SANTANDER INSURANCE SERVICES UK LIMITED

Registered in England and Wales
Company number 01492302

ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2023

STRATEGIC REPORT

Santander Insurance Services UK Limited (the "Company") is a wholly owned subsidiary of Banco Santander SA (Banco Santander SA and its subsidiaries being 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 2023.

Business Review and principal activities

The principal activity of Santander Insurance Services UK Limited (the Company) is to act as an intermediary for General Insurance services and related products.

The results for the year show a profit on ordinary activities after tax of £1,865,000 (2022: £606,000). The primary source of revenue continues to be net commission income which fell slightly. The profit performance was driven by higher interest rates on bank deposits due to increases in Bank of England base.

At 31 December 2023, the Company had net assets of £39,584,000 (2022: net assets of £37,719,000).

Key performance indicators

Net commission income
Net commission income for the year decreased by £1,619,000 to £8,728,000 (2022: decreased by £843,000 to £10,347,000).

Administrative expenses
For the year ended 31 December 2023, the Company's administrative expenses fell by £1,531,000 to £8,505,000 (2022: fell by £834,000 to £10,036,000) as a result of lower spend on information technology and marketing activities.

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 can be found via the parent company website, www.santander.com. 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 SA, 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.

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 insurance providers as well as Santander UK plc as distributor of the insurance products, and actively engages with representatives of contracting parties to ascertain their views and take these views into account in the decision-making process.

STRATEGIC REPORT (continued)

S.172 Statement (continued)

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 2023, 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 level. The Company continues to identify ways to support its people with flexible working patterns.

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

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.

For and on behalf of the Board

AH Longden
Director
15 July 2024
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 2023.

Principal activities

The principal activity of Santander Insurance Services UK Limited (the Company) is to act as an intermediary for General Insurance services and related products.

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £1,865,000 (2022: £606,000).

The Directors do not recommend the payment of a final dividend (2022: £nil).

Post Balance Sheet Events

No adjusting or significant non-adjusting events have occurred between the 31 December 2023 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	(resigned 30 September 2023)
R Owen	(resigned 30 September 2023)
BGJ Fordham	(resigned 12 December 2023)
SP Cooke	(appointed 2 October 2023)
AH Longden	(appointed 16 October 2023)
SF Livingston	
J Dunne	

Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and Financial Statements 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.

The directors are responsible for the maintenance and integrity of the company's financial statements published on the website of Santander UK plc. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE DIRECTORS (continued)

Statement of Going Concern

The Company's business activities together with its performance 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.

Qualifying Third Party Indemnities

Enhanced indemnities are provided to Directors of the Company where they are employees of Santander UK plc, 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. Enhanced indemnities are provided to the Director of the Company employed by Banco Santander SA. 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 the indemnities is kept at the registered office address of Banco Santander SA.

Political Contributions

In 2023 and 2022, 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 affiliated Group company, Santander UK plc. Accordingly, part of the management recharge made to 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 desks occupied by the Company, is set out in the Strategic report of the 2023 Santander UK Group Holdings plc Annual Report which does not form part of this 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.

For and on behalf of the Board

AH Longden
Director
15 July 2024
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 2023 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 2023; 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, comprising material accounting policy information and other explanatory information.

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 2023 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.

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

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.

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 and manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- Inquiries with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations, including fraud;
- Reviewing minutes of meetings of those charged with governance;
- Identifying and, where relevant, testing journal entries meeting certain risk-based criteria, including unusual account combinations;
- Evaluating the reasonableness and appropriateness of judgments and decisions made by management in making certain accounting estimates included in the financial statements, including assessing whether there is any indication of bias on the part of management; and
- Incorporating 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.

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

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.

Emily Francis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 July 2024

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

Continuing operations	Note	2023 £000	2022 (Restated)* £000
Commission income		31,049	61,763
Commission expense		(22,321)	(51,416)
Gross profit		8,728	10,347
Administrative expenses	4	(8,505)	(10,036)
Operating profit		223	311
Interest income	6	2,169	433
Impairment reversal	2	46	4
Profit before tax		2,438	748
Tax charge on profit for the year	7	(573)	(142)
Profit for the year		1,865	606
Total comprehensive income for the year		1,865	606

*2022 has been restated to show impairment reversal as a separate line item. Previously this was included under commission income.

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

BALANCE SHEET

As at 31 December 2023

	Note	2023 £000	2022 £000
Assets			
Financial assets at amortised cost:			
Cash and cash equivalents	8	**43,639**	46,536
Trade and other receivables	9	**5,558**	3,679
Amounts owed by group undertakings	13	**200**	-
Total assets		**49,397**	50,215
Liabilities			
Trade and other payables	10	**(1,318)**	(1,819)
Amounts owed to group undertakings	13	**(6,756)**	(9,245)
Contract liabilities	11	**(1,166)**	(1,290)
Corporation tax		**(573)**	(142)
Total liabilities		**(9,813)**	(12,496)
Net assets		**39,584**	37,719
Equity			
Share capital	12	**25,000**	25,000
Retained earnings		**14,584**	12,719
Total equity		**39,584**	37,719

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

The financial statements on pages 9 to 24 were approved by the Board of Directors on 15 July 2024, authorised for issue and signed on its behalf by:

AH Longden
Director
15 July 2024

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share Capital £000	Retained earnings £000	Total equity £000
At 1 January 2022	25,000	12,113	37,113
Profit for the financial year and total comprehensive income	-	606	606
At 31 December 2022 and 1 January 2023	**25,000**	**12,719**	**37,719**
Profit for the financial year and total comprehensive income	**-**	**1,865**	**1,865**
At 31 December 2023	**25,000**	**14,584**	**39,584**

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

CASH FLOW STATEMENT

For the year ended 31 December 2023

	Note	2023 £000	2022 (Restated)* £000
Cash flows from operating activities			
Profit before tax		2,438	748
Adjustments for:			
Interest income		(2,169)	(433)
Impairment reversal		(46)	(4)
		223	311
Changes in operating assets and liabilities			
Decrease in contract liabilities		(124)	(329)
(Decrease)/ increase in amounts owed to group undertakings		(2,631)	2,681
Increase in amounts owed by group undertakings		(200)	-
(Increase)/ decrease in other assets		(1,833)	430
(Decrease)/ increase in other liabilities		(501)	353
Net cash (used in)/ generated from operating activities		(5,066)	3,446
Investing activities			
Interest received		2,169	433
Net cash generated from investing activities		2,169	433
Net (decrease)/ increase in cash and cash equivalents		(2,897)	3,879
Cash and cash equivalents at beginning of year		46,536	42,657
Cash and cash equivalents at end of year	8	43,639	46,536

*The prior year presentation has been amended to reflect the impairment as discussed on page 9. In addition, in order to correctly incorporate the impact of group relief to the cash flow, the movement in other liabilities was restated from £440,000 to £353,000. Conversely, the movement in amounts owed to group undertakings was adjusted from £2,594,000 to £2,681,000. These restatements did not result in a change to net cash generated from operating activities, as previously reported.

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 FOR THE YEAR ENDED 31 DECEMBER 2023

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.

Recent accounting developments

The Company applied the amendment to IAS 1 'Presentation of Financial Statements', which requires disclosure of material rather than their significant accounting policies, in preparing the financial statements for the year ended 31 December 2023.

No other significant new or revised pronouncements, which became effective from 1 January 2023, impacted these financial statements.

Future accounting developments

At 31 December 2023, there were no other significant new or revised pronouncements which have been issued but which are not yet effective, or which have otherwise not been early adopted where permitted.

Material accounting policy information

The following material accounting policies have been applied in preparing these financial statements. Those material accounting policies which involves the application of judgements or accounting estimates that are determined to be critical to the preparation of these financial statements are set out in the section headed "Critical judgements and accounting estimates".

Revenue Recognition

Revenue consists of commission income from third party underwriters.

Commission income and expense

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 commission income less administrative expenses to Santander UK plc as distributor of the products. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. ACCOUNTING POLICIES (continued)

Commission income and expense (continued)
Commission expense largely consists of commission income net of administrative expenses that is subsequently paid to Santander UK plc, as distributor of all insurance products. Commission expense also includes a small element of third-party commission expense that relates to the provision of services to help generate sales growth.

Retained commission 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.

Financial Instruments

a) 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.

b) Financial assets and liabilities

i) 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.

ii) Impairment of financial assets

Expected credit losses (ECL) are recognised on all financial assets measured at amortised cost. For the current year the Company applies the simplified approach for all of its financial assets to calculate the ECL. For the prior year the Company applied both the general and simplified approach.

Where the general approach is applied, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

b) Financial assets and liabilities (continued)

ii) Impairment of financial assets (continued)

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.

Under the prior year the Company applied both the general and simplified approach to calculate ECL. The following paragraph is only relevant to the application of the general approach of the prior year, 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.

For the current year, financial assets are 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 assessed 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.

iii) 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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. ACCOUNTING POLICIES (continued)

Income taxes, including deferred income taxes (continued)

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 Santander UK 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.

Contract liabilities and dual insurance

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.

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.

Contract liabilities
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 Group.

Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, colleagues and the Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the 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 Group's strategic objectives.

Risk management is carried out by the central risk management function of the 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.

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.

	2023 £000	2022 £000
On demand	1,318	1,819
Less than 1 month	6,756	9,245
Total	**8,074**	11,064

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 £112,718 (2022: £111,491) and a reduction in net assets of £112,718 (2022: £111,491).

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.

During 2023 the Company reassessed its approach for calculating ECL. Based upon the nature of the underlying balances comprising financial assets, the Company has decided the simplified approach is the most appropriate method, The change has been applied prospectively with no change to the prior year presentation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. RISK MANAGEMENT (continued)

Significant Increase in Credit Risk (SICR)

This section is relevant to the prior year when the general approach was used.
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

This section is relevant to the prior year when the general approach was used.
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.

Criteria applicable to stage 3

This section is relevant to the prior year when the general approach was used.
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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. RISK MANAGEMENT (continued)

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.

	2023			2022		
	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	-
Trade and other receivables	-	-	-	1,324	-	1,324
Loss allowance	-	-	-	(59)	-	(59)
Exposure to credit risk	**-**	**-**	**-**	47,801	46,536	1,265
Simplified approach assets:						
Cash and cash equivalents	43,639	43,639	-	-	-	-
Trade and other receivables	5,576	2,988	2,588	2,419	2,419	-
Amounts owed by group undertakings	200	200	-	-	-	-
Loss allowance	(18)	(6)	(12)	(5)	(5)	-
Exposure to credit risk	**49,397**	**46,821**	**2,576**	2,414	2,414	-
Total	**49,397**	**46,821**	**2,576**	50,215	48,950	1,265

* Amounts classified as 'not rated' in the above table are not rated by S&P or an equivalent rating agency.

Under 2023 the Company has applied the simplified approach across all of its financial assets, as it was deemed the simplified approach was most appropriate given the nature of the underlying balances. Thisse changes has been applied prospectively, with no change to the prior year presentation.

The reduction in net ECL is attributable to the change in ECL method and applying Santander UK plc's Corporate and Commercial Bank (CCB) stage 1 ECL loan portfolio exposure ratio, rather than the CCB stage 2 ratio as used in the prior year.

Exposure to credit risk is concentrated across counterparties as follows:

	2023 £000	2022 £000
Cash and cash equivalents (group undertakings)	**43,639**	46,536
Amounts owed by group undertakings	**200**	-
Trade and other receivables:		
Amounts due from insurance underwriters	**2,982**	2,414
Amounts due from brokers	**2,576**	1,265
Total	**49,397**	50,215

Movement within the expected loss allowance:

	2023 £000	2022 £000
Simplified approach:		
At 1st January	**5**	5
ECL previously determined using general approach	**59**	-
Net movement in ECL for assets previously treated under general approach	**(47)**	-
Net movement in year in ECL from assets previously treated using simplified approach	**1**	-
At 31st December	**18**	5
General approach:		
At 1st January	**-**	63
Net movement in year	**-**	(4)
At 31st December	**-**	59
Total	**-**	64

See note further above for assets previously treated using the general approach.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. DIRECTORS' EMOLUMENTS AND INTERESTS

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

	2023 £	2022 £
Salaries and fees	31,538	180,000
Performance related payments	14,835	132,000
Total emoluments excluding pension contributions & non-cash benefits	46,373	312,000
Other fixed remuneration (pension and other allowances & non-cash benefits)	2,849	37,639
Total	49,222	349,639

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 (2022: one) was remunerated in relation to services as Director of the Company. The amounts presented against the 2023 year within the table above reflect the pro-rated amounts since their appointment as Director.

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 £48,515 (2022: £313,639) of which £14,835 (2022: £132,000) was performance related. The Director does receive a cash allowance in lieu of pension, which was £707 (2022: £36,000).

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

	2023 £000	2022 £000
Employment costs:		
Wages and salaries	2,653	2,500
Social security costs	239	243
Other pension costs: - defined contribution plans	360	333
Other personnel costs	51	89
Total Employment costs	3,303	3,165
Other administrative expenses:		
Advertising and marketing costs	2,263	2,981
Information Technology costs	1,476	2,232
Other expenses	1,463	1,658
Total other administrative expenses	5,202	6,871
Total administrative expenses	8,505	10,036

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	2023 Number	2022 Number
Product Marketing Management	11	9
Tech Product Development	6	6
Finance	4	4
Pricing, Data and Third Party Management	5	5
Insurance Management	4	5
Total	30	29

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

5. AUDIT FEES

The operating profit is stated after charging:

	2023 £000	2022 £000
Auditors' fee for statutory audit	44	43
Total	**44**	43

The audit fee payable to the Company's auditors for the audit of the Company's annual financial statements for the current year is £44,000 (2022: £43,350).

6. INTEREST INCOME

	2023 £000	2022 £000
Interest on bank deposits	2,169	433
	2,169	433

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

7. TAX CHARGE ON PROFIT FOR THE YEAR

	2023 £000	2022 £000
Current tax:		
UK corporation tax on profit of the year	573	142
Total current tax	**573**	142
Tax charge on profit for the year	**573**	142

UK corporation tax is calculated at 23.50% (2022: 19.00%).

The enacted tax rate for 2024 is expected to be 25% for corporation tax.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK to implement the OECD Pillar Two model rules which introduces a global minimum effective tax rate of 15% with effect from 1 January 2024. It is not anticipated that the rules will impact the Company.

The tax on the Company's profit before tax is the same as (2022: same as) the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2023 £000	2022 £000
Profit before tax	2,438	748
Tax calculated at a tax rate of 23.50% (2022: 19.00%)	573	142
Tax charge for the year	**573**	142

8. CASH AND CASH EQUIVALENTS

	2023 £000	2022 £000
Bank account with Santander UK plc	43,639	46,536
	43,639	46,536

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

9. TRADE AND OTHER RECEIVABLES

	2023 £000	2022 £000
Trade and other receivables	5,576	3,743
Less: credit impairment loss allowances	(18)	(64)
Trade and other receivables net of impairment loss allowances	**5,558**	3,679

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

10. TRADE AND OTHER PAYABLES

	2023 £000	2022 £000
Accruals	1,318	1,819
	1,318	1,819

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.

11. CONTRACT LIABILITIES

	Commission clawbacks		Dual insurance		Total	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
At 1 January	1,288	1,614	2	5	1,290	1,619
Movement during the year	(123)	(326)	(1)	(3)	(124)	(329)
At 31 December	**1,165**	1,288	**1**	2	**1,166**	1,290

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.

12. SHARE CAPITAL

	2023 £000	2022 £000
Issued and fully paid:		
25,000,000 (2022: 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 FOR THE YEAR ENDED 31 DECEMBER 2023

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	
	2023 £000	2022 £000	2023 £000	2022* £000	2023 £000	2022 £000	2023 £000	2022 £000
Santander UK plc – other creditors and debtors	-	-	4,309	5,318	-	-	6,103	8,733
Santander UK plc – group relief	-	-	-	-	-	-	465	323
Santander UK plc – insurance commission	-	-	21,692	51,246	-	-	-	-
Santander UK plc – bank account and interest income	2,169	433	-	-	43,639	46,536	-	-
Santander UK plc – accrued bank interest	-	-	-	-	200	-	-	-
Santander Consumer UK plc – insurance commission	-	-	139	170	-	-	11	8
Santander Global Technology SL – IT services	-	-	291	286	-	-	177	181
Santander UK Technology Limited - IT services	-	-	-	-	-	-	-	-
Gesban UK Limited – finance support services	-	-	55	50	-	-	-	-
	2, 169	433	26,486	57,070	43,839	46,536	6,756	9,245

*Expenditure for the 2022 year has been restated to include the various marketing and legal costs from Santander UK plc.

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. The aggregate remuneration of the Directors is provided in note 3.

Key management compensation	2023 £000	2022 £000
Short-term employee benefits	49	517
Post-employment benefits	1	46
Total key management compensation	50	563

One Director (2022: one) and no members of key management personnel (2022: one) 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 (2022: 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 Company's 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 revocation 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 FOR THE YEAR ENDED 31 DECEMBER 2023

16. CONTINGENT LIABILITIES

Payment Protection Insurance

AXA France IARD and AXA France Vie (former GE Capital Corporation Group entities (GE Capital), known as Financial Insurance Company Ltd (FICL) and Financial Assurance Company Ltd (FACL), acquired by AXA SA in 2015) (together, AXA France) have brought a claim for £552m (plus interest) against (i) the Company (a Banco Santander SA subsidiary); and (ii) Santander Cards UK Limited (former GE Capital entity known as GE Capital Bank Limited (GECB), which was acquired by Banco Santander SA in 2008 and subsequently transferred to Santander UK plc) (together the Santander Entities). The claim relates to the allocation of liability for compensation and associated costs in respect of a large number of PPI policies distributed by GECB pre-2005, which were underwritten by FICL and FACL. AXA France reduced their claim from £670m (plus interest) to £552m (plus interest) in their Re-Re-Amended Particulars of Claim dated 29 June 2023. The Santander Entities strongly refute the claim. Trial has been fixed for six weeks, beginning on 3 March 2025.

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.