LANGTON SECURITIES (2010-2) PLC

Registered in England and Wales
No. 07381453

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 (2010-2) 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').

During 2017 all notes issued by the Company have been redeemed. In 2018 there were no transactions relating to notes.

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 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 2052.

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 the Company's financial statements as the loans fail derecognition at Santander UK plc level.

The Company held no assets that were at risk of material impairment at the year end.

Key performance

During the year the Company received interest income of £nil (2017: £nil) from Langton Funding (No.1) Limited. The Company used those cash resources to pay interest expense of £nil (2017: £nil) on the loans to Santander UK plc.

The loss after tax for the year ended 31 December 2018 was £235k (2017: £nil). Net assets at 31 December 2018 were £25k (2017: £235k).

The Company has intercompany assets with Langton Funding (No.1) Limited of £nil (2017: £nil) and intercompany liabilities with Santander UK Group Holdings plc group of £nil (2017: £nil).

The Company issued no debt securities during the year (2017: £nil) and made payments of principal of £nil (2017: £nil) and redemptions of £nil (2017: £nil). The Company had no debt securities in issue at the year end.

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 ongoing 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

Santander UK plc and its subsidiaries (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.

Principal risks and uncertainties facing the Company

The Company's principal risks areas are credit and liquidity risk. Further detail regarding 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.

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

Helena Whitaker
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.

Dividends

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

Subsequent events

There are no subsequent events.

Directors

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

C Pearce	(appointed 20 July 2018)
T Ranger	
C A Wallace	(resigned 20 July 2018)
P H Whitaker	(withdrawn as alternate director to C A Wallace on 20 July 2018 and appointed 8 April 2019)

The Directors, with the exception of T Ranger who is employed by Santander UK plc, are all employees of Intertrust Management Limited.

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.

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.

REPORT OF THE DIRECTORS (CONTINUED)

Corporate governance (continued)

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 18 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. Furthermore, the risks are limited due to the fact that all notes have been redeemed during 2017.

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 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.

Future developments

Information on future developments is included in the Strategic report.

Financial instruments

The Company's financial instruments, other than derivatives, 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 and in United States Dollars.

The main risk arising from the Company's financial instruments is currency risk and interest rate risk. The Company's Board reviews and agrees policies for managing this risk. The Company's policy is to eliminate all exposures arising from movements in exchange and interest rates by the use of cross currency swaps or interest rate swaps to hedge payments of interest and principal on the securities.

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 C Pearce, P H Whitaker and C A Wallace (up to the date of her resignation on 20/7/2018). 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(2) 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
As Director
27 June 2019

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

Independent auditors' report to the members of Langton Securities (2010-2) plc

Report on the audit of the financial statements

Opinion

In our opinion, Langton Securities (2010-2) 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 statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's activities 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 and 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.

Independent auditors' report to the members of Langton Securities (2010-2) plc (continued)

Reporting on other information (continued)

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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors Responsibilities in respect of the financial statements 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.

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 year ended 31 December 2018

Continuing operations	Note	2018 £000	2017 £000
Interest and similar income		-	-
Interest expense and similar charges	4	(223)	-
Net interest expense		(223)	-
Administrative expenses	5	(12)	-
Net other operating expense		-	-
(Loss) / result before tax	6	(235)	-
Tax charge on (loss) / result for the year	7	-	-
(Loss) / result for the year		(235)	-
Other comprehensive income for the year		-	-
Total comprehensive (expense) / result for the year		(235)	-

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

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £000	Retained earnings £000	Total equity £000
As at 1 January 2017	13	247	260
Result for the year and total comprehensive income for the year	-	-	-
As at 31 December 2017 and 1 January 2018	13	247	260
Loss for the year and total comprehensive expense for the year	-	(235)	(235)
As at 31 December 2018	13	12	25

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

LANGTON SECURITIES (2010-2) PLC – 07381453

BALANCE SHEET

As at 31 December 2018

	Note	2018 £000	2017 £000
Current assets			
Other receivables		**13**	13
Cash and cash equivalents	9	**12**	24
Amounts due from group undertakings	8	**-**	223
Derivative financial instruments – assets		**-**	-
Total current assets		**25**	260
Current liabilities			
Corporation tax		**-**	-
Total current liabilities		**-**	-
Net assets		**25**	260
Equity			
Share capital	10	**13**	13
Retained earnings		**12**	247
Total equity		**25**	260

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

The financial statements on pages 8 to 16 were approved by the Board of Directors and signed on its behalf by:

Helena Whitaker
As Director
27 June 2019

CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
(Loss) / result before tax		(235)	-
Cash flows from operating activities			
Adjustments for:			
Corporation taxes paid		-	(1)
Change in loans to group undertakings		223	(223)
Change in derivative assets		-	-
Change in derivative liabilities		-	-
Net cash flows used in operating activities		(12)	(224)
Net decrease in cash and cash equivalents		(12)	(224)
Cash and cash equivalents at start of year		24	248
Cash and cash equivalents at end of year	9	12	24

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 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 Cash and cash equivalents and other receivables. 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.

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

1. ACCOUNTING POLICIES (CONTINUED)

Amounts due from group undertakings

Amounts due from group undertakings are debt instrument financial assets measured at amortised cost. The directors consider that the relevant business model for the amounts due from group undertakings 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.

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 IAS39 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 assets.

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.

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

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 sources of credit risk are the loan assets and the receivables assets. All notes previously in issue have been redeemed so this risk has been mitigated.

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.

All notes previously in issue have been redeemed and so this risk has been mitigated.

Market risk

Market risk is potential for loss of income or decrease in the value of net assets caused by movements in the levels and prices of financial instruments. The Company was subject to market risk in the form of interest rate risk. All notes previously in issue have been redeemed and so this risk has been mitigated.

Maturities of financial liabilities

At the end of the current and previous years, the Company held no debt securities.

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.

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

4. INTEREST EXPENSE AND SIMILAR CHARGES

	2018 £000	2017 £000
Derivative interest expense	-	-
Interest due to fellow group companies	223	-
	223	-

5. ADMINISTRATIVE EXPENSES

	2018 £000	2017 £000
Audit fee	12	-
	12	-

Professional fees relating to the Langton securitisation structure for the current year and prior year has been paid by Langton Funding (No.1) Limited, for which no recharge has been made to the Company. The total professional fees incurred by Langton Funding (No.1) Limited for the year is £21,917 (2017: £349,913).

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

6. (LOSS) / RESULT 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. Directors' emoluments are borne by Santander UK plc and corporate Directors' fees of £nil (2017: £6,460), 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 was 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 £10,000 (2017: £10,000).

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.

7. TAX CHARGE ON (LOSS) / RESULT FOR THE YEAR

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

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% (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 (loss) / result before tax differs from (2017: is the same as) the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2018 **£000**	2017 £000
(Loss) / result before tax	**(235)**	-
Tax calculated at a tax rate of 19.00% (2017: 19.25%)	**(45)**	-
Non-taxable expense	**45**	-
Tax charge for the year	**-**	-

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.

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

8. AMOUNTS DUE FROM GROUP UNDERTAKINGS

	2018 £000	2017 £000
Amounts falling due after five years:		
Amounts due from group undertakings (note 13)	-	223
	-	223

In 2017 the carrying amount due from group undertakings approximate to their fair value.

9. CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Deposits with Santander UK plc	12	24
	12	24

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.

10. 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

11. RELATED PARTY TRANSACTIONS

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

	Expenditure		Amounts due from related parties		Cash and cash equivalents	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Santander UK plc	223	-	-	223	12	24
Abbey National Treasury Services plc	-	-	-	-	-	-
Langton Funding (No.1) Limited	-	-	-	-	-	-

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. These balances have been disclosed as trade and other receivables on the balance sheet.

During the year, fees of £nil (2017: £6,460) 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.

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

12. 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.

13. 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.