SANTANDER FINTECH LIMITED

Registered in England and Wales
Company number 09209355

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2016

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemptions.

Principal activity

The principal activity of Santander Fintech Limited (the Company) is to provide growth investment to Financial Technology (Fin-Tech) firms in selected geographies worldwide, through the Santander venture capital fund for Fin-Tech known as Santander InnoVentures, with the aim of allowing Santander and its customers to benefit from the latest in digital innovations and know-how.

The Company was incorporated on the 9 September 2014. The financial statements for the prior period are not directly comparable to the current year as they have been presented on an extended accounting basis covering the period from the incorporation date through to the 31 December 2015.

Results and dividends

The loss for the year amounted to £2,574,025 (period ended 31 December 2015: £2,264,124). The Directors do not recommend the payment of a final dividend (2015: nil).

Directors

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

M Belinky	
N M Bostock	
J M Fuster Van Bendegem	(Appointed 10 July 2015 and resigned 9 March 2016)
J P Jackson	(Appointed 9 March 2016 and resigned on 28 February 2017)
V Matarranz	
J Guitard	(Appointed 15 March 2017)
J Olaizola	

Statement of directors' responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Going Concern

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 2 and 15 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk, market risk, liquidity risk and price risk.

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.

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 of the indemnities remain in force as at the date of the Report and Financial statements. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

REPORT OF THE DIRECTORS *(continued)*

Independent auditors

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

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

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

By Order of the Board

Mariano Belinky
Director

19 July 2017

Registered Office Address: 21 Holborn Viaduct, London, EC1A 2DY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANTANDER FINTECH LIMITED

We have audited the financial statements of Santander Fintech Limited for the year ended 31 December 2016 which comprise the balance sheet, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Giles Mullins

Giles Mullins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
Date: 26 June 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016 and period ended 31 December 2015

Continuing operations	Notes	Year ended 31 December 2016 £	Period * 9 September 2014 to 31 December 2015 £
Other operating income		1,844	-
Administrative expenses	3,4	(3,198,542)	(2,863,230)
Operating loss		(3,196,698)	(2,863,230)
Interest income	5	11,200	20,322
Loss before tax		(3,185,498)	(2,842,908)
Tax	6	611,473	578,784
Net loss for the year/ period after tax		(2,574,025)	(2,264,124)
Other comprehensive income for the year/ period		10,948,861	4,429,273
Total comprehensive income for the year/ period attributable to the equity holders of the Company		8,374,836	2,165,149

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016 and period ended 31 December 2015

	Share capital £	Share Premium £	Retained earnings £	Revaluation reserve £	Foreign currency reserve £	Deferred tax on AFS investments £	Total Equity £
1 January 2016	5,000,000	20,000,000	(2,264,124)	5,169,268	232,285	(972,280)	27,165,149
Issue of share capital	4,195,240	16,780,956					20,976,196
Loss for the year	-	-	(2,574,025)	-	-	-	(2,574,025)
Other comprehensive income	-	-	-	5,727,312	7,399,008	(2,177,459)	10,948,861
31 December 2016	9,195,240	36,780,956	(4,838,149)	10,896,580	7,631,293	(3,149,739)	56,516,181

	Share capital £	Share Premium £	Retained earnings £	Revaluation reserve £	Foreign currency reserve £	Deferred tax on AFS investments £	Total Equity * £
At 9 September 2014	-	-	-	-	-	-	-
Issue of share capital	5,000,000	20,000,000	-	-	-	-	25,000,000
Loss for the period	-	-	(2,264,124)	-	-	-	(2,264,124)
Other comprehensive income	-	-	-	5,169,268	232,285	(972,280)	4,429,273
At 31 December 2015	5,000,000	20,000,000	(2,264,124)	5,169,268	232,285	(972,280)	27,165,149

The revaluation reserve, foreign currency reserve and deferred tax on AFS investments comprise "Other reserves" on the Balance sheet.

* The statement of comprehensive income and statement of changes in equity for the prior period are presented on an extended accounting period basis, from the date of incorporation on the 9 September 2014 to 31 December 2015.

BALANCE SHEET

As at 31 December

	Notes	2016 £	Period 9 September 2014 to 31 December 2015 £
Non-current assets			
Property, plant and equipment	7	132,071	45,114
Investments	8	52,019,558	24,628,547
Total non-current assets		52,151,629	24,673,661
Current assets			
Cash and cash equivalents	9	6,644,860	3,082,059
Trade and other receivables	10	1,228,788	616,916
Total current assets		7,873,648	3,698,975
Current liabilities			
Trade and other payables	11	(357,389)	(235,207)
Total current liabilities		(357,389)	(235,207)
Net current assets		7,516,259	3,463,768
Non-current liabilities			
Deferred tax	12	(3,151,707)	(972,280)
Total non-current liabilities		(3,151,707)	(972,280)
Total liabilities		(3,509,096)	(1,207,487)
Net assets		56,516,181	27,165,149
Equity			
Share capital	13	9,195,240	5,000,000
Share premium	13	36,780,956	20,000,000
Other reserves		15,378,134	4,429,273
Retained loss		(4,838,149)	(2,264,124)
Total equity		56,516,181	27,165,149

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

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

Mariano Belinky
Director
19 July 2017

CASH FLOW STATEMENT

For the year ended 31 December 2016 and period ended 31 December 2015

	Year ended 31 December 2016 £	Period 9 September 2014 to 31 December 2015 £
Loss before tax	(3,185,498)	(2,842,908)
Depreciation	11,004	347
Net cash used in operating activities	**(3,174,494)**	**(2,842,561)**
Operating activities		
Decrease/ (increase) in trade and other receivables	1,570	(38,132)
Increase in trade and other payables	122,181	235,207
Cash flows used in operating activities	**(3,050,744)**	**(2,645,486)**
Investing activities		
Proceeds from the issue of shares	20,976,197	25,000,000
Purchase of AFS investments	(14,264,691)	(19,226,994)
Purchase of property, plant and equipment	(97,961)	(45,461)
Net cash generated from investing activities	**6,613,545**	**5,727,545**
Net increase in cash during the year/ period	3,562,801	3,082,059
Cash and cash equivalents at beginning of the year	3,082,059	-
Cash and cash equivalents at end of year/ period	**6,644,860**	**3,082,059**

Where tax liabilities have been group relieved, they are accounted for as trade and other payables.

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies that have been applied to Santander Fintech Limited (the Company) in the preparation of financial statements are set out below.

General information

The Company is a limited liability company, domiciled and incorporated in the United Kingdom and is part of Banco Santander SA. The registered office address of the Company is 21 Holborn Viaduct London EC1A 2DY.

The Company was incorporated on the 9 September 2014. The financial statements for the prior period are not directly comparable to the current year as they have been presented on an extended accounting basis covering the period from the incorporation date through to the 31 December 2015 (sixteen months).

Basis of preparation

The financial statements of Santander Fintech Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, with the exception of the investments, which are measured at fair value through other comprehensive income. In addition, the financial statements have been prepared on a going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

Future accounting developments

a) IFRS 9 'Financial Instruments' (IFRS 9) - In July 2014, the International Accounting Standards Board (IASB) approved IFRS 9 to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 sets out the requirements for recognition and measurement of financial instruments. The main new developments of the standard are discussed below.

Classification and measurement of financial assets and financial liabilities: Under IFRS 9, financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. For many financial assets, the classification and measurement outcomes will be similar to IAS 39. However, under IFRS 9, embedded derivatives are not separated from host financial assets and equity securities are measured at fair value either through profit or loss or, in certain circumstances, an irrevocable election may be made to present fair value movements in other comprehensive income. The requirements for the classification and measurement of financial liabilities were carried forward unchanged from IAS 39, however, the requirements relating to the fair value option for financial liabilities were changed to address own credit risk and, in particular, the presentation of gains and losses within other comprehensive income.

Impairment: IFRS 9 introduces fundamental changes to the impairment of financial assets measured at amortised cost or at fair value through other comprehensive income, lease receivables and certain commitments to extend credit and financial guarantee contracts. It is no longer necessary for losses to be incurred before credit losses are recognised. Instead, under IFRS 9, an entity always accounts for expected credit losses (ECLs), and any changes in those ECLs. The ECL approach must reflect both current and forecast changes in macroeconomic data over a horizon that extends from 12 months to the remaining life of the asset if a borrower's credit risk is deemed to have deteriorated significantly at the reporting date compared to the origination date. The estimate of ECLs should reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considering reasonable and supportable information at the reporting date. Similar to the current incurred credit loss provisioning approach, management will exercise judgement as to whether additional adjustments are required in order to adequately reflect possible events or current conditions that could affect credit risk.

For financial assets, an ECL is the current value of the difference between the contractual cash flows owed to the entity according to the contract and the cash flows which the entity expects to receive. For undrawn loan commitments, an ECL is the current value of the difference between the contractual cash flows owed to the entity and the cash flows which the entity expects to receive if the loan is drawn.

An assessment of each facilities' credit risk profile will determine whether they are to be allocated to one of three stages:

- Stage 1: when it is deemed there has been no significant increase in credit risk since initial recognition, a loss allowance equal to a 12-month ECL - i.e. the proportion of lifetime expected losses resulting from possible default events within a the next 12-months - will be applied;

- Stage 2: when it is deemed there has been a significant increase in credit risk since initial recognition, but no credit impairment has materialised, a loss allowance equal to the lifetime ECL - i.e. lifetime expected loss resulting from all possible defaults throughout the residual life of a facility - will be applied; and

- Stage 3: when the facility is considered credit impaired, a loss allowance equal to the lifetime ECL will be applied. Similar to incurred losses under IAS 39, objective evidence of credit impairment is required.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES *(continued)*

Future accounting developments *(continued)*

The assessment of whether a significant increase in credit risk has occurred since initial recognition involves the application of both quantitative measures and qualitative factors, requires management judgement and is a key aspect of the IFRS 9 methodology.

Transition: IFRS 9 has been endorsed for use in the European Union. The mandatory effective date of IFRS 9 is 1 January 2018. The classification and measurement and impairment requirements will be applied retrospectively by adjusting the opening balance sheet at the date of initial application. There is no requirement to restate comparative information. The Company is assessing the likely impacts of the new financial asset classification & measurement and impairment requirements. Upon the satisfactory completion of this work, including formal testing of the ECL models during 2017, the Company will quantify the indicative impact when that information is known or reasonably estimable, and by no later than the end of 2017. It is not yet practicable to quantify the effect of IFRS 9 in these Financial Statements.

b) IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) - In May 2014, the IASB issued IFRS 15. The effective date of IFRS 15 is 1 January 2018. The standard establishes the principles that shall be applied in connection with revenue from contracts with customers including the core principle that the recognition of revenue must depict the transfer of promised goods or services to customers in an amount that reflects the entitlement to consideration in exchange for those goods and services. IFRS 15 applies to all contracts with customers but does not apply to lease contracts, insurance contracts, financial instruments and certain non-monetary exchanges. It is expected that a significant proportion of the Santander UK group's revenue will be outside the scope of IFRS 15. The impact of the standard is currently being assessed, however, it is not yet practicable to quantify the effect of IFRS 15 on these Financial Statements.

Revenue

Other operating income:

Other operating income is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided, net of discounts, VAT and other sales-related taxes.

Interest income

Interest income consists of interest income receivable from bank accounts held. Income is recognised as it accrues.

Foreign currency translation

Items included in the financial statements of the Company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that Company (the functional currency). The financial statements are presented in Pounds Sterling (£), as this is the currency of the primary economic environment in which the Company operates.

Available for Sale (AFS) investments held by the Company in foreign currency are translated into the functional currency using the exchange rate at the date of purchase. At the balance sheet date the AFS investments are retranslated using the closing exchange rate prevailing at the time. Foreign exchange gains and losses are reported under other comprehensive income.

Finance costs

Finance costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents comprise balances held with banks.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES *(continued)*

Measurement of financial assets and recognition of fair value changes

The Company classifies its financial assets as loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

In general, financial assets are initially recognised at fair value. Financial instruments not measured at fair value through profit or loss are adjusted by the transaction costs. Financial assets are measured without deducting any transaction costs that may be incurred on their disposal.

The fair value of a financial instrument on a given date is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market (quoted price or market price).

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Loans and receivables are measured at amortised cost using the effective interest method. Amortised cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and the cumulative amortisation (taken to the consolidated income statement) of the difference between the initial cost and the maturity amount. In the case of financial assets, amortised cost also includes any reduction for impairment or uncollectibility.

The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and transaction costs that, because of their nature, form part of their financial return. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the next benchmark interest reset date.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and impairment in value.

Depreciation is recognised so as to write off the cost or valuation of assets, less their residual values, over their useful lives using the straight-line method, on the following bases:

Fixtures and fittings	- 10 years
Office equipment	- 10 years

Retirement Benefit Schemes

The Company participates in the Santander UK Group Pension Scheme. There is no contractual agreement of stated policy for charging the net defined benefit cost. The contribution to be paid by the Company is calculated as the contributions made by Santander UK plc to the scheme in respect of the Company's employees. Details of the scheme and any associated deficit or surplus appear in the financial statements of Santander UK plc which are available from Secretariat (Santander UK plc), 2 Triton Square, Regent's Place, London, NW1 3AN.

The pension expense incurred for the company is noted in note 3.

Critical accounting policies and areas of significant management judgement

The preparation of the Financial Statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities at the date of the Financial Statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an on-going basis. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgements are considered important to the portrayal of the Company's financial condition:

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES *(continued)*

Critical accounting policies and areas of significant management judgement ***(continued)***

Valuation techniques

The following table shows a summary of the fair values at the end of 2016 and 2015 of the available for sale (AFS) investments classified on the basis of the various measurement methods used by the Group to determine their fair value:

Year ended 31 December 2016			Internal models based on					
Balance sheet category	Level 1		Level 2		Level 3		Total	
	£	%	£	%	£	%	£	%
Assets								
AFS Investments	-	-	-	-	52,019,558	100	52,019,558	100
Total financial assets at fair value	-	-	-	-	52,019,558	100	52,019,558	100

Period ended 31 December 2015			Internal models based on					
Balance sheet category	Level 1		Level 2		Level 3		Total	
	£	%	£	%	£	%	£	%
Assets								
AFS Investments	-	-	-	-	24,628,547	100	24,628,547	100
Total financial assets at fair value	-	-	-	-	24,628,547	100	24,628,547	100

In cases where price quotations cannot be observed, management makes its best estimate of the price that the market would set, using its own internal models. In most cases, these internal models use significant inputs not observable in market data (Level 3). In order to make these estimates, various techniques are employed, including the extrapolation of observable market data. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, unless the fair value of the instrument can be obtained from other market transactions performed with the same or similar instruments or can be measured by using a valuation technique in which the variables used include only observable market data, mainly interest rates.

The valuation techniques used to determine the fair value of the investments are carried out in accordance with IFRS 13 and the International Private Equity and Venture Capital Valuation (IPEV) guidelines. At initial recognition these include discounted cashflow, comparable company multiples and market transaction comparisons. Valuations are reviewed throughout the year and at each balance sheet date. Price of Recent Investment valuation technique under the IPEV guidelines has been applied as at the 31st December 2016.

Income taxes, including deferred taxes

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. FINANCIAL RISK MANAGEMENT

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are market risk, credit risk and liquidity risk. The Company manages its risk in line with the central risk management function of the Banco Santander SA Group. Banco Santander SA Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Banco Santander SA Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Banco Santander SA Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Banco Santander SA Group's strategic objectives.

Authority flows from the Banco Santander SA Board to the Chief Executive Officer and from her to specific individuals. Formal standing committees are maintained for effective management of oversight. Their authority is derived from the person they are intended to assist. Further information can be found in the Banco Santander SA Annual Report which does not form part of this Report.

The Company's risk management focuses on the major areas of credit, liquidity, marketing and operational risk. Risk management is carried out by the central risk management function of the Banco Santander SA Group. Authority flows from the Banco Santander SA Board to the Chief Executive Officer and from her to her direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management of oversight.
The Company's risks are managed on a group level by the parent company, Banco Santander SA.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Company's principle sources of market risk are its investments in Fintech companies The Company implements a process of reviewing its investee companies' business prospects, operating plans and cash needs, discussions with management and appropriate other actions which may include the sale of an investment or the provision of additional finance.

Interest rate risk:

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is not considered to be significant since the fair valuation technique employed, post initial recognition is based around upon the price of recent investment under IPEV guidelines. Further information can be found under note 1, valuation techniques.

Currency Risk

The main operating or "functional" currency of the Company's operations is sterling. The Company invests into Financial Technology firms and these firms at the reporting date contain a mixture of investments denominated in either Euro or US Dollar. Further information surrounding these investments can be found under note 8. Currency risks are managed at a group level and further information around this can be found within the annual financial statements of Banco Santander SA. The Company itself does not carry out any currency hedging over its foreign currency transactions.

Other price risk:

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The AFS investments held are subject to other price risk. The significant risks that can affect the value of these investments arise from areas such as continually emerging technological developments within the market and new innovations and ideas brought to fruition by the investees or their competitors. The Company manages other price risk through diversification of its investment portfolio.
Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations. It occurs where the Company has significant financial exposure to amounts due from its fellow group companies or third parties. The credit risk arising from group counterparties failing to meet all or part of their obligations is considered remote. Due to the nature of the inter group loans, and the fact that these loans are settled, and not traded, the Company is not exposed to the risk of changes to the market value caused by changing perceptions of the credit worthiness of such counterparties. The Company's management of credit risk is carried out in accordance with the group credit risk policy. Credit risk arising from balances due from third parties are not considered significant since the balances owed by third parties are small.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in note 10 to the financial statements, trade and other receivables.

Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet obligations as they fall due. The Company manages liquidity risk with support of its parent.

NOTES TO THE FINANCIAL STATEMENTS

2. FINANCIAL RISK MANAGEMENT *(continued)*

The table below analyses the maturities of the undiscounted cash flows relating to the Company's financial liabilities based on the remaining period to the contractual maturity date at the balance sheet date:

Liquidity risk *(continued)*

Year ended 31 December 2016	On demand £	1-3 Months £	3- 12 Months £	1-5 years £	5+ years £	2016 Total £
Amounts due to related parties	275,232	-	-	-	-	275,232
Trade and other payables	-	82,157	-	-	-	82,157
Total financial liabilities	275,232	82,157	-	-	-	357,389

Period ended 31 December 2015	On demand £	1-3 Months £	3- 12 Months £	1-5 years £	5+ years £	At 31 Dec 2015
Amounts due to related parties	106,269	-	-	-	-	106,269
Trade and other payables	-	128,938	-	-	-	128,938
Total financial liabilities	106,269	128,938	-	-	-	235,207

3. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2016 £	Period 9 September 2015 to 31 December 2015 £
Salaries and wages	1,212,284	1,039,739
Social security	154,249	131,346
Pensions	48,884	30,407
Other staff costs	-	114,341
	1,415,417	1,315,833
Depreciation (note 7)	11,004	347
Other administrative expenses	1,772,121	1,547,050
Total Administrative expenses	3,198,542	2,863,230

Administration exepnses are shown after charging the audit fee payable to the Company's auditor for the audit of the Company's financial statements for the year, totalling £22,000 (period ended 31 December 2015: £22,000) excluding VAT and disbursements.

4. DIRECTORS AND EMPLOYEES

No directors were remunerated for their services to the Company. The Directors' services to the Company are an incidental part of their duties. The Directors' emoluments are borne either by Banco Santander SA or Santander UK plc. The emoluments of one director for the year were £344,167 (period ended 31 December 2015: £195,910) and were apportioned to the Company as a recharge from Santander UK plc. No emoluments were paid by the Company to Directors during the reporting year.

The pension contributions made by the Company represent recharges of costs by Santander UK plc not direct contributions to any of Santander UK plc's defined benefit schemes.

The Company has no employees. Staff working on behalf of the Company are employees of Santander UK plc, for which their staff costs are recharged to the Company. The average number of staff in the year was:

	Year ended 31 December 2016	Period 9 September 2014 to 31 December 2015
Average number of staff	8	4

NOTES TO THE FINANCIAL STATEMENTS

5. INTEREST INCOME

	Year ended 31 December 2016 £	Period 9 September 2014 to 31 December 2015 £
Bank interest	11,200	20,322
Total interest income	11,200	20,322

6. TAX

	Year ended 31 December 2016 £	Period 9 September 2014 to 31 December 2015 £
Current tax:		
UK corporation tax on loss of the year/ period	(611,473)	(578,784)
Tax (credit) on loss for the year/ period	(611,473)	(578,784)

UK corporation tax is calculated at 20% (2015: 20.43%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 21% to 20% with effect from 1 April 2015.

The Finance (No. 2) Act 2015, which provides for reductions in the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 18% from 1 April 2020 was enacted on 18 November 2015.

The Finance Act 2016, which was substantively enacted on 6 September 2016, introduced a further reduction in the corporation tax rate to 17% from 2020. Since this further change was substantively enacted prior to 31 December 2016, the effects have been reflected in the deferred tax balances at the balance sheet date.

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

	Year ended 31 December 2016 £	Period 9 September 2014 to 31 December 2015 £
Loss before tax:	(3,185,498)	(2,842,908)
Tax calculated at a tax rate of 20% (2015: 20.43%)	(637,099)	(580,806)
Non deductible expenses	5,865	2,022
Effect of change in tax rate on deferred tax provision	(304)	-
Adjustment to prior year provisions	20,065	-
Tax (credit) for the year/ period	(611,473)	(578,784)

In addition to the corporation tax credit to profit or loss, tax of £2,177,459 (period ended 31 December 2015: £972,280) has been charged in other comprehensive income in the year, as follows:

	Year ended 31 December 2016 £	Period 9 September 2014 to 31 December 2015 £
Deferred tax		
Fair value movement on AFS investments	(2,177,459)	(972,280)
Total deferred tax credit recognised in other comprehensive income in year	(2,177,459)	(972,280)
Tax (credit) on movement in other comprehensive income	(2,177,459)	(972,280)

NOTES TO THE FINANCIAL STATEMENTS

7. PROPERTY PLANT AND EQUIPMENT

	2016 Office fixtures and equipment £
Cost:	
At 1 January 2016	45,461
Additions	97,961
At 31 December 2016	143,422
Accumulated depreciation:	
At 1 January 2016	(347)
Charge for the year	(11,004)
At 31 December 2016	(11,351)
Net Book value at 31 December 2015	45,114
Net Book value at 31 December 2016	132,071

8. INVESTMENTS

The available for sale (AFS) investments represent the Company's investment into Financial Technology (Fintech) entities.

	2016	2015 £
Investments denominated in POUNDS STERLING	850,000	-
Investments denominated in EURO	12,028,469	10,345,191
Investments denominated in US DOLLAR	39,141,089	14,283,356
Balance at 31 December	52,019,558	24,628,547

	Investments denominated in STERLING £	Investments denominated in EURO £	Investments denominated in US DOLLAR £	Total £
Balance at 1 January 2016	-	10,345,191	14,283,356	24,628,547
Acquisition of AFS investments	850,000	-	13,414,691	14,264,691
Fair value gain on AFS investments	-	14,053	5,713,259	5,727,312
Foreign currency (loss)/ gain	-	1,669,225	5,729,783	7,399,008
Balance at 31 December	850,000	12,028,469	39,141,089	52,019,558

Movements in the fair value and fluctuations due to foreign currency are reported under other comprehensive income. The AFS investments are subject to market risk and further detail how this risk is managed can be found under note 2.

9. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at bank and in hand	6,644,860	3,082,059
Total cash and cash equivalents	6,644,860	3,082,059

Cash is held with a fellow group undertaking, Santander UK plc.

10. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Amounts due from group companies (note 14)	1,192,226	578,784
Other receivables	36,562	38,132
Total trade and other receivables	1,228,788	616,916

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

NOTES TO THE FINANCIAL STATEMENTS

11. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Amounts due to group companies (note 14)	275,232	106,269
Other liabilities	82,157	128,938
Total trade and other payables	357,389	235,207

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

12. DEFERRED TAX

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

	2016	2015 £
At start of year	(972,280)	-
(Charged) to other comprehensive income	(2,177,459)	(972,280)
Deferred tax recognised under other comprehensive income	(3,149,738)	(972,280)
Deferred tax charge recognised under the statement of comprehensive income	(1,969)	-
Total deferred tax	(3,151,707)	(972,280)

Deferred tax assets and liabilities are attributable to the following items:

	Provided Balance Sheet	
	2016 £	2015 £
Deferred tax liabilities		
Accelerated book depreciation/ (Accelerated tax depreciation)	(1,969)	-
Other temporary differences	(3,149,738)	(972,280)
	(3,151,707)	(972,280)

	Provided			
	Income statement		Other comprehensive income	
	2016 £	2015 £	2016 £	2015 £
Deferred tax liabilities				
Accelerated book depreciation/ (Accelerated tax depreciation)	(1,969)	-	-	-
Other temporary differences	-	(972,280)	(2,177,459)	(972,280)
	(1,969)	(972,280)	(2,177,459)	(972,280)

13. SHARE CAPITAL AND SHARE PREMIUM

	2016 £	2015 £
Authorised, issued and fully paid:		
9,195,240 (2015: 5,000,000) ordinary shares of £1 each	9,195,240	5,000,000
Share premium on issue of 9,195,239 (2015: 5,000,000) ordinary shares	36,780,956	20,000,000

NOTES TO THE FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS

The following were the balances with related parties as at 31 December.

	Income		Expenditure		Amounts due from related parties		Amounts due to related parties	
	2016	2015	2016	2015	2016	2015	2016	2015
	£	£	£	£	£	£	£	£
Gesban UK Limited		-	21,050	27,050		-		-
Abbey National Treasury Services plc		-	-	-	1,192,226	578,784		-
Santander UK plc - bank account and bank interest	11,200	20,322	-	-	6,644,860	3,082,059	-	-
Santander UK plc - recharges							275,232	106,269
Total	11,200	20,322	21,050	27,050	7,837,086	3,660,843	275,232	106,269

Amounts due from Abbey National Treasury Services plc for £1,192,226 (2015: £578,784) relates to corporation tax group relief.
All amounts are unsecured. Only the bank account held with Santander UK plc is interest bearing.

During the prior period the Company purchased the title to one AFS investment totalling €5,200,000 (Euros) from Banco Santander SA.

15. CAPITAL MANAGEMENT AND RESOURCES

The Company's ultimate parent, Banco Santander SA adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Santander group. Disclosures relating to the groups capital management can be found in the Santander Annual Report and financial statements.

16. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate and ultimate parent undertaking and controlling party is Banco Santander SA, a company registered in Spain. Banco Santander SA is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member.

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, Regents Place, London, NW1 3AN