SANTANDER INSURANCE SERVICES UK LIMITED

Registered in England and Wales
Company number 01492302

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

STRATEGIC REPORT

Santander Insurance Services UK Limited is a wholly owned subsidiary of Banco Santander SA Group (the Group) and is authorised by the Financial Conduct Authority (FCA). The Directors submit the Strategic Report together with their Report of the Directors and the audited financial statements for the year ended 31 December 2022.

Business Review and principal activities

The principal activity of Santander Insurance Services UK Limited (the Company) is the provision of General Insurance services and related products.

The results for the Company show a profit on ordinary activities after tax of £606,000 (2021: £343,000).

At 31 December 2022, the Company had net assets of £37,719,000 (2021: net assets of £37,113,000).

Key performance indicators

Net commission income
Net commission income has decreased by £845,000 to £10,351,000 (2021: £11,196,000).

Administrative expenses
For the year ended 31 December 2022, the Company's administrative expenses fell by £834,000 to £10,036,000 (2021: £10,870,000) primarily as a result of lower information technology costs.

Other sources where KPIs are presented
The Group manages its operations on a divisional basis. The Company forms part of the Group's Wealth Management and Insurance division. The development, performance and position of the division, which includes the Company, is discussed in the Group's Annual Report which does not form part of this Report. The Directors consider that the above key performance indicators are appropriate to the principal activity of the Company.

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

S.172 Statement

The Group is committed to ensuring that stakeholder interests continue to be embedded in all aspects of decision-making across the Group, at both Board and management level. The Santander Corporate Governance Office has taken steps to promote awareness and understanding of what is expected of Directors under section 172 of the Companies Act 2006. This includes briefing Directors on their statutory duties, as well as educating the business on ensuring the information they present to boards and management committees draws out the crucial points that will enable Directors to make fully informed decisions which factor in all relevant stakeholder impacts.

As a subsidiary of Banco Santander S.A., the Company adheres to the policies and standards set by the Banco Santander SA Board. To support efficiency and ensure a consistent approach, engagement with stakeholders on issues and decisions which have an impact across the wider Group is conducted at Group level.

The Directors of the Company are fully aware of their responsibilities under section 172 of the Companies Act 2006 and take all appropriate steps to ensure they consider the likely impact of their decisions in the long-term, as well as the interests of the Company's stakeholders. In discharging its responsibility for the overall oversight of the Santander Insurance Services UK Limited business, the Board has continued to pay due regard to its duty to promote the long-term success of the Company for the benefit of its shareholder, by ensuring its decisions are in accordance with the agreed Group strategy. The Board also regularly reviews management information on the progress made by the Company in delivering on this strategy, as well as reporting on business, financial and operational performance and key risks and compliance issues which supports the Directors in staying sighted on stakeholder outcomes and feedback.

The Company's Board has identified six key stakeholder groups whose interests and needs it regularly considers. These stakeholders are our customers, colleagues, shareholder, suppliers including insurance underwriters, regulators and communities. Careful consideration was given to these stakeholders to deliver sustainable business growth, whilst keeping the customer at the heart of the strategic decision-making process. Set out below are some examples of how the Company's Directors have paid due regard to the interests of these stakeholders during the year under review.

New directors appointed early in the financial year strengthened our customer focus, bringing their experience of UK mortgages, branches and risk management to the Company's business – and this is being developed, integrated and embedded through the preparations for the Consumer Duty as well as on-going initiatives such as the Fair Value Framework, to build stronger customer relationships. The Board also appointed a non-executive director as the Company's Consumer Duty champion in the latter part of 2022.

STRATEGIC REPORT (continued)

S.172 Statement (continued)

The Company's business model is as insurance intermediary for insurance providers. These providers are significant stakeholders of the business and the Company has worked collaboratively with them to improve the offerings to customers and the attractiveness of the products marketed by the Company. The Company has very constructive relationships with its intermediaries and actively engages with representatives of contracting parties to ascertain their views and take these views into account in the decision-making process.

The Company has no employees and all of its staff are employed directly by Santander UK plc, which bears the staff costs before recharging them to the Company. In line with Santander UK plc, the Company aims to maximise colleague engagement and promotes our culture, the Santander Way, which encompasses our purpose, values, behaviours and ways of working. In 2022, the behaviours were refreshed under our new TEAMS framework - Think Customer, Embrace Change, Act Now, Move Together and Speak Up. Performance in this area is through engagement surveys and appraisals at the Santander UK plc Group level. The Company continued to identify ways to support its people with flexible working patterns, including in response to the continued impact arising from the Covid-19 pandemic.

The Company is part of Banco Santander S.A. group which considers the impact on the environment, both local and more extended, in its decision-making processes.

The Directors of the Company continue to monitor the regulatory landscape and welcomed the Consumer Duty regulation from the Financial Conduct Authority that will come into effect in 2023. A robust programme of work has been commenced to ensure that the Company fully complies with the regulation. Separately, the General Insurance Pricing Practices rules came into effect in January 2022.
Over and above which, the Directors believe that a culture exists within the Company that aligns to the intended outcomes of the regulation, with a focus on customers and customer outcomes at the heart of decisions made.

Principal risks and uncertainties facing the Company

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

Strategic and Business Risk is managed at the Group level, with the focus on maintaining a low to medium risk appetite; review of risks to ensure the Company stays within its risk appetite range; mitigation of risk through having a clear and consistent strategy and an effective planning process; and through risk monitoring and management. Further information can be found within the Banco Santander SA Annual Report which does not form part of this Report.

Recent events within the global banking industry

Significant market uncertainty has been generated by the collapse of Silicon Valley Bank (SVB) in the United States on 10 March 2023 and the rescue of Credit Suisse by UBS following the announcement on 14 March 2023 by Credit Suisse of material weaknesses in its financial controls.

The Company is part of the Banco Santander SA Group (the Group) which has an established, mature Risk Framework and a stable, low risk business model with highly diversified assets across different markets and businesses. The Group's funding is also well diversified with the majority of deposits held by retail customers which, in the majority of cases, are insured by state-backed deposit guarantee schemes.

Uncertain macroeconomic and geopolitical environment

In the past few years, a number of broader, more complex and uncertain risks have evolved which may present future headwinds. These include geopolitical tensions between regions across the world, in particular the current conflict in the Ukraine. This has impacted global energy prices and supply chains which added to inflationary pressures, as well as stretching household finances. These risks accelerate trends towards deglobalisation, and a reduction of variety of goods and services, causing prices to increase over the medium to long-term. These factors are also playing into increased localised political risk across the globe, including in the UK with a second new Prime Minister in 2022. The Company is closely following these developments and the potential for any material impacts, which may need to be taken into consideration in its business plans and intends to take a coordinated approach with the other members of the Banco Santander SA group.

Payment Policy

The Company has cost management and procurement policies that explicitly promote competitive tendering and dealing with suppliers in a fair and open manner. The Company does not operate a single payment policy in respect of all classes of suppliers. Payment terms vary depending on the supplier and the type of spend, and the supplier is made aware of these before engagement.

It is the Company's policy to ensure payments are made in accordance with the terms and conditions agreed, except where the supplier fails to comply with those terms and conditions. The Company's practice on payment of creditors has been quantified under the terms of Schedule 7 of the Accounting Regulations. Based on the ratio of the aggregate amounts owed to trade creditors at the end of the year to the aggregate amounts invoiced by suppliers during the year at 31 December 2022, trade creditor days for the Company were 14 days (2021: 70 days).

James Dunne

For and on behalf of the Board
James Dunne
Director
23 May 2023
Registered Office Address: 2 Triton Square, Regent's Place, London, NW1 3AN

REPORT OF THE DIRECTORS

The Directors submit their report together with the Strategic Report and the audited financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of Santander Insurance Services UK Limited (the Company) is the provision of General Insurance services and related products.

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £606,000 (2021: £343,000).

The Directors do not recommend the payment of a final dividend (2021: £nil).

Post Balance Sheet Events

No adjusting or significant non-adjusting events have occurred between the 31 December 2022 and the date of authorisation of the financial statements.

Directors

The Directors who served throughout the year, and up to the date of signing the financial statements (except as noted) were as follows:

F del Cura Ayuso	
R Al-Dabbagh	
R Owen	(appointed 1 January 2022)
BGJ Fordham	(appointed 1 January 2022)
SF Livingston	(appointed 22 February 2022)
J Dunne	(appointed 17 March 2022)

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 UK-adopted international accounting standards.

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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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 also 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 Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, note 2 and 14 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit risk, market risk, liquidity risk.

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the period of 12 months from the date the financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

REPORT OF THE DIRECTORS (continued)

Qualifying Third Party Indemnities

Enhanced indemnities are provided to certain Directors of the Company by Santander UK Group Holdings plc (where such person has been nominated in writing by Santander UK Group Holdings plc or one of its subsidiaries as its representative on the board) against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities were qualifying third party indemnities. All of the indemnities were in force during the financial year and at the date of approval of the Report and financial statements. A copy of each of the indemnities is kept at the registered office address of Santander UK Group Holdings plc.

Political Contributions

In 2022 and 2021, no contributions were made by the Company for political purposes and no political expenditure was incurred.

Streamlined Energy and Carbon Reporting (SECR)

The Company is in scope of the Streamlined Energy and Carbon Reporting (SECR) as it meets the definition of a large Company exceeding the numerical thresholds in relation to turnover and the balance sheet.

The Company does not own any property for engaging its business and shares offices with fellow group Company, Santander UK plc. Accordingly, part of the management recharge made by Santander UK plc relates to the desks occupied in the Santander UK plc offices. As colleagues work flexibly across multiple office locations, the Company is unable to accurately determine and isolate its own energy use and associated greenhouse gases. Any data produced would be difficult to verify and use as a basis for meaningful calculation of energy consumption. Therefore, the Company has not reported any carbon and energy information.

The Company supports Santander UK plc's energy efficiency actions and information on the latter's annual energy use and associated greenhouse gas emissions, which would include the premises occupied by the Company, is set out in the Strategic report of the Santander UK plc 2022 Annual Report.

Statement of disclosure of information to auditors

Each of the Directors as at the date of approval of this report confirms 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 s418 of the Companies Act 2006.

Independent Auditors

In accordance with Sections 485 and 487 of the Companies Act 2006, PricewaterhouseCoopers LLP are re-appointed as independent auditors of the Company.

James Dunne

For and on behalf of the Board
James Dunne
Director

23 May 2023
Registered Office Address: 2 Triton Square, Regent's Place, London, NW1 3AN

Independent auditors' report to the members of Santander Insurance Services UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Santander Insurance Services UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 2022; 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.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Santander Insurance Services UK Limited (continued)

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent auditors' report to the members of Santander Insurance Services UK Limited (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management and communication with those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations;
- Identifying and testing journal entries meeting certain risk-based criteria, including unusual account combinations; and
- Incorporated unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Harry Armour

Harry Armour (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 May 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

Continuing operations	Note	2022 £000	2021 £000
Commission income		**61,767**	47,759
Commission expense		**(51,416)**	(36,563)
Gross profit		**10,351**	11,196
Administrative expenses	4	**(10,036)**	(10,870)
Operating profit	5	**315**	326
Interest income	6	**433**	98
Profit before tax		**748**	424
Tax charge on profit for the year	7	**(142)**	(81)
Profit for the year		**606**	343
Total comprehensive income for the year		**606**	343

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

BALANCE SHEET

As at 31 December

	Note	2022 £000	2021 £000
Assets			
Financial assets at amortised cost:			
Cash and cash equivalents	8	**46,536**	42,657
Trade and other receivables	9	**3,679**	4,105
Total assets		**50,215**	46,762
Liabilities			
Contract liabilities	10	**(1,290)**	(1,619)
Trade and other payables	11	**(1,819)**	(1,466)
Amounts owed to group undertakings	13	**(9,245)**	(6,509)
Corporation tax		**(142)**	(55)
Total liabilities		**(12,496)**	(9,649)
Net assets		**37,719**	37,113
Equity			
Share capital	12	**25,000**	25,000
Retained earnings		**12,719**	12,113
Total equity		**37,719**	37,113

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

The financial statements on pages 8 to 22 were approved by the Board of Directors on 23 May 2023, authorised for issue and signed on its behalf by:

James Dunne
Director
23 May 2023

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Share Capital £000	Retained earnings £000	Total equity £000
At 1 January 2021	25,000	11,770	36,770
Profit for the financial year and total comprehensive income	-	343	343
At 31 December 2021 and 1 January 2022	25,000	12,113	37,113
Profit for the financial year and total comprehensive income	-	606	606
At 31 December 2022	**25,000**	**12,719**	**37,719**

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

CASH FLOW STATEMENT

For the year ended 31 December

	Note	**2022** **£000**	2021 £000
Cash flows from operating activities			
Profit before tax		**748**	424
Adjustments for:			
Interest income		**(433)**	(98)
		315	326
Changes in operating assets and liabilities			
Decrease in contract liabilities		**(329)**	(736)
Increase / (Decrease) in amounts owed to group undertakings		**2,594**	(179)
Decrease in other assets		**426**	232
Increase in other liabilities		**440**	314
Net cash generated from (used in) operating activities		**3,446**	(43)
Investing activities			
Interest received		**433**	98
Net cash generated from investing activities		**433**	98
Net increase in cash and cash equivalents		**3,879**	55
Cash and cash equivalents at beginning of year		**42,657**	42,602
Cash and cash equivalents at end of year	8	**46,536**	42,657

Cash and cash equivalents comprise cash at bank.

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

These financial statements are prepared for Santander Insurance Services UK Limited under the Companies Act 2006.

General information

The Company is a private company limited by shares which is incorporated in the United Kingdom and registered in England and Wales. The ultimate parent company 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 Company's financial statements have been prepared in accordance with UK-adopted international accounting standards (IAS).

The functional and presentation currency of the Company is sterling.

Going concern

The financial statements have been prepared on the going concern basis using the historical cost convention. 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

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB amended IAS 1 'Presentation of Financial Statements' to require entities to disclose their material rather than their significant accounting policies. To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality. The amendments are effective for annual periods beginning on or after 1 January 2023.

At 31 December 2022, for the Company, there were no other significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective, or which have otherwise not been early adopted where permitted.

Revenue Recognition

Revenue comprises fee and commission income from third party underwriters.

Fee and commission income

The Company acts as an intermediary for insurance products and receives commission and profit share from the underwriters. The Company also receives commission for renewal of policies.

For each contract with a customer, the Company (i) identifies the contract with the customer, (ii) identifies each of the performance obligations included in the contract, (iii) determines the amount of consideration in the contract, (iv) allocates the consideration to each of the identified performance obligations and (v) recognises revenue as each performance obligation is satisfied.

Commission income is recognised at the later of the policy inception date or when the policy placement has been completed and confirmed. Any adjustments to commission arising from premium additions or reductions are recognised as and when they are notified by third parties.

Additional commission (Profit share) is due from certain insurers based upon their underwriting results. This represents variable consideration. The Directors are unable to form an estimate of the profit share until it is declared at which point it is recognised. Until it is declared, variable consideration is not considered to meet the highly probable threshold for recognition.

Commissions for certain products are subject to clawbacks and management's estimate of the amount expected to be clawed back is included in the measurement of revenue recognised.

The Company applies a markup of 3% on administrative expenses before paying over the remainder of the fee and commission income less administrative expenses to Santander UK plc. The Company has a separate agreement with Santander Consumer UK plc in relation to Gap insurance whereby, the Company applies a markup of 3% on administrative expenses which are fixed (until such time as both parties agree otherwise), before paying the remainder of the commission to Santander Consumer UK plc.

The retained commission and fee income is guaranteed by contracts.

Interest income

Interest income consists of interest income receivable on cash and cash equivalent balances for the year. Interest income is recognised as it accrues, taking into account the effective interest rate on the investment.

NOTES TO THE FINANCIAL STATEMENTS

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. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost.

1) Classification and subsequent measurement

Financial assets are classified in the measurement categories of amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL).

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.

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. 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.

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 have solely payments of principal and interest (SPPI) characteristics. 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.

All of the Company's financial assets are classified in the measurement category of amortised cost.

Financial assets

The Company's financial assets that are measured at amortised costs comprise of cash and cash equivalents and trade and other receivables.

Financial liabilities

The financial liabilities of the Company comprise trade and other payables and amounts owed to group undertakings which are classified and subsequently measured at amortised cost.

2) Impairment of Financial assets

Expected credit losses are recognised on all financial assets measured 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 have defaulted or 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.

The measurement of ECL is calculated using three main components: (i) probability of default (PD), (ii) loss given default (LGD) and (iii) the exposure at default (EAD). The ECL is calculated by multiplying the PD, LGD and EAD. The 12 month and lifetime PDs represent the PD occurring over the 12 months and the remaining maturity of the instrument respectively. The EAD represents the expected balance at default. The LGD represents expected losses on the EAD in the event of default.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

2) Impairment of Financial assets (continued)

The expected credit losses for trade and other receivables without a significant funding component is measured at an amount equal to lifetime expected credit losses, in accordance with the simplified approach in IFRS 9. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

See note 2 for details of how the Company assesses whether the credit risk of financial assets has increased since initial recognition when estimating ECLs.

For financial instruments that are considered to have low credit risk, the credit risk is assumed to not have increased significantly since initial recognition. Financial instruments are considered to have low credit risk when the borrower is considered to have a low risk of default from a market perspective. Typically, financial instruments with an external credit rating of investment grade are considered to have low credit risk.

Write-off

All write-offs are on a case-by-case basis, taking account of the exposure at the date of write-off. The Company writes off a financial asset only when all internal avenues of collecting the debt have been exhausted or there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Write-offs are charged against previously established impairment loss allowances.

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.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-restricted balances held with banks.

Provisions and contingent liabilities

Provisions are recognised as present obligations arising as consequences of past events where it is more likely than not a transfer of economic benefits will be necessary to settle the obligation, and it can be reliably estimated.

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. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

Pensions and other post-retirement benefits

The Company participates in the Group Pension Schemes in operation. There is no contractual agreement for charging the net cost in relation to the Pension Schemes. The contribution recharged to and paid by the Company is calculated as the contributions made by Santander UK plc to the schemes, in respect of the Company's support colleagues whose employment costs are also recharged to the Company.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Contract liabilities

Contract liabilities relating to commission clawbacks are recognised for the estimated amount of cancellations that may arise during the term the insurance policies are in force. They represent management's best estimate of potential clawback of commission income that would arise from the cancellation of insurance policies during their term. Management judgement is required in determining the appropriate assumptions to be used based on past experience of cancellations from the preceding months within the reporting year, or cancellations that arose during previous reporting years. Management judgement relates to the selection of the appropriate observation period used to determine the cancellation profile. The cancellation profile, representing the percentage of estimated cancellations against written premiums, is applied to the written premiums to derive the liability.

Dual insurance liabilities relate to commissions received by the Company which it is not entitled to on account of customers entering into duplicate insurance for the same service. It is initially reported as commission income and, once the Company is notified of instances of dual insurance by the underwriters, subsequently recognised as a liability.

Critical judgements and accounting estimates

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

Principal/agent arrangements

The Company receives commission income from third party insurers which is subsequently passed to Santander UK plc after deduction of administrative expenses plus a 3% markup. Under the contracts with the third party insurers, the Company has two performance obligations being the provision of the insurance products to end customers and the provision of promotion and distribution services for the products.

Based on the criteria under IFRS15 'Revenue from Contracts with Customers', Management has determined that the Company is acting as an agent of the third party insurers in respect of the provision of the insurance products to end customers and as principal in the provision of promotion and distribution services for the products.

Additional commission

Additional commission (Profit share) is due from certain insurers based upon their underwriting results. This represents variable consideration. The Directors are unable to form an estimate of the profit share until it is declared at which point it is recognised. Until it is declared, variable consideration is not considered to meet the highly probable threshold for recognition.

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

2. 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 liquidity risk, market risk and credit risk. The Company manages its risk in line with the central risk management function of the Banco Santander SA Group.

Banco Santander SA Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, colleagues and the Banco Santander SA Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Banco Santander SA Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Banco Santander SA Group's strategic objectives.

Risk management is carried out by the central risk management function of the Banco Santander SA Group. Authority flows from the Banco Santander SA Board to the Chief Executive Officer and from 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 Banco Santander SA Annual Report which does not form part of this Report.

Financial risks

a) 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 as they fall due. The Company regularly monitors its current and future liquidity requirements, and incorporates this into its decision-making process to ensure it always maintains sufficient liquid resources.

NOTES TO THE FINANCIAL STATEMENTS

2. RISK MANAGEMENT (continued)

Financial risks (continued)

a) Liquidity risk (continued)

Maturities of financial liabilities

Current financial liabilities consist of intercompany and third party creditors. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

	2022	2021
	£000	£000
On demand	1,819	1,466
Less than 1 month	9,245	6,509
Total	**11,064**	7,975

b) 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 a result of changes to base rates of interest that affect the bank interest income earned by the Company. Whilst the Company does not hedge this risk with derivatives or any other products, it constantly monitors its investment exposure to interest rate changes.

A 0.25% adverse movement in interest rates would result in a reduction in operating profit of £111,491 (2021: £98,153) and a reduction in net assets of £111,491 (2021: £98,153).

c) Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations. It occurs where the Company has significant financial exposure to amounts due from third parties and fellow group companies.

Credit risk management practices

The Company considers reasonable and supportable information that is relevant and available without undue cost or effort to assess whether there has been a significant increase in risk since initial recognition. This includes quantitative and qualitative information and also forward-looking analysis.

Significant Increase in Credit Risk (SICR)

Receivables which have suffered a SICR since origination are subject to a lifetime ECL assessment which extends to a maximum of the contractual maturity of the balance. Receivables which have not experienced a SICR are subject to 12-month ECL. Each facility's credit risk profile is assessed using a range of quantitative, qualitative and backstop criteria to identify exposures that have experienced a SICR to determine which of three stages to allocate them to:

Stage 1: when there has been no SICR since initial recognition. A loss allowance equal to a 12-month ECL is applied i.e. the proportion of lifetime expected losses that relate to that default event expected in the next 12 months
Stage 2: when there has been a SICR since initial recognition, but no credit impairment has materialised. A loss allowance equal to the lifetime ECL is applied i.e. lifetime expected loss resulting from all possible defaults throughout the residual life of a facility
Stage 3: when the exposure is considered credit impaired using default criteria set out below. A loss allowance equal to the lifetime ECL. Objective evidence of credit impairment is required.

For financial instruments that are considered to have low credit risk, the credit risk is assumed to not have increased significantly since initial recognition. Financial instruments are considered to have low credit risk when the borrower is considered to have a low risk of default from a market perspective. Typically, financial instruments with an external credit rating of investment grade are considered to have low credit risk.

Criteria applicable to stage 2

Quantitative criteria
In determining whether there has been a significant increase in credit risk, the Company uses quantitative tests based on relative and absolute probability of default (PD) movements linked to internal credit ratings and other indicators of historic delinquency. However, unless identified at an early stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due.

Qualitative criteria
The Company also uses qualitative criteria to identify where an exposure has increased in credit risk, independent of any changes in PD. The qualitative criteria used are: in forbearance and watch-list - proactive management of non-performing loans in past 12 months.

Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

NOTES TO THE FINANCIAL STATEMENTS

2. RISK MANAGEMENT (continued)

Financial risks (continued)

c) Credit risk (continued)

Criteria applicable to stage 3

Definition of default (Credit impaired)
The Company defines a financial instrument as in default (i.e. credit impaired) for purposes of calculating ECL if it is more than 90 days past due (DPD), or if it has data that raises doubt that customers can keep up with their payments i.e. they are unlikely to pay. The data includes where:
– They have had a winding up notice issued, or something happens that is likely to trigger insolvency
– Something happens that makes them less likely to be able to pay – such as they lose an important client or contract
– They have regularly missed or delayed payments, even though they have not gone over the three-month limit for default
– Their loan is unlikely to be refinanced or repaid in full on maturity.

Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery. The Company endeavours to receive regular payments from all its debtors in order to reduce any significant credit risk.

Credit rating of financial assets

The Company primarily uses published credit ratings to assess counterparty strength. The risk rating is the main method used to measure credit risk. The following table details the credit quality of the Company's financial assets as well the Company's maximum exposure to credit risk by credit risk grades. The Company does not hold any collateral as security.

	2022			2021		
	Total £000	**External credit rating A+ to BBB £000**	**Not rated* £000**	Total £000	External credit rating A+ to BBB £000	Not rated* £000
Stage 1 assets:						
Cash and cash equivalents	46,536	46,536	-	42,657	42,657	-
Trade and other receivables	1,324	-	1,324	1,875	-	1,875
Loss allowance	(59)	-	(59)	(63)	-	(63)
Exposure to credit risk	**47,801**	**46,536**	**1,265**	**44,469**	**42,657**	**1,812**
Stage 3 assets:						
Trade and other receivables	-	-	-	622	622	-
Loss allowance	-	-	-	(622)	(622)	-
Exposure to credit risk	-	-	-	-	-	-
Simplified approach assets:						
Trade and other receivables	2,419	2,419	-	2,297	2,297	-
Loss allowance	(5)	(5)	-	(4)	(4)	-
Exposure to credit risk	**2,414**	**2,414**	**-**	**2,293**	**2,293**	**-**
Total	**50,215**	**48,950**	**1,265**	**46,762**	**44,950**	**1,812**

* Amounts classified as 'not rated' in the above table are not rated by Standard and Poor or an equivalent rating agency.

During the year, the Company wrote off a long-standing balance of £621,546 relating to profit share. It was withheld by the external debtor as a result of an on-going legal dispute (see note 16 for further details). There is no impact on the overall results as the Company had previously provided for the balance in full.

Exposure to credit risk is concentrated across counterparties as follows:

	2022 £000	2021 £000
Cash and cash equivalents (group undertakings)	46,536	42,657
Trade and other receivables:		
Amounts due from insurance underwriters	2,414	2,293
Amounts due from brokers	1,265	1,812
Total	**50,215**	**46,762**

NOTES TO THE FINANCIAL STATEMENTS

3. DIRECTORS' EMOLUMENTS AND INTERESTS

The aggregate emoluments received by the Directors of the Company were:

	2022	2021
	£	£
Salaries and fees	180,000	173,333
Performance related payments	132,000	129,000
Total emoluments excluding pension contributions & non-cash benefits	**312,000**	**302,333**
Other fixed remuneration (pension and other allowances & non-cash benefits)	37,639	36,227
Total	**349,639**	**338,560**

The aggregate emoluments above exclude those received by Directors in respect of their primary duties as Directors or officers of Banco Santander SA and Santander UK plc. One Director was (2021: one was) remunerated in relation to services as Director of the Company.

Santander UK plc bears the Director emoluments before recharging them to the Company.

Remuneration of highest paid Director

The emoluments of the highest paid Director, excluding allowance in lieu of pension, were £313,639 (2021: £303,894) of which £132,000 (2021: £129,000) was performance related. The accrued defined benefit pension for the highest paid Director was £nil (2021: £nil). The Director does receive a cash allowance in lieu of pension, which was £36,000 (2021: £34,667).

Directors' emoluments and interests

The Company did not enter into any loans, quasi loans or credit transactions with persons who are or were Directors, connected persons or officers of the Company in the current year. No Director had a material interest in any contract with the Company or any of its subsidiaries at any time during the year. None of the Directors had an interest in the share capital of the Company.

4. ADMINISTRATIVE EXPENSES

	2022	2021
	£000	£000
Employment costs:		
Wages and salaries	2,500	2,440
Social security costs	243	291
Other pension costs: - defined contribution plans	333	312
Other personnel costs	89	64
Total Employment costs	**3,165**	**3,107**
Other administrative expenses:		
Advertising and marketing costs	2,981	2,989
Information Technology costs	2,232	3,129
Other expenses	1,658	1,645
Total other administrative expenses	**6,871**	**7,763**
Total administrative expenses	**10,036**	**10,870**

Santander UK plc is the employer of all staff working for the Company and bears the staff costs before recharging them to the Company. Included within 'Other personnel costs', are indirect staff costs relating to private healthcare, training and professional subscriptions.

Number of colleagues – monthly average	**2022 Number**	2021 Number
Product Marketing Management	**9**	10
Tech Product Development	**6**	2
Finance	**4**	2
Pricing, Data and Third Party Management	**5**	10
Insurance Management	**5**	5
Total	**29**	29

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING PROFIT

The operating profit is stated after charging:

	2022 £000	2021 £000
Auditors fee for statutory audit	**43**	37
Total	**43**	37

The audit fee payable to the Company's auditors for the audit of the Company's annual financial statements for the current year is £43,350 (2021: £36,900).

6. INTEREST INCOME

	2022 £000	2021 £000
Interest on bank deposits	**433**	98
	433	98

Interest income comprises interest earned on the Company's bank accounts.

7. TAX CHARGE ON PROFIT FOR THE YEAR

	2022 £000	2021 £000
Current tax:		
UK corporation tax on profit of the year	**142**	55
Adjustments in respect of prior years	**-**	26
Total current tax	**142**	81
Deferred tax:		
Origination and reversal of temporary differences	**-**	26
Adjustments in respect of prior years	**-**	(26)
Total deferred tax	**-**	-
Tax charge on profit for the year	**142**	81

UK corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profits for the year.

The UK government announced in its budget on 3 March 2021 that it would increase the main rate of corporation tax by 6% to 25% with effect from 1 April 2023.

The tax on the Company's profit before tax is the same as (2021: same as) the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2022 £000	2021 £000
Profit before tax	**748**	424
Tax calculated at a tax rate of 19% (2021: 19%)	**142**	81
Tax charge for the year	**142**	81

8. CASH AND CASH EQUIVALENTS

	2022 £000	2021 £000
Cash and cash equivalents	**46,536**	42,657
	46,536	42,657

Cash and cash equivalents consist of short term deposits held in bank accounts operated by Santander UK plc.

NOTES TO THE FINANCIAL STATEMENTS

9. TRADE AND OTHER RECEIVABLES

	2022	2021
	£000	£000
Trade and other receivables	**3,743**	4,794
Less: credit impairment loss allowances	**(64)**	(689)
Trade and other receivables net of impairment loss allowances	**3,679**	4,105

Trade and other receivables are due within one year and their carrying value approximates their fair value.

10. CONTRACT LIABILITIES

	Commission clawbacks		**Dual insurance**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000
At 1 January	**1,614**	2,331	**5**	24	**1,619**	2,355
Movement during the year	**(326)**	(717)	**(3)**	(19)	**(329)**	(736)
At 31 December	**1,288**	1,614	**2**	5	**1,290**	1,619

Contract liabilities relating to commission clawbacks represent management's best estimate of potential clawback of commission income that would arise from the cancellation of insurance policies during their term. Santander UK plc, who are the ultimate recipients of the insurance commission income, bear the charge for the commission clawbacks. Accordingly, the Company's net profit before tax is not impacted by any movement in the contract liabilities.

Dual insurance liabilities relate to commissions received by the Company which it is not entitled to on account of customers entering into duplicate insurance for the same service. It is initially reported as commission income and, once the Company is notified of instances of dual insurance by the underwriters, subsequently recognised as a liability.

11. TRADE AND OTHER PAYABLES

	2022	2021
	£000	£000
Other liabilities	**1,819**	1,466
	1,819	1,466

The carrying amount of trade payable and other financial payables approximates to their fair value. No specific maturity date has been stated within the contracts relating to these liabilities; however they are likely to be settled within the next year.

12. SHARE CAPITAL

	2022	2021
	£000	£000
Issued and fully paid:		
25,000,000 (2021: 25,000,000) ordinary shares of £1 each	**25,000**	25,000

Holders of ordinary shares are entitled to:

a) receive such dividends as the Directors approve out of profits;
b) one vote for every share held in respect of resolutions proposed at general meetings; and
c) receive, upon winding up, an amount in respect of each ordinary share equal to the paid up capital value thereof with the balance being distributed between the shareholders in proportion to their paid up ordinary shareholdings.

NOTES TO THE FINANCIAL STATEMENTS

13. RELATED PARTY TRANSACTIONS

Trading transactions

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

	Income		Expenditure		Amounts due from related parties		Amounts due to related parties	
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Santander UK plc – other creditors and debtors	-	-	2,317	3,291	-	-	8,733	5,871
Santander UK plc – group relief	-	-	-	-	-	-	323	269
Santander UK plc – insurance commission	-	-	51,246	36,563	-	-	-	-
Santander UK plc – bank account and bank interest	433	98	-	-	46,536	42,657	-	-
Santander Consumer UK plc – insurance commission	-	-	170	-	-	-	8	-
Santander Global Technology SL	-	-	286	307	-	-	181	350
Santander UK Technology Limited	-	-	-	-	-	-	-	19
Gesban UK Limited	-	-	50	50	-	-	-	-
	433	**98**	**54,069**	**40,211**	**46,536**	**42,657**	**9,245**	**6,509**

All amounts due to and due from related parties are unsecured and repayable on demand. With the exception of the bank account held with Santander UK plc, all related party balances are not interest bearing.

Remuneration of directors and other key management

The remuneration of the Directors and key management personnel of the Company is set out in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of the individual Directors is provided in note 3.

Key management compensation	**2022 £000**	2021 £000
Short-term employee benefits	**517**	304
Post-employment benefits	**46**	35
Total key management compensation	**563**	339

One Director (2021: one) and one member of key management personnel (2021: none) that served during the year were remunerated in relation to services to the Company.

There were no other related party transactions during the year, or balances existing at the balance sheet date, with the Company's or parent Company's key management personnel (2021: nil).

14. CAPITAL MANAGEMENT AND RESOURCES

The Company is 100% owned by Banco Santander SA. Control of its capital structure will therefore be dictated at board level, and additional capital issues would require approval from the board of Banco Santander SA. Short term treasury management is delegated from board level to the finance team.

The Company is funded by capital in the form of £25 million of equity shares. The FCA dictates that at any one time the Company must hold 2.5% of annual income as capital. The Santander Insurance Services UK Limited finance team monitors this on an on-going basis with regular internal reporting to ensure that this will not be breached. The Company is required to report this solvency margin to the FCA on a twice-yearly basis. If the Company were to be non-compliant with FCA rules, then the penalties can range from fines to revokement of the regulatory authorisation.

No dividends were proposed or declared before the financial statements were authorised for issue.

15. PARENT UNDERTAKING AND CONTROLLING PARTY

Santander Insurance Services UK Limited is domiciled in the United Kingdom. The Company's immediate and ultimate parent undertaking and controlling party is Banco Santander SA, a company incorporated and registered in Spain. Banco Santander SA holds all of the issued share capital of the Company. Banco Santander SA is the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member.

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

NOTES TO THE FINANCIAL STATEMENTS

16. CONTINGENT LIABILITIES

Payment Protection Insurance

In relation to a specific PPI portfolio of complaints, a legal dispute regarding allocation of liability is in its early stages.

The dispute relates to the liability for PPI mis-selling complaints relating to pre-2005 PPI policies underwritten by AXA France IARD and AXA France Vie (together, AXA France - previously Financial Insurance Company Ltd and Financial Assurance Company Ltd respectively) and involves the Company and Santander Cards UK Limited (a former GE Capital Corporation entity and distributor of pre-2005 PPI known as GE Capital Bank Limited which was acquired by Banco Santander SA in 2008 and subsequently transferred to Santander UK plc) (together the Santander Entities). During the relevant period, AXA France were owned by Genworth Financial International Holdings, Inc (Genworth). In September 2015, AXA SA acquired AXA France from Genworth. In July 2017, the Santander Entities notified AXA France that they did not accept liability for losses on PPI policies relating to the relevant period. Santander UK plc entered into a Complaints Handling Agreement (CHA) with AXA France pursuant to which it agreed to handle complaints on their behalf, and AXA France agreed to pay redress assessed to be due to relevant policyholders on a without prejudice basis. A standstill agreement was entered into between the Santander Entities and AXA France as a condition of the CHA.

In July 2020, Genworth announced that it had agreed to pay AXA SA circa £624m in respect of PPI mis-selling losses in settlement of the related dispute concerning obligations under the sale and purchase agreement pursuant to which Genworth sold AXA France to AXA SA. The CHA between Santander UK plc and AXA France terminated on 26 December 2020. On 30 December 2020, AXA France provided written notice to the Santander Entities to terminate the standstill agreement. During 2021, AXA France commenced litigation against the Santander Entities seeking recovery of £636m and any further losses relating to pre-2005 PPI. Judgment in respect of the Santander Entities application for AXA France's claim to be struck out/summarily dismissed, was handed down by the Commercial Court on 12 July 2022. In summary, the Commercial Court upheld a significant part of the Santander Entities' strike-out application, striking out AXA France's claim for contribution against Santander for alleged losses and requiring AXA France to re-plead a significant portion of its other pleadings. AXA France updated the amount of losses claimed from £636m to £670m in their Amended Particulars of Claim dated 21 October 2022. Overall, the dispute remains at an early stage and there are ongoing factual issues to be resolved which may have legal consequences including in relation to liability. These issues create uncertainties which mean that it is difficult to reliably predict the outcome or the timing of the resolution of the matter.

Santander UK plc holds a provision in regard to this matter and has confirmed that if any liability arises, it will settle it in full and not the Company.

Further information has not been provided on the basis that it would be seriously prejudicial to the Santander Entities' interests in connection with the dispute.