £	Stage 3 £	Total £
Exposures:				
Loans and advances to customers	85,741,624	101,400,000	-	187,141,624
Total exposures	85,741,624	101,400,000	-	187,141,624
IFRS 9 ECL				
Loans and advances to customers	(20,782)	(1,391,477)	-	(1,412,259)
Total ECL	(20,782)	(1,391,477)	-	(1,412,259)
Net exposure	85,720,842	100,008,523	-	185,729,365

Movements in ECL provision are set out below:

	2022 **£**	2021 £
At 1 January	**1,412,259**	6,857,334
Charge to income statement	**306,884**	8,885
Reversals	**(1,408,232)**	(5,453,960)
At 31 December	**310,911**	1,412,259

Interest rate risk

The Company's income is exposed to movements in SONIA interest rates on receivables from customers and receivables and payables from/to group companies.

Interest rate sensitivity analysis

A 50 basis point adverse movement in SONIA rates would result in a fall in revenue of £832,347 (2021: £728,631). A 50 basis point favourable movement in rates would result in an increase in revenue of £832,347 (2021: £728,631).

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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The following table analyses the Company's non-derivative liabilities into relevant maturity groupings based on the remaining period to contractual maturity at the Balance Sheet date. 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.

2022	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	£	£	£	£	£	£
Due to related parties	24,877,266	-	-	-	-	24,877,266
Other payables	-	-	26,090	-	-	26,090
Total liabilities	24,877,266	-	26,090	-	-	24,903,356

2021	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	£	£	£	£	£	£
Due to related parties	100,460	-	-	-	-	100,460
Other payables	-	-	11,990	-	-	11,990
Total liabilities	100,460	-	11,990	-	-	112,450

5. INTEREST INCOME

	2022	2021
	£	£
Interest income from customer loan assets	7,894,522	4,129,549
Interest income from intercompany loan (note 16)	225,897	12,346
	8,120,419	4,141,895

6. INTEREST EXPENSE

	2022	2021
	£	£
Interest on Intercompany loan (note 16)	676,678	-
	676,678	-

7. ADMINISTRATIVE EXPENSES

	2022	2021
	£	£
Management fees (note 16)	103,316	154,913
Other expenses	233,561	13,014
	336,877	167,927

8. IMPAIRMENT REVERSAL

	2022	2021
	£	£
As at 1 January	1,412,259	6,857,334
Decrease in impairment provisions	(1,101,348)	(5,445,075)
As at 31 December (note 11)	310,911	1,412,259

9. PROFIT BEFORE TAX

Auditors' remuneration

Auditors' remuneration of £11,750 (2021: £9,992) for the audit of these financial statements was borne by the Company in the current and preceding year.

No non-audit services were provided to the Company 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' services to the Company are an incidental part of their duties. No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the parent company Santander UK plc. No emoluments were paid by the Company to the Directors during the year (2021: £nil).

10. TAX CHARGE

	2022 £	2021 £
Current tax:		
UK corporation tax on profit for the year	**284,169**	416,935
Total current tax	**284,169**	416,935
Deferred tax:		
Origination and reversal of temporary differences	**1,275,391**	1,372,683
Change in rate of UK corporation tax	**402,756**	(411,766)
Total deferred tax	**1,678,147**	960,917
Tax charge on profit for the year	**1,962,316**	1,377,852

UK corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profits for the year.

The UK government announced in its budget on 3 March 2021 that it would increase the main rate of corporation tax by 6% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 and, as a result, the effect has been reflected in the deferred tax position included in these financial statements for both the 2021 and 2022 balance sheet dates.

The tax on the Company's profit before tax differs from (2021: differs from) the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2022 £	2021 £
Profit before tax	**8,208,212**	9,419,043
Tax calculated at a rate of 19% (2021: 19%)	**1,559,560**	1,789,618
Effect of change in tax rate on deferred tax provision	**402,756**	(411,766)
Tax charge for the year	**1,962,316**	1,377,852

11. LOAN AND OTHER RECEIVABLES

	2022 £	2021 £
Non-current		
Loans and advances to customers	237,423,131	86,661,000
Provision for ECL (IFRS 9)	(305,457)	(1,391,477)
	237,117,674	85,269,523
Current		
Loans and advances to customers	2,422,469	100,480,624
Provision for ECL (IFRS 9)	(5,454)	(20,782)
Amounts due from related parties	2,346,225	2,449,536
	4,763,240	102,909,378
Total carrying amount of loans and receivables	241,880,914	188,178,901

The Directors consider that the carrying amount of the loans and advances to customers approximates to their fair value.

12. CASH AND CASH EQUIVALENTS

	2022 £	2021 £
Deposits with immediate parent Santander UK plc	1,093,039	21,795,934
	1,093,039	21,795,934

13. DEFERRED TAX

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

	2022 £	2021 £
As at 1 January	1,715,691	2,676,608
Income statement charge (note 10)	(1,678,147)	(960,917)
As at 31 December	37,544	1,715,691

Deferred tax assets are attributable to the following items:

	Provided		Provided	
	Balance Sheet **2022**	**Income Statement** **2022**	Balance Sheet 2021	Income Statement 2021
Deferred tax assets	**£**	**£**	£	£
Accelerated book depreciation	793	(174)	967	71
IFRS 9 transitional adjustments	36,751	(7,351)	44,102	4,998
Tax losses carried forward	-	(1,670,622)	1,670,622	(965,986)
	37,544	(1,678,147)	1,715,691	(960,917)

14. TRADE AND OTHER PAYABLES

	2022 £	2021 £
Payable to related parties	24,877,266	100,460
Other payables	26,090	11,990
	24,903,356	112,450

The amounts due to related parties are unsecured and repayable on demand.

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

15. ISSUED SHARE CAPITAL

	2022 No	2022 £	2021 No	2021 £
Authorised and fully paid				
Ordinary shares of £1 each	150,000,001	150,000,001	150,000,001	150,000,001

All issued share capital is classified as equity.

16. RELATED PARTY TRANSACTIONS

Transactions with related parties

Particulars of transactions with related parties, and the balances outstanding at the year end, are disclosed in the tables below:

	Income		Expenditure	
	2022	2021	2022	2021
	£	£	£	£
Santander UK plc – immediate parent	225,897	12,346	676,678	-
Santander Asset Finance plc – other group subsidiaries	-	-	103,316	154,913
	225,897	12,346	779,994	154,913

	Amounts owed by related parties		Amounts due to related parties	
	2022	2021	2022	2021
	£	£	£	£
Santander UK plc – cash	1,093,039	21,795,934	-	-
Santander UK plc – other receivables/payables	-	-	24,877,266	100,460
Santander UK plc – group relief	623,971	623,971	-	-
Santander Asset Finance plc – other group subsidiaries	2,346,225	2,449,536	-	-
	4,063,235	24,869,441	24,877,266	100,460

The amounts due to related parties are unsecured and repayable on demand.
The amount owed by Santander Asset Finance plc does not bear any interest and is repayable on demand.

There were no related party transactions during the year, or existing at the balance sheet date, with the Company's or parent company's key management personnel (2021: £nil).

17. CONTINGENT LIABILITIES

At 31 December 2021, Santander UK plc, Cater Allen Limited and certain other non-regulated subsidiaries within the Ring-Fenced Bank (RFB) including Santander Lending Limited were party to a capital support deed dated 13 November 2018 (the RFB Sub-Group Capital Support Deed). These parties were permitted by the PRA to form a core UK group as defined in the PRA Rulebook, a permission which expired on 31st December 2021. Exposures of each of the regulated entities to other members of the core UK group were exempt from large exposure limits that would otherwise apply and these exposures were risk-weighted at 0%. The purpose of the RFB Sub-Group Capital Support Deed was to facilitate the prompt transfer of available capital resources from, or repayment of liabilities by, the non-regulated parties to any of the regulated parties in the event that one of the regulated parties breached or was at risk of breaching its capital resources or risk concentrations requirements.

A new RFB Sub-Group Capital Support Deed was entered into on 17 December 2021 and effective from 1 January 2022. This reflected the latest version of associated regulation and the addition of two further Santander UK plc subsidiaries including Santander ISA Managers Limited, an entity regulated by the FCA. The parties to the new RFB Sub-Group Capital Support Deed were granted a new permission by the PRA to form a core UK group from 1 January 2022 to 31 December 2024, following expiry of the previous core UK group permission on 31 December 2021. Where applicable this new permission also provides for intra-group exposures to be excluded from the leverage exposure measure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CAPITAL MANAGEMENT

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

19. 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 SA, a company registered in Spain. Banco Santander SA is the parent undertaking of the largest group of undertakings for which group Financial Statements are drawn up and of which the Company is a member. Santander UK plc is the parent undertaking of the smallest group of undertakings for which group Financial Statements are drawn up and of which the Company is a member.

Copies of all sets of group Financial Statements, which include the results of the Company, are available from the Corporate Governance Office, Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN.