SANTANDER CONSUMER CREDIT SERVICES LIMITED

Registered in England and Wales
Company number 03927500

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended
31 December 2019

REPORT OF THE DIRECTORS

The Directors submit their Annual Report and audited financial statements for the year ended 31 December 2019 in respect of Santander Consumer Credit Services Limited (the "Company"). The Company is a private limited liability company, incorporated and domiciled in the United Kingdom.

This Report of the Directors has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemptions under Sections 415A (1) & (2) of the Companies Act 2006. The Company is also exempt from preparing a Strategic Report in accordance with Section 414B of the Companies Act 2006.

Principal activities and business review

During 2013, the Company completed the sale of its credit finance business to SAV Credit Limited and to other debt providers.

The Company has not generated any new business since this date and the Directors intend to liquidate the Company in the near future. The operations of the entity have therefore been treated as discontinued.

Likely future developments

The Directors anticipate liquidating the Company in the near future.

Results and dividends

The loss for the year amounted to £483,000 (2018: loss of £479,000). The Directors do not recommend the payment of an interim dividend (2018: £nil) or of a final dividend (2018: £nil).

Brexit and LIBOR transition

The process of the UK leaving the EU impacts the economic, legal and regulatory environment for our customers 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.

COVID-19

The Company is monitoring the impact of the COVID-19 outbreak on the financial performance of the Company.

The Company is part of the Santander UK Group, which has implemented precautionary measures and protocols based on recommendations from official health authorities, such as the World Health Organization (WHO) and Public Health England. Further such measures may need to be implemented in future, as the situation is complex and is still changing rapidly.

Given the fluidity of the situation, the Company cannot quantify the magnitude and duration of the impact of the COVID-19 outbreak at this time, although there may well be a negative impact on our 2020 financial results. However, the Company does not anticipate any significant change to the carrying value of its assets and liabilities at the reporting date. The Company will continue to monitor and assess its business operations. COVID-19 is a non-adjusting post balance sheet event.

Directors

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

F E Armour	
M J Hall	(appointed 8 May 2019)
R J Morrison	
R Attar-Zadeh	(resigned 8 May 2019)

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.

REPORT OF THE DIRECTORS *(continued)*

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

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 13 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 and liquidity risk.

As stated above, the Company sold its credit finance business during 2013 and the Directors intend to liquidate the Company in the near future. The financial statements have therefore been prepared on a basis other than going concern which includes, where appropriate, writing down the entity's assets to net realisable value.

Qualifying third party indemnities

Enhanced indemnities are provided to the Directors of the Company by Santander UK plc against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities were qualifying third party indemnities and remained in force during the financial year and as at the date of this Annual Report and Financial Statements. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

Financial Instruments

The Company's financial instruments comprise loans with group undertakings.

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

The main risk arising from the Company's financial instruments is credit and liquidity risk. Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found in Note 2.

Information to 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 ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent Auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 485 and 487 (2) of the Companies Act 2006.

By order of the Board

R Morrison
Director
17 September 2020

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

Independent auditors' report to the members of Santander Consumer Credit Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Santander Consumer Credit Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 2019; the statement of comprehensive income, the cash flow statement, and 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.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities in respect of the financial statements set out on page 1 and 2, 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Ajay Kabra

Ajay Kabra (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 September 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

	Note	2019 £000	2018 £000
Interest payable	3	**(623)**	(575)
Administrative expenses	5	**(6)**	(6)
Loss before tax		**(629)**	(581)
Tax credit	7	**146**	102
Loss for the year		**(483)**	(479)
Total comprehensive loss for the year		**(483)**	(479)

All amounts above relate to discontinued operations.

There were no other gains or losses other than the loss for the year.

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

BALANCE SHEET
At 31 December

	Note	2019 £000	2018 £000
Current assets			
Financial assets at amortised cost – amounts due from group undertakings	8	**449**	827
Total assets		**449**	827
Current liabilities			
Current tax	7	-	-
Financial liabilities at amortised cost - amounts owed to group undertakings	8	**(32,764)**	(32,653)
Other liabilities	10	**(113)**	(119)
Total liabilities		**(32,877)**	(32,772)
Net liabilities		**(32,428)**	(31,945)
Equity			
Called up share capital	11	**55,000**	55,000
Accumulated losses		**(87,428)**	(86,945)
Total shareholders' equity		**(32,428)**	(31,945)
Total liabilities and equity		**449**	827

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

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

The financial statements on pages 5 to 17 were approved by the Board of Directors and signed on its behalf by:

R J Morrison
Director

17 September 2020

CASH FLOW STATEMENT

For the year ended 31 December

	2019 £000	2018 £000
Loss before tax	(629)	(581)
Adjustments for:		
Taxation	146	102
Interest payable	623	575
Cash flows from operating activities	140	96
Net change in amounts payable to parent company	(513)	11
Net change in amounts receivable from Group undertakings	379	(314)
(Decrease) / increase in other liabilities	(6)	6
Group relief – utilisation of deferred tax	-	201
Net cash generated from operating activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

All cash flows relate to discontinued operations.

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31December

	Share capital £000	Accumulated losses £000	Total Equity £000
As at 1 January 2018	55,000	(86,466)	(31,466)
Loss for the year	-	(479)	(479)
As at 31 December 2018	55,000	(86,945)	(31,945)
As at 1 January 2019	55,000	(86,945)	(31,945)
Loss for the year	-	(483)	(483)
As at 31 December 2019	55,000	(87,428)	(32,428)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

General information

The Company is a limited liability company, whose liability is limited by shares. The company is 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 2 Triton Square, Regent's Place, London NW1 3AN.

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.

Going Concern

The Company no longer trades and is expected to be liquidated in the near future. The Company has net current liabilities and is reliant on other Group companies for its funding. The Company therefore has the ability to continue in existence for the foreseeable future and to meet all of its obligations as they fall due. However, IAS 1 requires that financial statements for any Company that has ceased to trade or where there is an intention for the Company to cease to trade in the next twelve months are prepared on an "other than going concern" basis. Accordingly the financial statements have been prepared on an "other than going concern" basis, using the historical cost convention. Preparation of the financial statements on an "other than going concern" basis has had no impact on the amounts reported.

Recent accounting developments

On 1 January 2019, the Company adopted IFRS 16 "Leases" (IFRS 16). IFRS 16 substantially carries forward the lessor accounting requirements from the previous leasing standard (IAS 17) and a lessor continues to classify its leases as operating leases or finance lease and to account for those two types of leases differently. The accounting policy has not led to material effect to the Company's financial statements or its reserves, since lessor accounting is not impacted by the new standard. The application of IFRS 16 has no material impact on the Company.

Future accounting developments

At 31 December 2019, for the Company, there were no significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective.

Interest payable

Interest payable is recognised on an accruals basis.

Income taxes, including deferred income taxes

Income tax payable on profits is recognised as an expense in the period in which profits arise.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantively enacted tax rates are used in the determination of deferred income tax.

Deferred and current tax assets and liabilities are only offset where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Critical judgements and accounting estimates

The preparation of the Company's 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 other factors that are believed to be reasonable under the circumstances. Management do not consider there to be any areas requiring significant management judgement throughout the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Financial Instruments

Initial recognition and measurement

Financial assets and liabilities are initially recognised when the Company becomes a party to the contractual terms of the instrument. The Company determines the classification of its financial assets and liabilities at initial recognition and measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost.

1) Classification and subsequent measurement

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

Financial assets: debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans. Classification and subsequent measurement of debt instruments depend on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Business model

The business model reflects how the Company manages the assets in order to generate cash flows and, specifically, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable, such as where the financial assets are held for trading purposes, then the financial assets are classified as part of an 'other' business model and measured at FVTPL. Factors considered in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel and how risks are assessed and managed.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the assets' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related asset is classified and measured at FVTPL.

Based on these factors, financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL recognised. Interest income from these financial assets is included in 'Interest receivable' using the effective interest rate method. When the estimates of future cash flows are revised, the carrying amount of the financial assets is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the income statement.
The Company's debt instruments consist of amounts owed by group undertakings.

Financial assets: equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, being instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets. All equity investments are subsequently measured at FVTPL. ECLs (and reversal of ECLs) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as dividend income when the right to receive payments is established. Gains and losses on equity investments at FVTPL are included in the 'fair value movements' line in the income statement.

This category includes equity shares denominated in US Dollars.

Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost. The Company's financial liabilities comprise amounts owed to group undertakings which are classified as amortised cost. Interest on the balances is calculated using the effective interest rate and reflected in the 'interest payable' line within the income statement.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Financial liabilities (continued)

2) Impairment of debt instrument financial assets

Expected credit losses are recognized on all financial assets at amortised cost. The expected credit loss considers forward looking information to recognise impairment allowances earlier in the lifecycle of a product. A three-stage approach to impairment measurement is adopted as follows:

- Stage 1 - the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
- Stage 2 - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
- Stage 3 - lifetime expected credit losses for financial instruments which are credit impaired.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets are written off when it is reasonably certain that receivables are irrecoverable. For more on how ECL is calculated see the Credit risk section on note 2.

Financial instruments are measured at fair value unless stated otherwise.

3) Derecognition

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

Credit impairment losses

The application of the ECL impairment methodology for calculating credit impairment allowances is highly susceptible to change from period to period. The methodology requires management to make a number of judgmental assumptions in determining the estimates. Any significant difference between the estimated amounts and actual amounts could have a material impact on the Company's future financial results and financial condition.

Key areas of judgement in accounting estimates

The key judgements made by management in applying the ECL impairment methodology are set out below:
- Definition of default
- Significant Increase Event (SICR)
- Probability of Default (PD)
- Loss Given Default (LGD)

For more on each of these key judgements, see the 'Credit risk – Santander UK group level – credit risk management' section of the Risk review of the 2019 Annual Report of Santander UK plc.

Management determined that the probability-weighted ECL allowance at 31 December 2019 was £nil (2018: £nil).

Sensitivity of ECL allowance

The ECL allowance is sensitive to the methods, assumptions and estimates underlying its calculation. For example, management could have applied different probability weights to the economic scenarios and, depending on the weights chosen, this could have a material effect on the ECL allowance. Had management used different assumptions on probability weights, a larger or smaller ECL charge would have resulted that could have had a material impact on the Company's reported ECL allowance and profit before tax.

No sensitivity analysis is presented at 31 December 2019 (2018: none) as its value is deemed not material.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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 credit risk, interest rate risk and liquidity risk. The Company manages its risk in line with the central risk management function of the Santander UK Group (comprising Santander UK plc and its subsidiaries). Santander UK Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Santander UK Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Santander UK Group's strategic objectives.

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

Credit risk

Credit risk management

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.

In accordance with Group policy, the Company manages its portfolios across the credit risk lifecycle, from drawing up risk strategy, plans, budgets and limits to making sure the actual risk profile of the Company's exposures stays in line with plans and the Company's appetite to risk.

The Introduction of IFRS 9

IFRS 9 replaced IAS 39 on 1 January 2018. IFRS 9 introduced a new impairment methodology and rules around classification and measurement of financial assets. Upon implementation, the measurement categories of 'Cash and cash equivalents' and 'Amounts owed by group undertakings' have changed from 'Loans and receivables' to 'Amortised cost'.

Key metrics

The Company uses a number of key metrics to measure and control credit risk, as follows:

Metric	Description
Expected credit losses (ECL)	ECL tells the Company what credit risk is likely to cost either over the next 12 months on qualifying exposures, or defaults over the lifetime of the exposure where there is evidence of a significant increase in credit risk since origination.
Stages 1, 2 and 3	The Company assesses the credit risk profile to determine which stage to allocate and monitors where there is a significant increase in credit risk and transfers between the stages.
Expected Loss (EL)	EL is the product of the probability of default, exposure at default and loss given default. The Company calculates each factor in accordance with group policy and risk models and an assessment of each customer's credit quality. There are differences between regulatory EL and IFRS 9 ECL. More details can be found in the Annual Report of the parent company Santander UK plc. For the rest of the Risk review, impairments, losses and loss allowances refer to calculations in accordance with IFRS, unless specifically stated otherwise. For IFRS accounting policy on impairment, see note 1 to the Financial Statements.

2. FINANCIAL RISK MANAGEMENT *(continued)*

Maximum exposure to credit risk

The table below shows the Company's maximum exposure to credit risk. The only financial assets held by the Company relate to Group Relief.

	Balance Sheet		
2019	Gross amounts £000	Loss allowances £000	Net exposure £000
Financial assets at amortised cost:			
Amounts owed by group undertakings	449	-	449
Total financial assets at amortised cost	**449**	**-**	**449**

	Balance Sheet		
2018	Gross amounts £000	Loss allowances £000	Net exposure £000
Financial assets at amortised cost:			
Amounts owed by group undertakings	827	-	827
Total financial assets at amortised cost	827	-	827

For balance sheet assets, the maximum exposure to credit risk is the carrying value after impairment loss allowances. Financial assets at FVTPL do not have the impairment requirements of IFRS 9 applied.

The class of financial instruments that is most exposed to credit risk in the Company are amounts owed by group undertakings in the form of intercompany loans.

Credit exposures and corresponding ECL

There are no ECL allowances recognised in the Company.

Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet its obligations with the support of its parent company, ensuring that the Company will have sufficient liquid resources to ensure it can meet its obligations as they fall due.

The table below analyses the maturities of the undiscounted cash flows relating to financial liabilities of the Company based on the remaining period to the contractual maturity date at the statement of financial position date. There are no significant financial liabilities related to financial guarantee contracts. This table is not intended to show the liquidity of the Company.

As at 31 December 2019	Demand £000	3-12 months £000	Total £000
Amounts due to group companies	32,764	-	32,764
Other liabilities	113	-	113
Total financial liabilities	**32,877**	**-**	**32,877**

As at 31 December 2018	Demand £000	3-12 months £000	Total £000
Amounts due to Group companies	32,653	-	32,653
Other liabilities	113	6	119
Total financial liabilities	32,766	6	32,772

Amounts due to group companies include £32,764,000 (2018: £32,653,000) due to the immediate parent undertaking, Santander Cards UK Limited.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3. INTEREST PAYABLE

	2019 £000	2018 £000
Payable to group undertakings	623	575

Interest rate sensitivity analysis

A 50bps increase in interest rates would have resulted in a decrease in operating profit and in net assets of £163k (2018: £161k). A 50bps decrease in interest rates would have resulted in an increase in operating profit and in net assets of £163k (2018: £161k).

4. DIRECTORS EMOLUMENTS AND INTERESTS AND EMPLOYEES

The Directors' services to the Company are an incidental part of their duties. No Directors were remunerated for their services to the Company (2018: none). Directors' emoluments were borne by other subsidiaries of Santander UK plc. No emoluments were paid by the Company to the Directors during the year (2018: £nil).

The Company had no employees in the reporting year (2018: none).

5. AUDITORS' REMUNERATION

The audit fee in respect of the Company was:

	2019 £000	2018 £000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	6	6

Remuneration received by the auditors during the current and prior years were borne by the Company.

6. EMPLOYEE INFORMATION

The Company did not employ any staff during the current or preceding financial year.

7. TAX CREDIT

	2019 £000	2018 £000
Current tax:		
UK corporation tax on loss of the year	(119)	(313)
Adjustments in respect of prior years	(27)	10
Total current tax	(146)	(303)
Deferred tax:		
Origination and reversal of temporary differences	-	219
Change in rate of UK corporation tax	-	(18)
Total deferred tax	-	201
Tax credit on loss for the year	(146)	(102)

UK corporation tax is calculated at 19% (2018: 19%) of the estimated assessable losses for the year.

Finance Act 2016 introduced a reduction in the UK corporation tax rate to 17% from 1 April 2020 and this rate has therefore been used to calculate the deferred tax balance at 31 December 2019. However, this rate deduction was reversed in the UK Budget in March 2020. As a result, the UK corporation tax rate is expected to remain at 19%. Since this change in rate was not substantively enacted by the balance sheet date, it is not reflected in the deferred tax asset at 31 December 2019. The Finance (No. 2) Act 2015, provides an 8% surcharge to the UK corporation tax charged to banks.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. TAX CREDIT *(continued)*

The tax on the Company's loss before tax differs from (2018: differs from) from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2019	2018
	£000	£000
Loss before tax	(628)	(581)
Tax calculated at a tax rate of 19% (2018: 19%)	(119)	(110)
Effect of change in tax rate on deferred tax provision	-	(18)
Adjustment to prior year provisions	(27)	26
Tax credit for the year	(146)	(102)

8. BALANCES WITH GROUP UNDERTAKINGS

	2019	2018
	£000	£000
Financial assets at amortised cost:		
Amounts owed by Group undertakings	449	827

All amounts owed from Group undertakings are payable on demand.

	2019	2018
	£000	£000
Financial liabilities at amortised cost:		
Amounts owed to Group undertakings	32,764	32,653

Amounts owed by Group undertakings are neither past due nor impaired.

All amounts owed to Group undertakings are repayable on demand.

9. 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:

	2019	2018
	£000	£000
At 1 January	-	201
Income statement charge	-	(201)
At 31 December	-	-

Deferred tax assets are attributable to the following items:

	Provided Balance sheet		Provided Income statement	
	2019	2018	2019	2018
	£000	£000	£000	£000
Other temporary differences	-	-	-	(201)
	-	-	-	(201)

The deferred tax asset was charged to the income statement during the previous year.

10. OTHER LIABILITIES

	2019 £000	2018 £000
Amounts falling due within one year:		
Other creditors	113	113
Accruals	-	6
	113	119

11. SHARE CAPITAL

	2019 £000	2018 £000
Authorised, issued and fully paid:		
55,000,001 (2018: 55,000,001) ordinary shares of £1 each	55,000	55,000

12. RELATED PARTIES

Particulars of transactions with related parties, and the balances outstanding at the year end, are disclosed in the table below:

	Interest payable	
	2019	2018
	£000	£000
Santander Cards UK Limited	623	575

	Amounts owed by related parties		Amounts owed to related parties	
	2019	2018	2019	2018
	£000	£000	£000	£000
Santander Cards UK Limited	-	-	32,764	32,653
Santander UK plc	449	827	-	-

The company does not hold cash resulting in transactions with the parent and other group entities.

All amounts due to and due from related parties are unsecured. With the exception of the loan owed to parent, all other related party balances are not interest bearing.

The loan with parent attracts interest at 3 month LIBOR. All balances are repayable on demand.

There were no related party transactions during the year, or existing at the balance sheet date, with the Company's or parent company's key management personnel. Amounts owed by related parties include £449k (2018: £827k) relating to current tax group relief.

13. CAPITAL MANAGEMENT AND RESOURCES

The Company's ultimate parent, Banco Santander SA ("Santander") 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. The Company has no non-centralised process for managing its own capital. Disclosures relating to the group's capital management can be found in the Santander Annual Report and Financial Statements.

Capital held by the Company and managed centrally as part of the Santander Group, comprises share capital and reserves which can be found in the Balance Sheet on page 6.

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

14. PARENT UNDERTAKING AND CONTROLLING PARTY

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

The Company's ultimate parent undertaking and controlling party is Banco Santander SA, a Company 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 intermediate parent undertaking of the smallest group of undertakings for which the 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, United Kingdom NW1 3AN.

15. SUBSEQUENT BALANCE SHEET EVENTS

The Company is monitoring the impact of the COVID-19 outbreak on the financial performance of the Company.

The Company is part of the Santander UK Group, which has implemented precautionary measures and protocols based on recommendations from official health authorities, such as the World Health Organization (WHO) and Public Health England. Further such measures may need to be implemented in future, as the situation is complex and is still changing rapidly.

Given the fluidity of the situation, the Company cannot quantify the magnitude and duration of the impact of the COVID-19 outbreak at this time, although there may well be a negative impact on our 2020 financial results. However, the Company does not anticipate any significant change to the carrying value of its assets and liabilities at the reporting date. The Company will continue to monitor and assess its business operations. COVID-19 is a non-adjusting post balance sheet event.