

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. The Company's objectives, policies and processes for managing its capital are described in Note 44 to the financial statements.

Details of the Company's financial risk management objectives, its financial instruments and hedging activities; and its exposures to credit risk, interest rate risk, liquidity risk, operational risk and other risks are set out in the Risk Management Report on pages 15 to 37 and material risk factors are described in the Risk Factors section on pages 108 to 113.

The Company is part of the Santander UK group. The Company is reliant on Santander UK plc and other companies in the Santander UK group for a significant proportion of its funding. The Board of Santander UK plc has confirmed that Santander UK plc and the Santander UK group are going concerns, and that it will provide funding to the Company for the foreseeable future. In giving this commitment to provide funding to Alliance & Leicester plc, the Board of Santander UK plc has considered the uncertainties within Alliance & Leicester plc when preparing the forecasts and budgets of the combined business of the Santander UK group.

The Company has given a full and unconditional guarantee in respect of the unsubordinated liabilities of Santander UK plc incurred prior to 31 July 2012 under a deed poll guarantee entered into by the Company on 19 March 2009. Santander UK plc has given a reciprocal guarantee in respect of the unsubordinated liabilities of the Company incurred prior to 31 July 2012.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As set out above, there is an intention to substantially reduce trading in the next twelve months, subject to UK Financial Services Authority support and Court approval, by the transfer of the Alliance & Leicester business into Santander UK plc under a scheme allowed by Part VII of the Financial Services and Markets Act 2000. IAS 1 requires that financial statements for any Company that has ceased to trade, or substantially reduced trading, or where there is an intention for the Company to cease to trade, or substantially reduce trading in the next twelve months, are prepared on an "other than going concern" basis. Accordingly the financial statements have been prepared on an "other than going concern" basis as there is the intention to substantially reduce trading in the next twelve months. In accordance with Santander UK's accounting policy of accounting for internal reorganisations, the assets and liabilities of the Alliance & Leicester business will be transferred to Santander UK at their book values in Alliance & Leicester. Preparation of the financial statements on an "other than going concern" basis has therefore had no impact on the amounts reported.

Directors

The members of the Company's board of directors (the 'Board') at 31 December 2009 are named on pages 38 and 39. For each Director, the date of appointment is shown. As at 31 December 2009, the Board comprised a Chairman, four Executive Directors including the Chief Executive, and seven Non-Executive Directors. At the date of publication of this report, the Board composition remains the same. The roles of Chairman and Chief Executive are separated and clearly defined. The Chairman is primarily responsible for the working of the Board and the Chief Executive for the running of the business and implementation of Board strategy and policy. The following Executive Directors resigned on 30 April 2009 and 31 May 2009 respectively; David Bennett and Nathan Bostock.

Non-Executive Directors have been appointed for an indefinite term (other than Jane Barker, Roy Brown, Keith Woodley and Rosemary Thorne, who have been appointed for a three year term after which their appointments may be extended upon mutual agreement).

When they were appointed, the appointments of Terence Burns, António Horta-Osório, Antonio Lorenzo, Juan Colombás, Juan Rodriguez Inciarte, José María Fuster, José María Carballo, Alison Brittain, Rosemary Thorne and Keith Woodley were all proposed by Banco Santander, S.A. The Company may pay an Executive Director instead of allowing them to work during their notice period.

Remuneration

The remuneration of the Directors of Alliance & Leicester plc is set out in the 'Directors' Remuneration' table in the Report & Accounts of Santander UK plc.

Retirement Benefits (audited)

Defined benefit pension plans are provided to certain of the Group's employees. See Note 32 to the Consolidated Financial Statements for a description of the plans and related costs and obligations. Retirement benefits are no longer accruing for any Directors under the Alliance & Leicester Defined Benefit Scheme (2008: one) in respect of their qualifying service to Alliance & Leicester.

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.

Financial Risk Management Objectives

The financial risk management objectives and policies of the Group; the policy for hedging each major type of forecast transaction for which hedge accounting is used; and the exposure of the Group to price risk, credit risk, liquidity risk and cash-flow risk are outlined in the Risk Management Report on pages 15 to 37.