LANGTON SECURITIES (2008-1) PLC

Registered in England and Wales
No. 06432564

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2018

STRATEGIC REPORT

The Directors submit the Strategic Report together with their Report of the Directors and the audited financial statements for the year ended 31 December 2018.

Principal activities

Langton Securities (2008-1) plc (the 'Company') was established as a special purpose entity for the purposes of issuing debt securities (the 'notes'), for the purpose of creating collateral to be used for funding and liquidity, and lending the proceeds thereof to a group company, Langton Funding (No.1) Limited, on a limited recourse basis. In turn Langton Funding (No.1) Limited make such funds available to the Santander UK Group Holdings plc group by purchasing a beneficial interest in a UK residential mortgage loan portfolio held by Langton Mortgages Trustee (UK) Limited (the 'Langton Master Trust').

The principal activities of the Company as defined in the Securitisation Transaction document which can be found at www.santander.co.uk/uk/about-santander-uk/investor-relations/langton-securities includes holding loans under intercompany loan agreement to Langton Funding (No.1) Limited, entering into financial instruments, issuing the notes and other activities reasonably incidental thereto.

The notes are listed on the London Stock Exchange.

The programme

The Langton Master Trust securitisation structure was established on 25 January 2008 as an internal securitisation structure whereby loan notes were issued to Alliance and Leicester plc (now Santander UK plc) for the purpose of obtaining Bank of England funding.

Notes issued under the programme have been and will be issued in series. Each series will normally: (a) be issued on a single date; (b) be subject to the terms and conditions of the notes; and (c) consist of one or more classes (or sub-classes) of notes. Notes of the same class rank pari passu and pro rata among themselves. Each series of the same class will not, however, be subject to identical terms in all respects (for example, interest rates, interest calculations, expected maturity and final maturity dates may differ).

The Company's obligations to pay principal and interest on the notes are funded primarily from the payments of principal and interest received by it from Langton Funding (No.1) Limited under the intercompany loan. The Company's primary asset will be its rights to mortgages under the intercompany loan agreement. Langton Funding (No.1) Limited uses a portion of the amounts received from its share in the trust property to meet its obligations to pay interest and principal due to the Company under the intercompany loan. Under the documents governing the transaction, Santander UK plc and its subsidiaries (the 'Group') are not obliged to support any losses that may be suffered by holders of the debt securities in issue.

The loans included within the underlying portfolio include repayment loans and interest only loans with balances of less than £1m and having a maturity of no later than October 2054.

The loans within the portfolio are monitored and assessed for impairment on a regular basis at a group level as, under International Financial Reporting Standard ('IFRS') 9 'Financial Instruments', the beneficial interest in a mortgage portfolio fails the criteria for recognition within in the Company's financial statements and remains in the Balance Sheet of Santander UK plc.

Key performance

During the year the Company received interest income of £21.3m (2017: £15.8m) from Langton Funding (No.1) Limited and Santander UK plc. The Company used those cash resources to pay interest expense of £20.6m (2017: £15.0m) on the debt securities issued to Santander UK plc. The Company issued no debt securities during the year (2017: £nil) and made principal repayments of £647k (2017: none). All amounts were paid in full and on time. Net assets at 31 December 2018 were £1.2m (2017: £1.3m).

The Company has intercompany assets with Langton Funding (No.1) Limited of £1,371.6m (2017: £1,372.0m) generated from debt issuances to Santander UK plc of £1,370.8m (2017: £1,371.4m).
The key performance indicators used by management are predominantly consideration of whether there have been breaches of the transaction documents. However there are certain measures (triggers) set out in the transaction documents which are relevant to the Company including assessing whether all counterparties involved in the transaction have a rating that remains adequate to support their on-going roles in the programme, and arrears related events. There were no triggers breached in the year.

STRATEGIC REPORT (CONTINUED)

Fair review of the Company's business

The Group manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the divisions of Santander UK plc, which include the Company, are discussed in the Group's Annual Report which does not form part of this Report.

The purpose of this Report is to provide information to the members of the Company and as such it is only addressed to those members. The Report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements. Members should consider this when relying on any forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report and the Company undertakes no obligation to update any forward-looking statement during the year. Nothing in this Report should be construed as a profit forecast.

The directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both the Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As a result, no deferred tax amounts are recognised.

Principal risks and uncertainties facing the Company

The Company's principal risks and uncertainties together with the processes that are in place to monitor and mitigate those risks where possible can be found in Notes 2 and 15.

The process for the UK leaving the EU impacts the economic, legal and regulatory environment for our customers and across the financial services industry. In addition, the use of LIBOR, which is expected to cease in 2021, and its transition to (near) Risk Free Reference Rates (RFR) is also a significant issue across the industry. The Santander UK group has put in place appropriate plans to address the potential risks and will update and implement in this Company as necessary.

Likely future developments

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

Capital management

The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.

On behalf of the Board

Hélena Whitaker
Per pro Intertrust Directors 1 Limited
As Director

27 June 2019

Registered Office Address: 35 Great St. Helen's, London, EC3A 6AP

REPORT OF THE DIRECTORS

The Directors submit their report together with the Strategic Report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

The loss after tax for the year ended 31 December 2018 amounted to £97,000 (2017: profit £56,000).

The Directors do not recommend the payment of a final dividend (2017: Nil).

Subsequent events

There are no subsequent events.

Directors and their interests

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

T Ranger
Intertrust Directors 1 Limited
Intertrust Directors 2 Limited

T Ranger is employed by Santander UK plc.

None of the Directors hold, or have ever held, any beneficial interests in the shares of the Company. No Director had a material interest in any contract of significance with the Company at any time during the year under review or subsequently.

Company secretary

The Company secretary during the year and subsequently was Santander Secretariat Services Limited.

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 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 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.

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.

The Directors of the ultimate parent company are responsible for the maintenance and integrity of the of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the report of the Directors confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

REPORT OF THE DIRECTORS (CONTINUED)

Corporate governance

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued, the Company is largely exempt from the disclosure requirements of the Financial Conduct Authority pertaining to the Disclosure and Transparency Rules (DTR) as detailed in DTR 7.1 audit committees and 7.2 corporate governance statements (save for DTR 7.2.5 requiring a description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the report of the directors. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement.

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 the Strategic Report. 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 15 to the financial statements include the Company's financial risk management objectives; its exposures to credit risk and liquidity risk objectives; and its policies and processes for managing its capital.

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.

The process for the UK leaving the EU is likely to impact the economic, legal and regulatory environment for our customers and across the financial services industry. In addition, the use of LIBOR, which is expected to cease in 2021, and its transition to (near) Risk Free Reference Rates (RFR) is also a significant issue across the industry. Santander UK Group Holdings plc and its subsidiaries (the "Group") has put in place appropriate plans to address the potential risks and will update and implement in this Company as necessary.

Future developments

Information on future developments is included in the Strategic Report.

Financial instruments

The Company's financial instruments comprise amounts due to group undertakings, borrowings, cash and liquid resources, and various items, such as other assets and liabilities that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

All assets, liabilities and transactions are reported in Sterling. Transactions take place in Sterling. Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found in Note 2.

Qualifying Third Party Indemnities

Enhanced indemnities are provided to certain Directors of the Company by Santander UK plc (where such person has been nominated in writing by Santander UK plc as its representative on the Board) against liabilities and associated costs which they could incur in the course of their duties to the Company. All indemnities remain in force as at the date of the Annual Report and Financial Statements. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

The Company has made qualifying third party indemnity provisions for the benefit of the Directors as set out in a corporate services agreement. Intertrust Management Limited (as corporate services provider) has made qualified third party Indemnity provisions for the benefit of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited. These indemnities remain in force as at the date of the Report of the Directors and Financial Statements.

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 reasonable 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 Section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the Company's forthcoming Annual General Meeting.

On behalf of the Board

Helena Whitaker
Per pro Intertrust Directors 1 Limited

27 June 2019

Registered Office Address: 35 Great St. Helen's, London, EC3A 6AP

Independent auditors' report to the members of Langton Securities (2008-1) plc

Report on the audit of the financial statements

Opinion

In our opinion, Langton Securities (2008-1) plc'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 loss 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 as at 31 December 2018; the statement of comprehensive income, the cash flow statement, 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.

Our opinion is consistent with our reporting to the Directors.

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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

Materiality

- Overall materiality: £14,173,000 (2017: £14,177,000), based on 1% of total assets.

Audit scope

- The Company is a special purpose vehicle that forms part of a securitisation structure and issuing residential mortgage backed debt securities, established primarily as a means of creating collateral to be used for funding and liquidity by Santander UK plc. The Company's operations are governed by underlying legal and transaction documents (the "Transaction Documents").
- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the annual report and financial statements, ensuring audit procedures were performed in respect of every material financial statement line item.
- In establishing the overall approach to the audit, we determined the type of work that needed to be performed by us taking into account the accounting processes and controls in place at Santander UK plc as the parent undertaking
- We obtained an understanding of the control environment in place at Santander UK plc and adopted a controls and substantive testing approach.

Key audit matters

- Risk of error in the priority of payments.

Independent auditors' report to the members of Langton Securities (2008-1) plc

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations 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 preparation of 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 incorrect Journal entries with regard to the priority of payments. Audit procedures performed by the engagement team included:

- Inquiries with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation or fraud;
- Evaluate the business rationale for any significant transactions that are unusual or outside the scope of Transaction Documents;
- Test journal entries to supporting documentation using risk based criteria, and;
- Testing that the priority of payments has been applied in accordance with the transaction documents as detailed in the key audit matter below.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Risk of error in the priority of payments The priority of payments (the "waterfall") is key to ensuring that expenses, interest and principal repayments on the notes in issue are paid in the appropriate order on each payment date. The revenue and principal priority of payments are outlined in the transaction documents. The transaction documents also include triggers and trigger events, the breach or occurrence of which may affect the waterfall and therefore the financial statements. We focused our audit testing on the revenue and principal waterfall, agreeing the order of payment back to the order in the transaction documents. Our audit approach also included testing of the repayments of debt securities in issue in line with the transaction documents and the recalculation of interest expense and accrued interest expense.	The following work was undertaken by us as part of the audit: We understood the design of the structure through a combination of inquiry with management and read the transaction documents to understand the revenues and principal priority of payments for the Company and understand the relevant trigger events. We read the investor reports and minutes of the meetings of the board of directors in the year end and up to the signing of the financial statements to identify and investigate any unusual trends or incidents that would indicate a misstatement in the preparation or calculation of the waterfalls. Tested that the priority of payments applied was in line with the transaction documents and the occurrence of any trigger breaches or trigger events per the transaction documents and any impact on the waterfall and financial statements. Tested the payments in the waterfall including expenses, interest and principal payments on notes and notes outstanding at the year-end. Tested interest expense using interest rates set out in the transaction documents and, where applicable, independently sourced reference interest rates. We have no matters to note in relation to the above procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Independent auditors' report to the members of Langton Securities (2008-1) plc

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£14,173,000 (2017: £14,177,000).
How we determined it	1% of total assets.
Rationale for benchmark applied	The Company is a not for profit entity, whose main priority is to remit the cash received in respect of its assets so as to repay its liabilities. As such total assets is considered an appropriate benchmark. Where total assets is used, if the company is a public interest entity, a rule of thumb of up to 1% can be applied. We have deemed this to be a public interest entity and have therefore applied 1% due to the fact the entity has listed debt.

We agreed with the Directors that we would report to them misstatements identified during our audit above £708,799 (2017: £709,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

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 Strategic Report, Report of the Directors and Corporate Governance Statement, 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.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and 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 Strategic Report and Report of the Directors.

Independent auditors' report to the members of Langton Securities (2008-1) plc (CONTINUED

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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. 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 Company's financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Directors, we were appointed by the members on 30 June 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2016 to 31 December 2018.

Jessica Miller

Jessica Miller (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 June 2019

STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

Continuing operations	Note	2018 £000	2017 £000
Interest and similar income	4	**21,314**	15,781
Interest expense and similar charges	5	**(21,325)**	(15,574)
Net interest (expense) / income		**(11)**	207
Administrative expenses	6	**(85)**	(150)
(Loss) / profit before tax	7	**(96)**	57
Tax charge on (loss) / profit for the year	8	**(1)**	(1)
(Loss) / profit for the year		**(97)**	56
Other comprehensive income for the year		**-**	-
Total comprehensive (expense) / income for the year		**(97)**	56

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

There are no items (2017: nil) within the statement of comprehensive income that may be reclassified subsequently to the profit or loss.

STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Retained earnings £000	Total equity £000
As at 1 January 2017	13	1,208	1,221
Profit and total comprehensive income for the year	-	56	56
As at 31 December 2017 and 1 January 2018	**13**	1,264	1,277
Loss and total comprehensive expense for the year	-	**(97)**	**(97)**
As at 31 December 2018	**13**	**1,167**	**1,180**

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

BALANCE SHEET

As at

	Note	31 December 2018 £000	31 December 2017 £000
Non-current assets			
Amounts due from fellow group companies	9	**1,370,800**	1,371,447
Total non-current assets		**1,370,800**	1,371,447
Current assets			
Other receivables		**13**	13
Amounts due from fellow group companies	9	**813**	1,692
Cash and cash equivalents	10	**45,702**	44,608
Total current assets		**46,528**	46,313
Current liabilities			
Other payables		**(15)**	-
Amounts due to fellow group companies	11	**(842)**	(545)
Corporation tax		**(1)**	(1)
Total current liabilities		**(858)**	(546)
Net current assets		**45,670**	45,767
Non-current liabilities			
Amounts due to fellow group companies	11	**(44,490)**	(44,490)
Debt securities	12	**(1,370,800)**	(1,371,447)
Total non-current liabilities		**(1,415,290)**	(1,415,937)
Net assets		**1,180**	1,277
Equity			
Share capital	13	**13**	13
Retained earnings		**1,167**	1,264
Total equity		**1,180**	1,277

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

The financial statements on pages 10 to 22 were approved by the Board of Directors and signed on its behalf by:

Whitaker

Helena Whitaker
Per pro Intertrust Directors 1 Limited
As Director
27 June 2019

CASH FLOW STATEMENT

For the years ended 31 December

	Note	2018 £000	2017 £000
(Loss) / profit before tax		**(96)**	57
Cash flows from operating activities			
Movements in working capital:			
Change in operating assets		**15**	-
Tax paid		**(1)**	(1)
Net cash flows (used in) / generated by operating activities		**(82)**	56
Investing activities			
Movement in amounts due from fellow group companies		**1,823**	(1,164)
Net cash generated by / (used) in investing activities		**1,823**	(1,164)
Financing activities			
Redemption of debt securities	12	**(647)**	-
Net cash used in financing activities		**(647)**	-
Net increase / (decrease) in cash and cash equivalents		**1,094**	(1,108)
Cash and cash equivalents at start of year		**44,608**	45,716
Cash and cash equivalents at end of year	10	**45,702**	44,608

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES

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

General information

The Company is a public limited liability company which is 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 35 Great St. Helen's, London, EC3A 6AP.

Basis of preparation

The financial statements 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 functional and presentation currency of the Company is sterling.

The financial statements have been prepared under the historical cost convention and on a going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors. An assessment of the appropriateness of the adoption of the going concern basis of accounting is disclosed in the statement of going concern set out in the Report of the Directors.

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 new or revised accounting policies are set out below. The application of IFRS 9 had no material impact on the Company and comparatives have not been restated. The application of IFRS 15 had no material impact on the Company as there were no significant changes in the recognition of in scope income.

Interest income and expense

Interest income on financial assets that are classified as amounts due from group undertakings and interest expense on financial liabilities are determined using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of the financial instrument and all other premiums or discounts.

Interest income and expense is shown gross in the Statement of Comprehensive Income.

Financial Instruments

Financial instruments of the Company comprise Amounts due from fellow group companies, debt securities in issue, cash and cash equivalents and other receivables and payables arising from the Company's operations. These instruments are recognised, classified and subsequently measured in accordance with IFRS 9 as described below.

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 fair value through profit and loss (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.

b) Financial assets and liabilities

Classification and subsequent measurement

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

Financial assets and financial liabilities which are required to be held at FVTPL include:

- Financial assets and financial liabilities held for trading
- Debt instruments that do not have solely payments of principal and interest (SPPI) characteristics. Otherwise, such instruments are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Classification and subsequent measurement (continued)

Financial assets and financial liabilities are classified as held for trading if they are derivatives or if they are acquired or incurred principally for the purpose of selling or repurchasing in the near-term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.

In certain circumstances other financial assets and financial liabilities are designated at FVTPL where this results in more relevant information. This may arise because it significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on a different basis, where the assets and liabilities are managed and their performance evaluated on a fair value basis or, in the case of financial liabilities, where it contains one or more embedded derivatives which are not closely related to the host contract.

Financial assets: debt instruments

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.

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 one of the following measurement categories:

- 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.

- FVTPL – Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL, including any debt instruments designated at fair value, is recognised in profit or loss and presented in the income statement in 'Other gains/losses' in the period in which it arises.

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.

Financial liabilities: debt securities in issue

Financial liabilities are classified as, and are subsequently measured at, amortised cost with any difference between cost and redemption value recognised in the statement of comprehensive income over the period of the borrowings on an effective interest rate basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities: debt securities in issue (continued)

Impairment of debt instrument financial assets

Expected credit losses are recognized 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.

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

Amounts due from fellow group companies represent a loan to Langton Funding (No.1) Limited, the repayment of which is dependent upon the performance of the underlying residential mortgage portfolio. 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 amounts due from fellow 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 amounts due from fellow group companies taking into account the relevant credit enhancements available for the Company in the structure. Accordingly expected losses for amounts due from fellow group companies are immaterial and are only likely to be material if the ECL on the underlying assets exceeded the available credit enhancements.

Debt securities in issue

Debt securities in issue are initially recognised at fair value plus transaction costs that are incremental and directly attributable to the issue. Subsequent to initial recognition, debt securities in issue are stated at amortised cost with any difference between cost and redemption value recognised in the statement of comprehensive income over the period of the borrowings on an effective interest rate basis.

Amounts due from fellow group companies

Amounts due from fellow group companies are debt instrument financial assets measured at amortised cost. The directors consider that the relevant business model for the amounts due from fellow group companies to be 'hold to collect' in order to service the Company's liabilities. The directors assessed that the contractual cash flows under the intercompany loan agreement represent SPPI.

Income taxes

The Directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both the Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As a result, no deferred tax amounts are recognised.

Under the powers conferred by the Act, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met and an election being made, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement.

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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purposes of the Balance Sheet and the Cash Flow Statement, cash and cash equivalents comprise assets with less than three months' maturity from the date of acquisition, including cash, restricted balances and non restricted balances with central banks, loans and advances to banks and amounts due from other banks.

Accounting policies applied until 31 December 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Classification

Until 31 December 2017, the group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

The classification depended on the purpose for which the assets were acquired. Management determined the classification of its assets at initial recognition and, classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Impairment of financial assets

Under IAS 39 a financial asset or a group of financial assets was impaired and impairment losses were incurred if, and only if, there was 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 asset.

Critical accounting estimates and Judgements

The preparation of the Company's financial statements requires management to make judgements and accounting estimates 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 on-going basis. Management bases its judgements and accounting estimates, which are based on historical experience and on other factors that are believed to be reasonable under the circumstances, on an on-going basis. Actual results may differ from these estimates under different assumptions or conditions.

The following accounting estimates and judgements are considered important to the portrayal of the Company's financial results and financial condition because: (i) they are highly susceptible to change from period to period as assumptions are made to calculate the estimates, and (ii) 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:

Impairment of Amounts due from fellow group companies

As described under the 'Impairment of debt instrument financial assets' above, the repayment amounts due from fellow group companies is dependent on the performance of the underlying residential mortgage portfolio. 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 amounts due from fellow 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 amounts due from fellow group companies taking into account the relevant credit enhancements available for the Company in the structure. Accordingly expected losses for amounts due from fellow group companies are immaterial and are only likely to be material if the ECL on the underlying assets exceeded the available credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2. RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK

The Company's risk management focuses on the major areas of credit risk and liquidity risk. Risk management is carried out by the central risk management function of the Santander UK Group. 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 of oversight.

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 main source of credit risk are the amounts due from fellow group companies.

On 1 January 2018, IFRS 9 replaced IAS 39, and introduced new rule on how to classify and measure financial assets, as well as new concepts, principles and measures for credit impairment methodology. The methodologies for calculating incurred losses under IAS 39 and ECLs under IFRS 9 are fundamentally different.

Key metrics introduces by adopting IFRS 9 are as follows:

Metric	Description
Expected credit losses (ECL)	ECL tells us what credit risk is likely to cost us 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 (SICR) since origination. We explain how we calculate ECL below.
Stages 1, 2 and 3	We assess each facility's credit risk profile to determine which stage to allocate them to, and we monitor where there is a SICR and transfers between the stages. We explain how we allocate a facility to Stage 1, 2 or 3 below.
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 to determine which of three stages to allocate them to, see the company's accounting policies on Note 1.

The maximum exposure to credit risk without taking into account collateral or credit enhancements is the carrying amount of the amounts due from group undertakings of £1,371.6m (2017: £1,373.1m).

At the balance sheet date the impact of ECL has been assessed as immaterial on all financial assets subject to credit risk, due to the credit enhancement features applied by the Company. As such no ECL allowance was recognised.

As at 31 December 2018, the book value of residential mortgage loans that Santander UK plc had assigned legal title to the Langton securitisation structure was £3.0bn (2017: £3.9bn). The Langton securitisation structure acquired interest in a portfolio of mortgage loans (Funder share) was £2.4bn (2017: £2.4bn) and the Santander UK plc Seller share was £0.6bn (2017: £1.5bn). The seller share does not provide credit enhancement.

The decrease in the seller share is in line with repayments on the mortgage loans. This movement is not reflected in a corresponding decrease in the notes, due to the repayment of the remaining notes being deferred. This has been agreed with all relevant parties, including the noteholder Santander UK plc, in the deeds of amendment dated 11 December 2015 and 15 November 2018.

The Langton securitisation structure has cash balances and reserves of £0.2bn (2017: £0.2bn) which also act as credit enhancement.

Should credit losses occur these would be absorbed by the Issuer Z notes before using the structure's reserve fund. The amount of the Z notes is greater than historic losses experienced on the pool of residential mortgages.

Details of the mortgage assets can be found in the notes to the Group financial statements of Santander UK plc's Annual Report and Financial Statements and monthly investor reports of Langton Master Trust.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2. RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (CONTINUED)

Credit risk (continued)

Santander UK plc's current credit ratings were:

	S & P	Moody's	Fitch
Long-term rating	A	Aa3	A+
Long-term rating outlook	Stable	Positive	Rating Watch Negative
Short term rating	A-1	P-1	F1

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's obligations only arise as a result of payments being received by it under intercompany loans. The Company cannot therefore be required to make any payments if insufficient cash is available and as such it does not face any liquidity risk.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

All of the Company's income is derived from activities in the same business and geographical segment, within the UK.

4. INTEREST AND SIMILAR INCOME

	2018 £000	2017 £000
Interest income from Langton Funding (No.1) Limited	20,991	15,680
Interest on cash deposits with Santander UK plc	323	101
	21,314	15,781

5. INTEREST EXPENSE AND SIMILAR CHARGES

	2018 £000	2017 £000
Interest on loan from Santander UK plc	695	550
Interest on debt securities	20,630	15,024
	21,325	15,574

6. ADMINISTRATIVE EXPENSES

	2018 £000	2017 £000
Administration fees payable to Santander UK plc	85	150
	85	150

Professional fees relating to the Langton securitisation structure for the prior year were paid by Langton Funding (No.1) Limited, for which no recharge was made to the Company. Professional fees for the current year were borne by the Company. The total professional fees incurred by Langton Funding (No.1) Limited for the year is £70,393 (2017: £349,913).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7. (LOSS) / PROFIT BEFORE TAX

Directors' emoluments

The Directors' services to the Company are an incidental part of their duties. No Directors were remunerated for their services to the Company (2017: nil). Directors' emoluments are borne by Santander UK plc and corporate service fees of £8,655 (2017: £8,728), which include the provision of Directors of £6,330 (2017: £7,411), are borne by Langton Funding (No.1) Limited. No emoluments were paid by the Company to Directors during the year (2017: £nil).

Staff costs

The Company has no employees in the current or prior financial year.

Auditors' remuneration

The audit fee for the current year has been paid by the Company (2017: paid on the Company's behalf by Santander UK plc, in accordance with Company policy, for which no recharge has been made). The audit fee for the current year is £15,000 (2017: £15,000).

No fees for non-audit services were paid by the Company to the auditors in the period from 1 January 2018 to 31 December 2018.

8. TAX CHARGE ON (LOSS) / PROFIT FOR THE YEAR

	2018 £000	2017 £000
Current tax:		
UK corporation tax on (loss) / profit for the year	**1**	1
Tax charge on (loss) / profit for the year	**1**	1

For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the 'Taxation of Securitisation Companies Regulations (SI 2006/3296)'. Therefore the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the Transaction.

UK corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable (losses) / 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 (losses) / profit before tax differs from (2017: differs from) the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2018 £000	2017 £000
(Loss) / profit before tax	**(96)**	57
Tax calculated at a tax rate of 19.00% (2017: 19.25%)	**(18)**	11
Non-taxable income	**19**	(10)
Tax charge for the year	**1**	1

The Company meets the requirements of a securitisation company for tax purposes and is taxed on the margin that it receives in return for participating in the securitisation structure under the waterfall arrangement. Any other amounts that form part of its retained profit and all other amounts that it receives are disregarded for tax purposes.

9. AMOUNTS DUE FROM FELLOW GROUP COMPANIES

	2018 £000	2017 £000
Amounts falling due within one year:		
Amounts due from group undertakings (note 15)	**813**	1,692
Amounts falling due after five years:		
Amounts due from group undertakings (note 15)	**1,370,800**	1,371,447
	1,371,613	1,373,139

The Mortgage Loans underlying the amounts due from fellow group companies are amortising however the repayments are not contractually certain, and as such the principal balance has been classified as amounts falling due after five years.

The loans are all denominated in Sterling and are at variable rates of interest, based on LIBOR for three-month sterling deposits. The carrying amount due from group undertakings approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10. CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Deposits with Santander UK plc	**45,702**	44,608
	45,702	44,608

All cash balances held with Santander UK plc are held under a Guaranteed Investment Contract and are classified as restricted funds, as withdrawals are restricted by a priority of payments in accordance with the terms of the securitisation structure.

11. AMOUNTS DUE TO FELLOW GROUP COMPANIES

	2018 £000	2017 £000
Amounts falling due within one year:		
Amounts due to group undertakings (note 15)	**842**	545
Amounts falling due after five years:		
Subordinated loan to Santander UK plc (note 15)	**44,490**	44,490
	45,332	45,035

The subordinated loan obtained from Santander UK plc has a contractual maturity of 2054 and bear interest at Libor plus a margin of 90 bps.

The carrying amount due to group undertakings approximates to their fair value.

12. DEBT SECURITIES

	2018 £000	2017 £000
Residential mortgage backed notes repayable greater than five years (note 15)	**1,370,800**	1,371,447

The classification of the debt securities in issue is in line with the legal maturity dates of the notes.

The tables below disclose the list of debt securities in issue.

Issue: 2011-1	**Currency**	**2018 £000**	2017 £000
Class A2 Floating Rate Notes 2054	GBP	**967,800**	968,447
Z Note 2054	GBP	**403,000**	403,000
		1,370,800	1,371,447

The carrying amount of debt securities differs from their fair value as shown below.

Class A2 Floating Rate Notes 2054	**2018 Book Value £000**	2018 Fair Value £000
Value at 31 December	**967,800**	977,296

Z Note 2054	**2018 Book Value £000**	2018 Fair Value £000
Value at 31 December	**403,000**	414,366

In 2017 the carrying value was deemed to approximate to the fair value.

Interest is payable on the debt securities in issue at variable rates based on the three-month Sterling LIBOR. During the year the Company made a repayment of principal of £647,000 of the Class A2 Floating Rate Notes 2054.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12. DEBT SECURITIES (CONTINUED)

The Company's obligations to note-holders, and to other secured creditors, are secured under a deed of charge that grants security over all of its assets in favour of the security trustee. The principal assets of the Company are loans made to Langton Funding (No1) Limited, a group company, whose obligations in respect of these loans, are secured under a deed of charge which grants security over all its assets, primarily comprising shares in a portfolio of residential mortgage loans, in favour of the security trustee. These mortgages fail the de-recognition criteria described in IFRS 9 and as such are represented by a receivable on the balance sheet of Langton Funding (No1) Limited, though legally Langton Funding (No1) Limited is entitled to the income from these mortgages. The security trustee holds this security for the benefit of all secured creditors of Langton Funding (No1) Limited, including the Company.

All the debt securities in issue are listed and are included in the amounts shown above.

13. SHARE CAPITAL

	2018 £	2017 £
Authorised, called up, issued and partly paid		
- 50,000 (2017: 50,000) ordinary shares of £1 each: 25p per share called up and paid	**12,500**	12,500

14. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with related parties:

	Interest income		Interest expense		Amounts due from related parties		Amounts due to related parties		Cash and cash equivalents	
	2018 **£000**	2017 £000	**2018** **£000**	2017 £000	**2018** **£000**	2017 £000	**2018** **£000**	2017 £000	**2018** **£000**	2017 £000
Santander UK plc	**323**	101	695	550	-	1,166	45,332	45,035	45,702	44,608
Santander UK plc – debt securities	-	-	20,630	15,024	-	-	1,370,800	1,371,447	-	-
Langton Funding (No.1) Limited	**20,991**	15,680	-	-	1,371,613	1,371,973	-	-	-	-

In addition to the above, Intertrust Management Limited held cash of £13,000 (2017: £13,000) in a client account in the name of and for the benefit for the Company.

During the year, fees of £8,655 (2017: £8,728) were charged by Intertrust Management Limited in respect of corporate services fees provided to the Company.

Intertrust Corporate Services Limited, which holds the entire share capital of the Company's immediate parent Langton Securities Holdings Limited, is a wholly owned subsidiary of Intertrust Management Limited.

There have been no transactions with key management personnel during the year, other than those disclosed elsewhere in these financial statements in respect of transactions with Intertrust Management Limited.

15. CAPITAL MANAGEMENT AND FINANCIAL RESOURCES

Santander UK plc adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Santander UK group. Disclosures relating to the Company'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 Santander UK plc, comprises share capital and reserves which can be found in the Balance Sheet on page 10. The Company's capital is not externally regulated.

Capital is managed by way of processes set up at inception of the Company and subsequently there is no active process for managing its own capital. The Company is designed to hold minimum reserves once all amounts due on the related party loans have been received and amounts owing, including deferred consideration, have been paid.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent company is Langton Securities Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The entire share capital of Langton Securities Holdings Limited is held by Intertrust Corporate Services Limited on a discretionary trust basis for the benefit of certain charities.

The administration, operations, accounting and financial reporting functions of the Company are performed by Santander UK plc, which is incorporated in Great Britain and registered in England and Wales.

Santander UK plc has been delegated administration and servicing functions in respect of the loans on behalf of the mortgages' trustee and the beneficiary as the service providers.

The Company is a Special Purpose Entity controlled by Santander UK plc and is therefore consolidated within the Santander UK Group Holdings plc group financial statements.

The Company's ultimate 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 Secretariat, Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN.