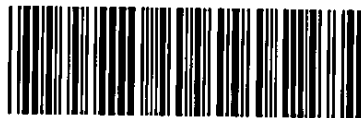


**A & L CF (GUERNSEY) LIMITED**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2009**

TUESDAY



\*A73ILLGO\*

A27

06/07/2010

369

COMPANIES HOUSE

**A & L CF (GUERNSEY) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

<b>CONTENTS</b>	<b>PAGE</b>
Officers and professional advisers	2
Directors' report	3
Statement of directors' responsibilities	7
Independent auditors' report to the members of A & L CF (Guernsey) Limited	8
Income statement	10
Statement of comprehensive income	10
Statement of changes in equity	11
Balance sheet	12
Cash flow statement	13
Notes to the financial statements	14

**A & L CF (GUERNSEY) LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

<b>Company registration number</b>	FC028362
<b>The board of directors</b>	M W Evans C R Morley
<b>Company secretary</b>	R A Hawker
<b>Registered office</b>	Level 1 Regency Court Glategny Esplanade St Peter Port Guernsey GY1 3ST
<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

# **A & L CF (GUERNSEY) LIMITED**

## **DIRECTORS' REPORT**

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

The directors present their report and the audited financial statements for A & L CF (Guernsey) Limited, company registration number FC028362 (the "Company") for the year ended 31 December 2009

### **RESULTS AND DIVIDENDS**

The profit for the year on ordinary activities after taxation amounted to £115,487 (2008 profit £100,292) The directors have not recommended a dividend (2008 £Nil).

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

The immediate parent undertaking is Alliance & Leicester Commercial Finance 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 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 undertakings of the Company, Santander UK plc (formerly Abbey National plc) and Alliance and Leicester plc and to the immediate parent undertaking Alliance & Leicester Commercial Finance plc These parent undertakings are collectively referred to as associated parent undertakings in this Report and in the notes to financial statements

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

The Company is a wholly owned subsidiary of Alliance & Leicester Commercial Finance 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 assets for the commercial sector

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 profit from operations increased during the year compared to the prior year

The balance sheet on page 12 shows that the net assets of the Company increased during the year Details of amounts owed to the Company's immediate parent undertaking at 31 December 2009 are shown in note 12 to the financial statements

# **A & L CF (GUERNSEY) LIMITED**

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

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

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

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, is 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:

#### Profit from operations

2009 £1,372,523

2008 £1,340,654

#### Customer exposure

2009 £25,725,099

2008 £25,773,128

#### **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 11 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.

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 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 and 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.

# **A & L CF (GUERNSEY) LIMITED**

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

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

#### **DIRECTORS**

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

M W Evans

C R Morley

C S Jones (resigned 16 May 2009)

W H Paterson (resigned 23 October 2009)

#### **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 lending book of the Company relates to a single customer in the film industry and the credit risks specific to this lending book are disclosed in note 5 to the financial statements. The directors do not expect any significant change in the level of business in the foreseeable future.

The Company is financed by loans from its immediate parent undertaking Alliance & Leicester Commercial Finance 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.

#### **DISCLOSURE OF INDEMNITIES**

The directors confirm that -

Enhanced third party indemnity provisions 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.

# **A & L CF (GUERNSEY) LIMITED**

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

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

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO 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

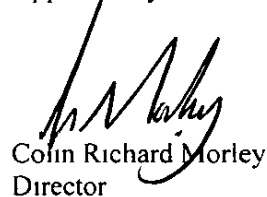
(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of The Companies (Guernsey) Law 2008

#### **STATUTORY AUDITORS**

Deloitte LLP have expressed a willingness to continue in office as auditors. Accordingly, a resolution to ratify their appointment and to re-appoint them will be proposed at the forthcoming Annual General Meeting

Approved by the board on 10 March 2010 and signed on its behalf by



Colin Richard Morley  
Director

## **A & L CF (GUERNSEY) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Companies (Guernsey) Law 2008 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 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 (Guernsey) Law, 2008. 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.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A & L CF (GUERNSEY) LIMITED**

We have audited the financial statements of A & L CF (Guernsey) 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 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law 2008. 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 described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey Law and International Financial Reporting Standards (IFRS) as adopted by the European Union. Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law 2008. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

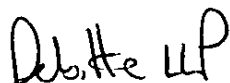
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
A & L CF (GUERNSEY) LIMITED (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with accordance with IFRS as adopted by the European Union, of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended and have been properly prepared in accordance with The Companies (Guernsey) Law 2008



Deloitte LLP  
Chartered Accountants  
Birmingham  
United Kingdom

10 March 2010

**A & L CF (GUERNSEY) LIMITED**  
**(COMPANY REGISTRATION NUMBER FC028362)**

**INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £	2008 £
Revenue		1,398,910	1,419,378
<b>GROSS PROFIT</b>		<b>1,398,910</b>	<b>1,419,378</b>
Administrative expenses		(26,387)	(78,724)
<b>PROFIT FROM OPERATIONS</b>	7	<b>1,372,523</b>	<b>1,340,654</b>
Finance costs	8	(1,212,125)	(1,200,385)
<b>PROFIT BEFORE TAX</b>		<b>160,398</b>	<b>140,269</b>
Corporation tax expense	9	(44,911)	(39,977)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF A &amp; L CF (GUERNSEY) LIMITED</b>		<b>115,487</b>	<b>100,292</b>

All of the activities of the Company are classed as continuing

The notes on pages 14 to 25 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 profit (2008 profit) for the current and previous year as set out in the income statement

The notes on pages 14 to 25 form part of these financial statements

**A & L CF (GUERNSEY) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>Issued capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
Balance at 1 January 2009	2	134,488	134,490
Profit for the year	-	115,487	115,487
Balance at 31 December 2009	<u>2</u>	<u>249,975</u>	<u>249,977</u>

	<b>Issued capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
Balance at 1 January 2008	2	34,196	34,198
Profit for the year	-	100,292	100,292
Balance at 31 December 2008	<u>2</u>	<u>134,488</u>	<u>134,490</u>

The notes on pages 14 to 25 form part of these financial statements

**A & L CF (GUERNSEY) LIMITED**  
**(COMPANY REGISTRATION NUMBER FC028362)**

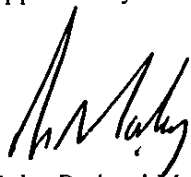
**BALANCE SHEET**

**AS AT 31 DECEMBER 2009**

	Notes	2009 £	2008 £
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Trade and other receivables	10	<u>25,184,564</u>	<u>25,284,555</u>
		<b>25,184,564</b>	<b>25,284,555</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	10	<u>540,535</u>	<u>448,573</u>
Cash and cash equivalents	13	<u>-</u>	<u>-</u>
		<b>540,535</b>	<b>448,573</b>
<b>TOTAL ASSETS</b>		<b><u>25,725,099</u></b>	<b><u>25,733,128</u></b>
<b>EQUITY</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
Issued share capital	14	<u>2</u>	<u>2</u>
Retained profit		<u>249,975</u>	<u>134,488</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF A &amp; L CF (GUERNSEY) LIMITED</b>		<b>249,977</b>	<b>134,490</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<u>25,475,122</u>	<u>25,598,638</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>25,725,099</u></b>	<b><u>25,733,128</u></b>

The notes on pages 14 to 25 form part of these financial statements

Approved by the Board on 17 March 2010 and signed on its behalf by



Colin Richard Morley  
Director

**A & L CF (GUERNSEY) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £	2008 £
<b>Profit for the year</b>		115,487	100,292
<b>NON-CASH ADJUSTMENTS</b>			
Decrease/(increase) in trade and other receivables		8,029	(72,772)
		<u>123,516</u>	<u>27,520</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Group relief received from parent undertakings		4,934	25,321
Interest paid to parent undertakings		(1,212,125)	(1,200,385)
Management charges paid to parent undertakings		(26,387)	(78,724)
		<u>(1,233,578)</u>	<u>(1,253,788)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<u>(1,110,062)</u>	<u>(1,226,268)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt of cash advances from parent undertakings		1,110,062	1,226,268
		<u>-</u>	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		-	-
Cash and cash equivalents as at 1 January		<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	13	<u>-</u>	<u>-</u>

The notes on pages 14 to 25 form part of these financial statements

# A & L CF (GUERNSEY) 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 A & L CF (Guernsey) Limited, company registration number FC028362 (the Company), for the year were authorised for issue on 10 March 2010 and the Balance Sheet signed on the Board's behalf by Colin Richard Morley A & L CF (Guernsey) Limited is a company incorporated in Guernsey and registered in England and Wales as an overseas branch. 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.

**A & L CF (GUERNSEY) 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.

Revenue from finance leases is recognised in accordance with the Company's policy on Finance Lease Receivables (see below).

Up front 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.

**Finance lease agreements**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**Finance lease receivables**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.



**A & L CF (GUERNSEY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**2. ACCOUNTING POLICIES (continued)**

**Taxation**

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

The tax currently payable 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 liability 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.

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

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

**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.

**A & L CF (GUERNSEY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**2. ACCOUNTING POLICIES (continued)**

**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.

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.

**A & L CF (GUERNSEY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**2. ACCOUNTING POLICIES (continued)**

**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.

**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

Title	Subject	Mandatory for accounting periods starting on or after	Endorsed or when endorsement expected
<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

**A & L CF (GUERNSEY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**2. ACCOUNTING POLICIES (continued)**

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

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).

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.

**Residual values**

Residual values are estimated at the inception of lease agreements and are subsequently reviewed for impairment during the life of the lease agreements. Appropriate provisions are recognised in the income statement.

**Impairment Provisions**

Individual provisions are made in respect of finance and rental agreements where recovery is considered doubtful, a collective provision is made for losses which, although not individually 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.

**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.

# **A & L CF (GUERNSEY) 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.

**A & L CF (GUERNSEY) 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.

The class of financial instrument that is most exposed to credit risk in the Company is loan agreements. The net investment in loan agreements at 31 December 2009 was £25,725,099 (2008 £25,733,128).

For the Company, 100% (2008 100%) of the balances are secured. The main types of security are charges over cash deposits held by a third party.

The lending book in this company in the current year is wholly related to the film industry.

All exposures are with a single customer in the corporate sector.

**Arrears and impairment**

Asset quality remains good with £Nil lending balances over 30 days in arrears at 31 December 2009 (2008 £Nil).

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

The fair value of collateral on impaired assets at 31 December 2009 was £Nil (2008 £Nil).

Interest accrued on impaired assets at 31 December 2009 was £Nil (2008 £Nil).

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.

Loans up to 3 months past due have a collective provision set aside to cover losses on loans which are in the early stages of arrears.

**A & L CF (GUERNSEY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**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 the Santander UK plc Treasury function using fixed rate loans and other appropriate instruments.

Changes in interest rates would result in no impact on either the equity of the Company or on the income statement. Interest is allocated on a lease agreement by lease agreement basis within the Company and all interest rate risk is borne by the immediate parent company Alliance & Leicester Commercial Finance plc.

**Equity risk**

The Company has no material exposure to equity markets.

**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.

All liabilities are repayable on demand.

**6. OPERATING SEGMENTS**

In the prior year and in line with the immediate parent undertaking, Alliance & Leicester Commercial Finance 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.

**A & L CF (GUERNSEY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**7. PROFIT FROM OPERATIONS**

**Directors' emoluments**

The directors received no remuneration for their services to this Company in either the current or the preceding year. The directors are also directors of the immediate parent Company, Alliance & Leicester Commercial Finance plc and the majority of their activities relate to services carried out in relation to Alliance & Leicester Commercial Finance plc and other Group companies. Therefore the directors deem it inappropriate to directly allocate any of their costs to the income statement account of this Company.

**Auditors' remuneration**

Auditors' remuneration of £8,000 (2008: £3,000) was borne by the immediate parent company, Alliance & Leicester Commercial Finance plc both in the current year and preceding year.

No non-audit fees were borne on behalf of the Company in either the current or preceding year.

**Particulars of employees**

No salaries or wages have been paid to employees, including the directors, during the year or the preceding year. The Company had no employees in either the current or the preceding year.

**8. FINANCE COSTS**

	2009 £	2008 £
Amounts payable to immediate parent undertakings	<u>1,212,125</u>	<u>1,200,385</u>

**9. CORPORATION TAX EXPENSE**

**Components of Corporation tax**

	2009 £	2008 £
<b>Current tax charge</b>		
Current tax charge	<u>44,911</u>	<u>39,977</u>
Tax expense reported in income statement	<u><b>44,911</b></u>	<u><b>39,977</b></u>

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

The effective rate of tax for the year was the same as (2008: the same as) 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.



**A & L CF (GUERNSEY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**10. TRADE AND OTHER RECEIVABLES**

	2009 £	2008 £
<b>Non current</b>		
Loan agreement receivables	<u>25,184,564</u>	<u>25,284,555</u>
<b>Current</b>		
Loan agreement receivables	<u>540,535</u>	<u>448,573</u>
Total current and non-current receivables	<u>25,725,099</u>	<u>25,733,128</u>

**11. CAPITAL**

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

**12. RELATED PARTY TRANSACTIONS**

**Ultimate controlling party**

The Company's immediate parent company is Alliance & Leicester Commercial Finance 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**

	2009 £	2008 £
<b>Payable to related parties</b>		
Current tax Group relief	44,911	39,977
Amounts owed to parent undertakings	<u>25,430,211</u>	<u>25,558,661</u>
	<u>25,475,122</u>	<u>25,598,638</u>

**A & L CF (GUERNSEY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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

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

	2009 £	2008 £
<b>Amount owed to parent undertakings</b>		
As at 1 January	25,598,638	25,626,158
Net movements	<u>(123,516)</u>	<u>(27,520)</u>
As at 31 December (note 15)	<u>25,475,122</u>	<u>25,598,638</u>
 <b>Interest paid to parent undertakings</b>	 <u>1,212,125</u>	 <u>1,200,385</u>

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

**Key management compensation**

As detailed in note 7 the Company had no employees in either the current or preceding year and the directors are remunerated through Alliance & Leicester Commercial Finance plc therefore no key management compensation was paid by this Company

**Administration expenses**

During the current year the Company paid administrative cost recharges to parent undertakings of £26,387 (2008 £78,724)

**13. 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>

**14. ISSUED SHARE CAPITAL**

	2009 No	2009 £	2008 No	2008 £
<b>Issued and fully paid</b>				
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

All issued share capital is classified as equity

**15. TRADE AND OTHER PAYABLES**

	2009 £	2008 £
Payable to parent undertakings	<u>25,475,122</u>	<u>25,598,638</u>