

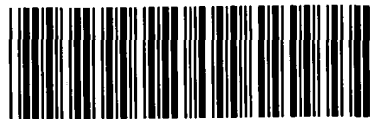
# SANTANDER CARDS LIMITED

Registered in England and Wales  
Company Number 03932752

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 DECEMBER 2018

THURSDAY



\*A8AF9KIA\*

A19

25/07/2019

#267

COMPANIES HOUSE

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2018.

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. The Company is also exempt from preparing a Strategic Report in accordance with Section 414B of the Companies Act 2006.

### Principal activities and review of the year

The principal activity of Santander Cards Limited (the Company) was previously the provision of credit card services and related financial products.

During 2014, the trade and net assets of the Company were transferred to its parent, Santander UK plc. Since this date, the Company has not engaged in any further trading activities. It has however continued to accrue for interest receivable on a loan with its parent company. The financial statements have therefore been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the entity's assets to net realisable value. The financial statements do not include any provision for future costs of terminating the business of the entity except to the extent that such costs were committed at the end of the reporting year. It is the intention of the directors to liquidate the entity in the near future.

### Results and Dividends

The profit for the year amounted to £0.4m (2017: £0.2m).

The Company paid an interim dividend of £10m out of its cumulative and realised retained earnings on 10 July 2018 (2017: £nil). The directors do not propose the payment of a final dividend for 2018 (2017: £nil).

### Directors

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

J Olaizola (resigned 4 October 2018)  
R J Morrison  
R Attar-Zadeh

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of Directors and the financial statements in accordance with applicable law and regulations.

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;

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

### Statement of Going Concern

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 2 and 10 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 liquidity risk and credit risk.

The trade and net assets of the Company were transferred to its parent, Santander UK plc, on 1 April 2014. As discussed under the principal activity, the Company has not engaged in any further trading activity since the date of the asset transfer. The financial statements have therefore been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the entity's assets to net realisable value. The financial statements do not include any provision for future costs of terminating the business of the entity except to the extent that such costs were committed at the end of the reporting year. The UK parent company has provided a formal letter of support to the Company, confirming that support will be provided to allow the company to meet its obligations as they fall due. It is the intention of the directors to liquidate the company in the near future.

### Qualifying Third Party Indemnities

Enhanced indemnities are provided to the Directors of the Company by Santander UK Group Holdings plc against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities remain in force as at the date of this Report and Accounts. A copy of each of the indemnities is kept at the registered office address of Santander UK Group Holdings plc.

## REPORT OF THE DIRECTORS (continued)

### Independent Auditors

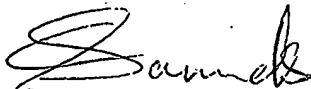
Each of the Directors as at the date of approval of this report has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

In accordance with Sections 485 and 487 of the Companies Act 2006, PricewaterhouseCoopers LLP are re-appointed as auditors of the Company.

By Order of the Board



Cheryl Samuels  
For and on behalf of  
Santander Secretariat Services Limited  
Secretary

7 May 2019

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

# ***Independent auditors' report to the members of Santander Cards Limited***

## **Report on the audit of the financial statements**

---

### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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; the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity; 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.

---

### **Emphasis of matter - financial statements prepared on a basis other than going concern**

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

---

### **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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2018 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.

## ***Independent auditors' report to the members of Santander Cards Limited (continued)***

### **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 set out on page 1, 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.

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](http://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 received 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.



Hamish Anderson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
7 May 2019

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December

	Note	2018 £m	2017 £m
Interest and similar income		0.5	0.3
Net interest income	3	0.5	0.3
Profit before tax	4	0.5	0.3
Tax	6	(0.1)	(0.1)
Profit and total comprehensive income for the year		0.4	0.2

All amounts above relate to discontinued operations.

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

The Company has no comprehensive income or expenses attributable to the equity holders other than the profit of £0.4m (2017: £0.2m) for the current and previous year.

**BALANCE SHEET**

As at 31 December

	Note	2018 £m	2017 £m
<b>Assets</b>			
Amounts owed by Group undertakings	7,9	83.4	93.2
<b>Total assets</b>		<b>83.4</b>	<b>93.2</b>
<b>Liabilities</b>			
Amounts owed to Group undertakings	7,9	-	0.3
Corporation tax		0.1	-
<b>Total liabilities</b>		<b>0.1</b>	<b>0.3</b>
<b>Equity</b>			
Share capital	8	82.0	82.0
Retained earnings		1.3	10.9
<b>Total equity</b>		<b>83.3</b>	<b>92.9</b>
<b>Total liabilities and equity</b>		<b>83.4</b>	<b>93.2</b>

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

These financial statements have been prepared in accordance with the special provisions relating to the small companies regime and the directors make this statement in accordance with section 414(3) of the Companies Act 2006.

The financial statements were approved by the Board of Directors, authorised for issue and signed on its behalf by:



Rachel Morrison  
Director  
7 May 2019

**CASH FLOW STATEMENT**

For the year ended 31 December

	2018 £m	2017 £m
Profit before tax	0.5	0.3
Net cash inflow from trading activities	0.5	0.3
Movement in amounts owed by group undertakings	9.8	(0.3)
Movement in amounts owed to group undertakings	(0.3)	-
Net cash generated from operating activities	10.0	-
Financing activities		
Dividends paid	(10.0)	-
Net cash used in financing activities	(10.0)	-
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

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



**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 January 2017	82.0	10.7	92.7
Total comprehensive income for the year	-	0.2	0.2
Balance at 31 December 2017 and 1 January 2018	82.0	10.9	92.9
Total comprehensive income for the year	-	0.4	0.4
Dividends	-	(10.0)	(10.0)
Balance at 31 December 2018	82.0	1.3	83.3

The accompanying notes are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

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

#### General information

The Company is a private company limited by shares, domiciled and incorporated in the United Kingdom and is part of Santander UK Group Holdings plc 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 financial statements of Santander Cards Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention and subsequently measured at net realisable value. The functional and presentation currency of the Company is sterling.

#### Going Concern

During 2014, the trade and net assets of the Company were transferred to its parent, Santander UK plc. Since this date, the Company has not engaged in any further trading activities. It has however continued to accrue for interest receivable on a loan with its parent company.

IAS 1 requires that financial statements for a company that has ceased to trade are prepared on an "other than going concern" basis. In addition, it is the intention of the Directors to liquidate the Company in the foreseeable future. Accordingly, the financial statements have been prepared on an "other than going concern" basis. This has had no impact on the amounts reported. The directors of the Company have been provided with a letter of support by the UK parent company, confirming the parent company will provide support to the Company for a period of 12 months from the date of signing these financial statements.

#### Future accounting developments

At 31 December 2018, the Company had not yet adopted the following significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective:

- IFRS 16 'Leases' (IFRS 16) – In January 2016, the IASB issued IFRS 16. The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. For lessee accounting, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise a right-of-use (ROU) asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements from the existing leasing standard (IAS 17) and a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently.

#### Recent accounting developments

On 1 January 2018, the Company adopted IFRS 9 'Financial Instruments' (IFRS 9) and IFRS 15 'Revenue from Contracts with Customers' (IFRS 15). The accounting policies have had no significant impact upon the Company.

#### Interest and similar income

Interest and similar income comprises interest income on financial assets measured at amortised cost. It is determined using the effective interest rate which is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. It represents interest receivable on the intercompany loan extended to Santander UK plc.

#### Financial Instruments

##### 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.

##### 1) Classification and subsequent measurement

From 1 January 2018, the Company has applied IFRS 9 Financial Instruments and classifies its financial assets in the measurement categories of amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL).

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES (continued)

#### Financial Instruments (continued)

##### 1) Classification and subsequent measurement (continued)

###### 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. 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.

###### *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.

Based on these factors, 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 'Interest and similar income' using the effective interest rate method. When the estimates of future cash flows are revised, the carrying amount of the financial assets is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the income statement.

The Company's debt instruments consist of amounts owed by group undertakings.

##### 2) Impairment of debt instrument financial assets

Expected credit losses are recognized on all financial assets at amortised cost. 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.

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

##### 3) Derecognition

Financial assets are derecognised when the rights to receive cash flows have expired or the Company has transferred its contractual right to receive the cash flows from the assets and either: (1) substantially all the risks and rewards of ownership have been transferred; or (2) the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

###### Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES (continued)

#### Income taxes, including deferred income taxes

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

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

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

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

#### Critical judgements and accounting estimates

The preparation of the financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

In the course of preparing the financial statements, no significant judgements and accounting estimates have been made in the process of applying the Company's accounting policies.

### 2. FINANCIAL RISK MANAGEMENT

The most significant risks faced by the Company are liquidity risk and credit risk. The Company manages its risk in line with the central risk management function of the Santander UK plc Group. Santander UK plc Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK plc 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 Santander UK plc Group's strategic objectives.

Authority flows from the Santander UK plc Board to the Chief Executive Officer and then 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 Annual Report.

#### Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet its obligations. Liquidity risk is managed with assistance from its UK parent company which has provided the Company a formal letter of support. This ensures that the Company will have sufficient liquid resources to ensure it can meet its obligations as they fall due.

At 31 December 2018, the Company had no significant liabilities. The liabilities in the prior year (£0.3m) comprised amounts owed to Abbey National Treasury Services plc for group relief which were settled in 2018.

#### Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held.

#### The Introduction of IFRS 9

IFRS 9 replaced IAS 39 on 1 January 2018. IFRS 9 introduced a new impairment methodology and rules around classification and measurement of financial assets. The accounting policy has had no significant impact upon the Company.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. FINANCIAL RISK MANAGEMENT (continued)

## Credit risk (continued)

## Maximum exposure to credit risk

The main source of credit risk is in the amounts owed by Group undertakings. No collateral is held as security. Total amounts owed by Group undertakings as at 31 December 2018 were £83.4m. The Company did not recognise an ECL provision against this balance as it is payable on demand and the debtor (Santander UK plc) has sufficient accessible highly liquid assets in order to repay the loan if demanded.

## 3. NET INTEREST INCOME

	2018	2017
	£m	£m
Interest and similar income:		
Interest on intra group loans	0.5	0.3
Net interest income	0.5	0.3

## 4. PROFIT BEFORE TAX

The administrative expenses and provisions, which only include audit fees, have not been presented separately in the Statement of Comprehensive Income and the Balance Sheet respectively, as they are below rounding off level adopted by the Company.

The profit from operations in the current year has been arrived at after charging audit fees of £5,500 which are payable to the Company's auditors for the statutory audit of the Company's annual financial statements. The audit fees in the preceding year (£5,500) were borne by the UK parent company Santander UK plc for which no recharge was made.

Fees payable to the Company's auditors and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent undertaking disclose such fees on a consolidated basis.

The Company had no employees in the current year (2017: nil).

## 5. DIRECTORS' EMOLUMENTS AND INTERESTS

No directors were remunerated for their services to the Company (2017: none). Directors' emoluments are borne by the UK parent company Santander UK plc. The Directors' services to the Company are an incidental part of their duties. No emoluments were paid by the Company to the directors during the year (2017: £nil).

## 6. TAX

	2018	2017
	£m	£m
Current tax:		
UK corporation tax on profit for the year	0.1	0.1
Total tax charge on profit for the year	0.1	0.1

UK corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable profits for the year.

The Finance Act 2016 introduced a further reduction in the corporation tax rate to 17% from 2020.

The tax on the Company's profit before tax is the same as (2017: the same as) the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2018	2017
	£m	£m
Profit before tax:	0.5	0.3
Tax calculated at a tax rate of 19.00% (2017: 19.25%)	0.1	0.1
Tax charge for the year	0.1	0.1

## NOTES TO THE FINANCIAL STATEMENTS

## 7. BALANCES WITH GROUP UNDERTAKINGS

	2018 £m	2017 £m
<b>Amounts owed by Group undertakings:</b>		
Amounts owed by Santander UK plc	83.4	93.2
<b>Maturity:</b>		
Repayable on demand	83.4	93.2
<b>Amounts owed to Group undertakings:</b>		
Amounts owed to Abbey National Treasury Services plc (group relief)	-	0.3
<b>Maturity:</b>		
Repayable on demand	-	0.3

The directors consider that the carrying amount of balances with Group undertakings approximates to their fair value.

The interest rate applicable on the amounts owed by Santander UK plc is one month LIBOR.

Balances with group undertakings are available on demand and hence considered current and are unsecured.

## 8. SHARE CAPITAL

	2018 £m	2017 £m
Issued and fully paid: - 82,000,000 ordinary shares of £1 each	82.0	82.0

## 9. 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 table below:

Related Party	Income		Expenditure		Amounts owed by Related parties		Amounts owed to related parties	
	2018	2017	2018	2017	2018	2017	2018	2017
	£m	£m	£m	£m	£m	£m	£m	£m
Santander UK plc – loan interest and loan	0.5	0.3	-	-	83.4	93.2	-	-
Abbey National Treasury Services plc	-	-	-	-	-	-	-	0.3

During the year, the Company entered into no transactions with key management personnel of the Company (2017: £nil).

Amounts due to and due from related parties shown above are all unsecured. The amounts owed by Santander UK plc are interest bearing.

Amounts owed to Abbey National Treasury Services plc in the prior year consist of £0.3m relating to tax group relief which were settled in 2018.

## 10. CAPITAL MANAGEMENT AND RESOURCES

The Company's intermediate UK parent, Santander UK plc adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Santander UK group. The Company has no non-centralised process for managing its own capital. Disclosures relating to the Santander UK group's capital management can be found in the Santander UK plc Annual Report and financial statements.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 11. CONTINGENT LIABILITIES

At 31 December 2018, Santander UK plc, Abbey National Treasury Services plc, and Cater Allen Limited, which are the three PRA-regulated entities in the Santander UK group, were party to a capital support deed dated 23 December 2015 (the Capital Support Deed) with certain other non-regulated subsidiaries of Santander UK plc and Santander UK Group Holdings plc including the Company. The parties to the Capital Support Deed 2015 were permitted to form a core UK group as defined in the PRA Rulebook. Exposures of each of the three regulated entities to other members of the core UK group are exempt from large exposure limits that would otherwise apply. The purpose of the 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 requirements or risk concentrations requirements. The core UK group permission as supported by the Capital Support Deed 2015 expired on 31 December 2018. From 1 January 2019 as a result of ring-fencing, Santander UK plc entered into a new Capital support deed with Cater Allen Limited and certain non-regulated subsidiaries including the Company which expires 31 December 2021.

### 12. PARENT UNDERTAKING AND CONTROLLING PARTY

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

The Company's ultimate parent undertaking and controlling party is Banco Santander SA, a company incorporated 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 intermediate 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 Secretariat, Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN.