SUPPLEMENTARY PROSPECTUS

This Supplement (the "Supplement") comprises a supplementary prospectus relating to Guaranteed Investment Products 1 PCC Limited (the "Company") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "FCA") made under Section 73A of the Financial Services and Markets Act 2000. A copy of this Supplement has been delivered to the FCA and made available to the public in accordance with the Prospectus Rules.

Each of the Directors of the Company, whose names appear in Part II of this Supplement, and the Company itself, accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Directors and the Company itself, who have taken all reasonable care to ensure that such is the case, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. Santander UK plc accepts responsibility for the information contained in this Supplement in so far as it relates to Santander UK plc and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement in so far as it relates to Santander UK plc, and for which Santander UK plc is responsible, is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. Santander Guarantee Company accepts responsibility for the information contained in this Supplement in so far as it relates to Santander Guarantee Company and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement in so far as it relates to Santander Guarantee Company, and for which Santander Guarantee Company is responsible, is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. Abbey National Treasury Services plc accepts responsibility for the information contained in this Supplement in so far as it relates to Abbey National Treasury Services plc and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement in so far as it relates to Abbey National Treasury Services plc, and for which Abbey National Treasury Services plc is responsible, is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

GUARANTEED INVESTMENT PRODUCTS 1 PCC LIMITED

(a protected cell company incorporated with limited liability under the laws of Guernsey with registered number 42754)

This Supplement is supplementary to, and must be read in conjunction with, each of: (i) the Prospectus relating to the Protected Cell 264 Cell Shares, which comprises the Registration Document dated 20 February 2015 as supplemented by a Supplementary Prospectus dated 16 March 2015, a Supplementary Prospectus dated 14 May 2015, a Supplementary Prospectus dated 16 July 2015, a Supplementary Prospectus dated 10 August 2015, a Supplementary Prospectus dated 3 September 2015, a Supplementary Prospectus dated 13 November 2015, a Supplementary Prospectus dated 16 December 2015 and a Supplementary Prospectus dated 8 February 2016 (the "**Registration Document**"), the Securities Note dated 20 November 2015 and the Summary dated 20 November 2015 (the "**Protected Cell 264 Prospectus**"); and (ii) the Prospectus relating to the Protected Cell 265 Cell Shares, which comprises the Registration Document, the Securities Note dated 19 January 2016 and the Summary dated 19 January 2016 (the "**Protected Cell 265 Prospectus**" and together with the Protected Cell 264 Prospectus the "**Prospectuses**" and each a "**Prospectus**"). Your attention is drawn, in particular, to the sections headed "Risk Factors" from page 6 of the Registration Document forming a part of each Prospectus and from page 3 of the relevant Securities Note forming a part of each Prospectus for a discussion of certain factors that should be considered in connection with an investment in Shares. Except where the context otherwise requires, (i) terms defined in the Registration Document shall have the same meaning when used in this document and (ii) terms defined in each of the Prospectuses have the same meaning in respect of the relevant Cell when used in this document.

This document is not an offer of securities for sale in the United States. The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any securities laws of any state of the United States and may not be offered or sold in the United States or to or for the account or benefit of US persons (as such terms are defined in Regulation S under the Securities Act) unless registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, such registration. The Shares will not be registered under the relevant securities laws of Canada, Australia or Japan. Accordingly, unless an exemption under such acts or laws is applicable, the Shares may not be offered, sold or delivered, directly or indirectly, in or into Canada, Australia or Japan.

15 March 2016

PART I: SIGNIFICANT NEW FACTORS

Annual Report and Accounts of Santander UK plc and Abbey National Treasury Services plc

On 25 February 2016, Santander UK plc published its Annual Report and Accounts for the year ended 31 December 2015 (the "**Santander UK 2015 Annual Report and Accounts**"). The following is incorporated in, and forms part of, the Prospectuses:

> Santander UK 2015 Annual Report and Accounts (which include the audited consolidated annual financial statements of Santander UK plc), excluding the sections entitled “Risk factors” on pages 300 to 320 inclusive thereof and “Contact and other information” on page 321.

On 26 February 2016, Abbey National Treasury Services plc ("**ANTS**") published its Annual Report and Accounts for the year ended 31 December 2015 (the "**ANTS 2015 Annual Report and Accounts**"). The following is incorporated in, and forms part of, the Prospectuses:

> ANTS 2015 Annual Report and Accounts (which include the audited consolidated annual financial statements of ANTS), excluding the sections entitled “Risk factors” on pages 164 to 184 inclusive thereof and “Contact and other information” on page 185.

The Santander UK 2015 Annual Report and Accounts and the ANTS 2015 Annual Report and Accounts have been filed with the FCA by being submitted to the National Storage Mechanism and are hereby incorporated by reference and are available for inspection at the address referred to in Part J of the Registration Document and include, on the pages specified in the table below, the following information:

	Santander UK plc	**ANTS**
	Financial Year ended 31 December 2015	**Financial Year ended 31 December 2015**
Nature of Information	**Page**	**Page**
Consolidated Balance Sheet	203	100
Consolidated Income Statement	202	99
Consolidated Cashflow Statement	204	101
Accounting Policies	209 – 222	106 – 115
Statement that the accounts have been audited and auditors' opinion	199	98

The Santander UK 2015 Annual Report and Accounts and ANTS 2015 Annual Report and Accounts are also available at:

http://www.santander.co.uk/uk/about-santander-uk/investor-relations/santander-uk-plc

http://www.santander.co.uk/uk/about-santander-uk/investor-relations/abbey-national-treasury-services-plc

Annual Report and Accounts of Santander Guarantee Company

On 29 February 2016, Santander Guarantee Company ("SGC") approved its Annual Report and Accounts, incorporating its audited annual financial statements for the financial year ended 31 December 2015 (the "**SGC Annual Report and Accounts**").

The SGC Annual Report and Accounts are set out in Annex I of this Supplement and are available for inspection at the address referred to in Part J of the Registration Document and includes, on the pages specified in the table below, the following information:

	SGC **Financial Year ended 31 December 2015**
Nature of Information	**Page**
Balance Sheet	5
Income Statement	4
Cashflow Statement	4
Accounting Policies	6-8
Statement that the accounts have been audited and auditors' opinion	3

Supplement to the Summaries

As a result of the publication of the SGC Annual Report and Accounts, the summary document which forms part of each of the Prospectuses is hereby supplemented as follows:

B.7

Selected historical key financial information of the Guarantor:

The table below sets out summary information extracted from the Guarantor's audited income statement, balance sheet and cashflow statement for each of the three years ended 31 December 2013, 31 December 2014 and 31 December 2015, respectively:

	Year ended 31 December 2013 (£)	***Year ended 31 December 2014 (£)***	***Year ended 31 December 2015 (£)***
Income Statement			
Net interest income on amounts due from group companies	*18,695*	*19,212*	*19,368*
Profit before tax	*18,695*	*19,212*	*19,368*
Tax	*(4,347)*	*(4,131)*	*(3,922)*
Net profit attributable to equity holders of the Guarantor	***14,348***	***15,081***	***15,446***
Condensed cash flow statement			
Net cash flows generated from operating activities	-	-	*(4,131)*
Net decrease in cash and cash equivalents	-	-	*(4,131)*
Cash and cash equivalents at beginning of year	*2,314*	*2,314*	*2,314*
Cash and cash equivalents at end of year	*2,314*	*2,314*	-
Amount due to banks at end of year	-	-	***(1,817)***
Condensed Balance Sheet			
Current assets			
Loans and receivables	*3,842,829*	*3,862,047*	*3,877,062*
Cash and equivalents	*2,314*	*2,314*	-
Total assets	***3,845,143***	***3,864,361***	*3,877,062*
Current Liabilities			
Payables	*(4,347)*	*(8,484)*	*(3,922)*
Amounts due to banks	-	-	*(1,817)*
Total liabilities	***(4,347)***	***(8,484)***	*(5,739)*
Net current assets / (liabilities)	***3,840,796***	***3,855,877***	*3,871,323*
Net assets	***3,840,796***	***3,855,877***	*3,871,323*
Equity			
Share Capital	*2,806,750*	*2,806,750*	*2,806,750*
Retained earnings	*1,034,046*	*1,049,127*	*1,064,573*
Total equity attributable to equity holders of the Guarantor	***3,840,796***	***3,855,877***	*3,871,323*

There has been no significant change to the Guarantor’s financial condition and operating results during or subsequent to the period covered by the selected historical key financial information.

PART II: ADDITIONAL INFORMATION

1. Directors of the Company

Gavin John Farrell
John Reginald Le Prevost
Paul Jonathan Meader

2. Significant Changes

There has been no significant change in the financial or trading position of each of SGC, Santander UK plc and its subsidiaries or ANTS and its subsidiaries since 31 December 2015 (being the date to which the most recent audited financial information was prepared).

There has been no material adverse change in the prospects of each of Santander UK plc or ANTS since 31 December 2015 (being the date to which the most recent audited financial information was prepared).

3. Incorporation by Reference

Where parts only of documents are incorporated by reference into this Supplement, any non-incorporated parts of such document are either deemed not relevant for an investor or are otherwise covered elsewhere in this Supplement.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Rules except where such information or other documents are specifically incorporated by reference or attached to this Supplement.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Registration Document or the relevant Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Registration Document or the relevant Prospectus, the statements in (a) above will prevail.

4. Withdrawal rights

Persons who have applied for Protected Cell 264 Cell Shares and Protected Cell 265 Cell Shares prior to publication of this Supplement and who wish to exercise their statutory withdrawal rights must do so by lodging a written notice of withdrawal (which shall include a notice sent by electronic mail to Paul.Withers@santanderam.co.uk or by facsimile to Santander ISA Managers Limited on 0845 603 2311), which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a member of CREST, the relevant participant ID and member account ID, with Santander ISA Managers Limited, 287 St. Vincent Street, Glasgow G2 5NB so as to be received no later than two business days after the date of this Supplement (i.e. by 5.30 p.m. on 17 March 2016). Notice of withdrawal given by any other means or which is deposited with or received by Santander ISA Managers Limited after expiry of such period will not constitute a valid withdrawal.

5. Document available for inspection

Copies of this document (in addition to those listed as available for inspection at paragraph 1 of Part J of the Registration Document) may be inspected at the offices of Santander ISA Managers Limited at 287 St. Vincent Street, Glasgow G2 5NB, at the registered office of the Company during normal business hours of any business day (Saturdays, Sundays and public holidays excepted) and on the website of the Company at http://www.jtcgroup.com/GIPL until the close of the relevant Offer for Subscription.

ANNEX 1

SGC ANNUAL REPORT AND ACCOUNTS

SANTANDER GUARANTEE COMPANY

Registered in England and Wales
Company Number 2687070

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED
31 DECEMBER 2015

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015.

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

Principal activity and review of the year

The principal activity of Santander Guarantee Company (the "Company") is to act as an investment company.

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £15,446 (2014: £15,081).

The Directors do not recommend the payment of a final dividend (2014: £nil).

Directors

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

Richard C Truelove	
Mark C Jackson	(resigned 19 October 2015)
Jacques H.R.E.M.A. Ripoll	(resigned 15 July 2015)
Andrew R Honey	(appointed 4 November 2015)
Mehdi Kadhim	(appointed 4 November 2015)

Statement of Directors' responsibilities

The Directors are responsible for preparing the report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and which 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 Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. 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 11 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 market 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 the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

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

REPORT OF THE DIRECTORS *(Continued)*

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 auditor is 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 auditor is aware of that information.

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

In accordance with Sections 485 and 487 of the Companies Act 2006, Deloitte LLP will vacate the office as auditors of the Company with effect from 31st March 2016 and PricewaterhouseCoopers LLP will be duly appointed auditors for the Company with effect from 31st March 2016.

By Order of the Board

For and on behalf of
Santander Secretariat Services Limited, Secretary

29th February 2016
Registered Office Address: 2 Triton Square, Regent's Place, London NW1 3AN

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANTANDER GUARANTEE COMPANY

We have audited the financial statements of Santander Guarantee Company for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, the Balance Sheet and the related notes 1 to 12. 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 auditors' 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 auditors
As explained more fully in the Statement of Directors' responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 and of its profit 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.

Separate opinion in relation to IFRSs as issued by the IASB
As explained in Note 1 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors' Report or from the requirement to prepare a Strategic Report.

Tom Millar, for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London United Kingdom
29 February 2016

PRIMARY FINANCIAL STATEMENTS

For the year ended 31 December 2015

INCOME STATEMENT

For the year ended 31 December 2015

Continuing operations	Notes	2015 £	2014 £
Net interest income on amounts due from group companies		**19,368**	19,212
Profit before tax		**19,368**	19,212
Tax	4	**(3,922)**	(4,131)
Net profit attributable to equity holders of the Company		**15,446**	15,081

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 £	2014 £
Profit for the year	**15,446**	15,081
Total comprehensive income for the year	**15,446**	15,081
Attributable to equity holders of the Company	**15,446**	15,081

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2014	2,806,750	1,034,046	3,840,796
Total comprehensive income for the year	-	15,081	15,081
Balance at 31 December 2014	2,806,750	1,049,127	3,855,877
Balance at 1 January 2015	**2,806,750**	**1,049,127**	**3,855,877**
Total comprehensive income for the year	**-**	**15,446**	**15,446**
Balance at 31 December 2015	**2,806,750**	**1,064,573**	**3,871,323**

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

CASH FLOW STATEMENT

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Net cash flows generated from operating activities	8	**(4,131)**	-
Net decrease in cash and cash equivalents		**(4,131)**	-
Cash and cash equivalents at beginning of year		**2,314**	2,314
Cash and cash equivalents at end of year		**-**	2,314
Amount due to banks at end of year		**(1,817)**	-

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

PRIMARY FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2015

BALANCE SHEET

At 31 December 2015

	Notes	2015 £	2014 £
Current assets			
Loans and receivables	5	**3,877,062**	3,862,047
Cash and cash equivalents		**-**	2,314
Total assets		**3,877,062**	3,864,361
Current liabilities			
Payables	6	**(3,922)**	(8,484)
Amounts due to banks		**(1,817)**	-
Total liabilities		**(5,739)**	(8,484)
Net assets		**3,871,323**	3,855,877
Equity			
Share capital	7	**2,806,750**	2,806,750
Retained earnings		**1,064,573**	1,049,127
Total equity attributable to equity holders of the Company		**3,871,323**	3,855,877

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

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

The financial statements were approved by the Board of Directors and authorised for issue on 29th February 2016. They were signed on its behalf by: Andrew Honey.

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 2015

1. ACCOUNTING POLICIES

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

Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), including interpretations issued by the IFRS Interpretations Committee (IFRIC) of the IASB (together IFRS). The Company has also complied with its legal obligation to comply with International Financial Reporting Standards as adopted by the European Union as there are no applicable differences between the two frameworks for the periods presented.

The Financial Statements have been prepared on the going concern basis using the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss and all derivative contract and, assets held for sale. An assessment of the appropriateness of the adoption of the going concern basis of accounting is disclosed in the Directors' statement of going concern set out in the Directors' Report.

Future accounting developments

The Company has not yet adopted the following significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective for the Company:

a) IFRS 9 'Financial Instruments' (IFRS 9) – In July 2014, the IASB issued the final version of IFRS 9 which includes the completion of all phases of the project to replace IAS 39 'Financial Instruments: Recognition and Measurement' as discussed below.

Phase 1: Classification and measurement of financial assets and financial liabilities. Financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. The standard also introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. 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.

Phase 2: Impairment methodology. IFRS 9 fundamentally changes the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. It is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting. These requirements align hedge accounting more closely with risk management and establish a more principle-based approach to hedge accounting. Dynamic hedging of open portfolios is being dealt with as a separate project and until such time as that project is complete, entities can choose between applying the hedge accounting requirements of IFRS 9 or to continue to apply the existing hedge accounting requirements in IAS 39. The revised hedge accounting requirements in IFRS 9 are applied prospectively.

The effective date of IFRS 9 is 1 January 2018. For annual periods beginning before 1 January 2018, an entity may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss. At the date of publication of these Financial Statements the standard is awaiting EU endorsement and the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 9 on 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. At the date of publication of these Financial Statements the standard is awaiting EU endorsement. Whilst it is expected that a significant proportion of the Company's revenue will be outside the scope of IFRS 15, the impact of the standard is currently being assessed. [It is not yet practicable to quantify the effect of IFRS 15 on these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended December 2015

1. ACCOUNTING POLICIES *(continued)*

Future accounting developments *(continued)*

c) IFRS 16 'Leases' (IFRS 16) – In January 2016, the IASB issued IFRS 16. The standard is effective for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure for both lessees and lessors.

For lessee accounting, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value.

For lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements from the existing leasing standard (IAS 17) and a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently.

At the date of publication of these Financial Statements the standard is awaiting EU endorsement. The impact of the standard is currently being assessed, however, it is not yet practicable to quantify the effect of IFRS 16 on these Financial Statements.

d) There are a number of other standards which have been issued or amended that are expected to be effective in future periods. However, it is not practicable to provide a reasonable estimate of their effects on the Company's Financial Statements until a detailed review has been completed.

Revenue Recognition

Interest income is accrued daily, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Income taxes, including deferred income 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. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

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 tax rates are used in the determination of deferred income tax.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and 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.

Financial guarantee contracts

The Company accounts for guarantees that meet the definition of a financial guarantee contract at fair value on initial recognition. These guarantees are recognised in accordance with the requirements of IAS 39, whereby these contracts will be initially recognised at fair values and subsequently measured at the higher of the initial fair value less cumulative amortisation of the initial amount recognised in accordance with IAS 18, 'Revenue' and the amount that would be recognised as a provision in accordance with IAS 37, 'Provisions, Contingent liabilities and Contingent assets'.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short term investments in securities.

Financial assets

The Company classifies its financial assets, including intercompany financial assets, as loans and receivables. Management determines the classification at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available-for-sale. They arise when the entity provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all of the risks and rewards of ownership

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended December 2015

1. ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

At each balance sheet date, the Company assess whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets classified as loans and receivables have become impaired. Evidence of impairment may include indications that the borrower or group of borrowers have defaulted or are experiencing significant financial difficulty.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

A write-off is made when all collection procedures have been completed and is charged against previously established provisions for impairment.

Financial liabilities

The Company classifies its financial liabilities, including intercompany financial liabilities, as deposits and payables which are held at amortised cost unless designated as held at fair value through profit and loss. The carrying value of financial liabilities is a fair approximation of their fair values.

Dividends

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

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, liquidity risk and market risk. The Company manages its risk in line with the central risk management function of the Santander UK Group. 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 is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held. It occurs in intercompany assets held by the Company and financial guarantees issued by the Company.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in notes 5 and 9 to the financial statements.

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 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

Maturities of financial liabilities can be found in note 6 to the financial statements.

Market risk

Market risk is the potential for loss of income or decrease in the value of net assets caused by movements in the levels and prices of financial instruments. The majority of market risk arises as result of interest rates. The Company's income is exposed to movements in the LIBOR interest rate charged on loans and receivables relating to amounts due by group companies.

Sensitivity analysis

A 50 basis point adverse movement in interest rates would result in a reduction in operating profit of £18,122 (2014: £19,218) and a corresponding reduction in net assets. A 50 basis point positive movement in interest rates would result in an increase in operating profit of £19,292 (2014: £19,218) and a corresponding increase in net assets.

2. FINANCIAL RISK MANAGEMENT *(continued)*

Other risks

The Company in the normal course of business has issued a financial guarantee in regard to the customers of a company. This financial guarantee represents an undertaking that the Company will meet a required return on behalf of the Company's customers. Information on the Company's exposure to this risk can be found in note 9 to the financial statements.

3. PROFIT FROM OPERATIONS

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the UK parent company, Santander UK plc. No emoluments were paid by the Company to the Directors during the year (2014: £nil).

The Company had no employees in the current or previous financial year.

The statutory audit fee for the current and prior year has been paid on the Company's behalf by the UK parent company, Santander UK plc, in accordance with Company policy and no recharge has been made. The statutory audit fee for the current year is £5,227 (2014: £5,079).

4. TAX

	2015 **£**	2014 £
Current tax:		
UK corporation tax on profit of the year	**3,922**	4,131
Tax charge for the year	**3,922**	4,131

UK corporation tax is calculated at 20.25% (2014: 21.5%) 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 tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2015 **£**	2014 £
Profit before tax:	**19,368**	19,212
Tax calculated at a tax rate of 20.25% (2014: 21.5%)	**3,922**	4,131
Tax charge on profit for the year	**3,922**	4,131

5. LOANS AND RECEIVABLES

	2015 **£**	2014 £
Current	**3,877,062**	3,862,047
Amounts due from group companies	**3,877,062**	3,862,047

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

Amounts due from group companies are repayable within one year, with interest fixed monthly at one month LIBOR (2014: repayable on demand with fixed monthly at one month LIBOR).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended December 2015

6. PAYABLES

	2015 £	2014 £
Amounts due to group companies – group relief	**3,922**	4,131
Amounts due to group companies	**-**	4,353
	3,922	8,484

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

The amounts due to group companies – group relief are non-interest bearing and repayable on demand.

7. SHARE CAPITAL

	2015 £	2014 £
Issued and fully paid:		
- ordinary shares of £1 each	**2,806,750**	2,806,750

8. NOTE TO THE CASH FLOW STATEMENT

	2015 £	2014 £
Net income	**15,446**	15,081
Add back tax charge:	**3,922**	4,131
Profit before Tax:	**19,368**	19,212
Changes in operating assets and liabilities:		
Change in receivables	**(15,015)**	(19,218)
Change in payables	**(8,484)**	6
Cash flows generated from operations	**(4,131)**	-
Income tax paid	**-**	-
Net cash generated from operating activities	**(4,131)**	-

Where tax liabilities have been group relieved, they are accounted for as operating payables.

9. CONTINGENT LIABILITIES

Since 22 February 2006, the Company has issued guarantees under a guarantee facility to the investors in classes of redeemable preference shares issued by a Guernsey protected cell company. These guarantees in aggregate represent an undertaking by the Company to guarantee a defined return on the redeemable preference shares that is payable when the redeemable preference shares mature. The current maximum exposure under the guarantees is £8 billion (2014 £8 billion). The Company has the benefit of a conditional share subscription agreement provided by Santander UK plc to enable it to pay any claims under the guarantees.

The Guernsey protected cell company has invested the proceeds of each class of redeemable preference share in investments provided by a member of the Santander UK plc group, the terms of which are designed to provide at least the guaranteed defined return. As a result, the Company does not expect any claims to be made under any of the guarantees.

10. RELATED PARTY TRANSACTIONS

Trading transactions

The trading transactions with related parties relate to interest received on amounts due by related group entities.

Related party transactions at balance date are as follows:

	Income		Amounts due by related parties		Amounts due to related parties	
	2015 £	2014 £	**2015 £**	2014 £	**2015 £**	2014 £
Immediate UK parent company	**19,368**	19,212	**3,877,062**	3,862,047	**3,922**	8,484

No Director or management personnel received any remuneration (2014: £nil).

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended December 2015

11. CAPITAL MANAGEMENT AND RESOURCES

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

Capital held by the Company and managed centrally as part of the Santander UK Group, comprises share capital and reserves which can be found in the Balance Sheet on page 5.

12. PARENT UNDERTAKING AND CONTROLLING PARTY

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

The Company's ultimate parent undertaking and controlling party is Banco Santander, S.A., a company registered in Spain. Banco Santander, S.A. is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Santander UK plc is the parent undertaking of the smallest group of undertakings for which the group accounts are drawn up and of which the Company is a member.

Copies of all sets of group accounts, which include the results of the Company, are available from Secretariat, Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN.