

## SUPPLEMENTARY PROSPECTUS

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

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

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### **GUARANTEED INVESTMENT PRODUCTS 1 PCC LIMITED**

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

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This Supplement is supplementary to, and must be read in conjunction with, each of: (i) the Registration Document dated 17 January 2014, as supplemented by a Supplementary Prospectus dated 13 February 2014 (the "**2014 Registration Document**"); (ii) the Prospectus relating to the Protected Cell 249 Cell Shares, which comprises the Registration Document dated 18 January 2013 (the "**2013 Registration Document**"), the Securities Note dated 13 December 2013 and the Summary dated 13 December 2013, as supplemented by a Supplementary Prospectus dated 13 February 2014 (the "**Protected Cell 249 Prospectus**"); and (iii) the Prospectus relating to the Protected Cell 250 Cell Shares, which comprises the 2014 Registration Document, the Securities Note dated 28 January 2014 and the Summary dated 28 January 2014, as supplemented by a Supplementary Prospectus dated 13 February 2014 (the "**Protected Cell 250 Prospectus**"), and together with the Protected Cell 249 Prospectus, the "**Prospectuses**" and each a "**Prospectus**"). Your attention is drawn, in particular, to the sections headed "Risk Factors" from page 6 of each of the 2013 Registration Document and the 2014 Registration Document (each a "**Registration Document**") forming a part of each Prospectus and from page 3 of the relevant Securities Note forming a part of each Prospectus for a discussion of certain factors that should be considered in connection with an investment in Shares. Except where the context otherwise requires, (i) terms defined in the 2014 Registration Document shall have the same meaning when used in this document and (ii) terms defined in each of the Prospectuses have the same meaning in respect of the relevant Cell when used in this document.

This document is not an offer of securities for sale in the United States. The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any securities laws of any state of the United States and may not be offered or sold in the United States or to or for the account or benefit of US persons (as such terms are defined in Regulation S under the Securities Act)

unless registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, such registration. The Shares will not be registered under the relevant securities laws of Canada, Australia or Japan. Accordingly, unless an exemption under such acts or laws is applicable, the Shares may not be offered, sold or delivered, directly or indirectly, in or into Canada, Australia or Japan.

17 March 2014

## PART I: SIGNIFICANT NEW FACTORS

### Financial Information of Santander UK plc and ANTS

On 27 February 2014 Santander UK plc published its Annual Report and Accounts for the year ended 31 December 2013, incorporating:

- (a) its audited consolidated annual financial statements and auditors report for the financial year ended 31 December 2013, which appear on pages 201 to 316 thereof;
- (b) its audited Risk Management Report which appears on pages 61 to 163 thereof, with the exception of any section which is marked as unaudited;
- (c) its audited information in the "Director's Report" on page 191 thereof;
- (d) the section entitled "UK Government Schemes" on page 57 thereof;
- (e) the section entitled "Sources and uses of funding and liquidity" on page 57 thereof; and
- (f) the section entitled "Material Contracts" on page 335 thereof,

(the "**Santander UK plc Financial Information**").

On 28 February 2014 ANTS published its Annual Report and Accounts for the year ended 31 December 2013, incorporating:

- (a) its audited consolidated annual financial statements and auditors report for the financial year ended 31 December 2013, which appears on pages 106 to 183 thereof;
- (b) its audited Risk Management Report which appear on pages 25 to 96 thereof, with the exception of any section which is marked as unaudited;
- (c) the section entitled "Sources and uses of funding and liquidity" on page 22 thereof; and
- (d) the section entitled "Material Contracts" on page 202 thereof,

(the "**ANTS Financial Information**").

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

	<b>Santander UK plc</b>	<b>ANTS</b>
	<b>Financial year ended 31 December 2013</b>	<b>Financial year ended 31 December 2013</b>
<b>Nature of Information</b>	<b>Page</b>	<b>Page</b>
Consolidated Balance Sheet	206	109
Consolidated Income Statement	205	108
Consolidated Cashflow Statement	208	110
Accounting Policies and Explanatory Notes	212-316	114-183
Statement that the accounts have been audited and auditors' opinion	202	107

### **Financial Information of SGC**

On 3 March 2014 SGC approved its Annual Report and Accounts, incorporating its audited annual financial statements for the financial year ended 31 December 2013 (the "**SGC Financial Statements**").

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

	<b>SGC</b>
	<b>Financial Year ended 31 December 2013</b>
<b>Nature of Information</b>	<b>Page</b>
Balance Sheet	5
Income Statement	4
Cashflow Statement	4
Accounting Policies	6, 7
Statement that the accounts have been audited and auditors' opinion	3

### **Supplement to the Summaries**

As a result of the publication of the SGC Financial Statements, the summary document which forms part of each of the Prospectuses is hereby supplemented as follows:

<b>B.7</b>	Selected historical key financial information of the Guarantor:		
	The table below sets out summary information extracted from the Guarantor's audited income statement, balance sheet and cashflow statement for each of the three years ended 31 December 2011, 31 December 2012 and 31 December 2013, respectively:		
	<i>Year ended 31 December 2011 (£)</i>	<i>Year ended 31 December 2012 (£)</i>	<i>Year ended 31 December 2013 (£)</i>
<b>Condensed Statement of Comprehensive Income</b>			
<i>Interest on amounts due from group companies</i>	24,431	23,975	18,695
<i>Profit before tax</i>	24,431	23,975	18,695
<i>Tax</i>	(6,474)	(5,874)	(4,347)
<b><i>Net profit attributable to equity holders of the Guarantor</i></b>	<b>17,957</b>	<b>18,101</b>	<b>14,348</b>
<b>Condensed Balance Sheet</b>			
<b>Non Current assets</b>			
<i>Loans and receivables</i>	3,812,507	-	-
<b>Current assets</b>			
<i>Loans and receivables</i>	-	3,830,008	3,842,829
<i>Cash and equivalents</i>	2,314	2,314	2,314
<b>Total assets</b>	<b>3,814,821</b>	<b>3,832,322</b>	<b>3,845,143</b>
<b>Current Liabilities</b>			
<i>Current tax</i>	-	-	-
<i>Payables</i>	(6,474)	(5,874)	(4,347)
<b>Total liabilities</b>	<b>(6,474)</b>	<b>(5,874)</b>	<b>(4,347)</b>
<b>Net current assets / (liabilities)</b>	<b>(4,160)</b>	<b>3,826,448</b>	<b>3,840,796</b>
<b>Net assets</b>	<b>3,808,347</b>	<b>3,826,448</b>	<b>3,840,796</b>
<b>Equity</b>			
<i>Share Capital</i>	2,806,750	2,806,750	2,806,750
<i>Retained earnings</i>	1,001,597	1,019,698	1,034,046
<b>Total equity attributable to equity holders of the Guarantor</b>	<b>3,808,347</b>	<b>3,826,448</b>	<b>3,840,796</b>
<b>Condensed cash flow statement</b>			
<i>Net cash flows generated from operating activities</i>	-	-	-
<i>Net increase in cash and cash equivalents</i>	-	-	-
<i>Cash and cash equivalents at the beginning of the year</i>	2,314	2,314	2,314
<b>Cash and cash equivalents at the end of the year</b>	<b>2,314</b>	<b>2,314</b>	<b>2,314</b>
There has been no significant change to the Guarantor's financial condition and operating results during or subsequent to the period covered by the selected historical key financial information.			

## **PART II: ADDITIONAL INFORMATION**

### **1. Directors of the Company**

Gavin John Farrell  
John Reginald Le Prevost  
Paul Jonathan Meader

### **2. Significant Changes**

There has been no significant change in the financial or trading position of each of SGC, Santander UK plc and its subsidiaries or ANTS and its subsidiaries since 31 December 2013 (being the date to which the most recent audited financial information was prepared).

There has been no material adverse change in the prospects of Santander UK plc or ANTS since 31 December 2013 (being the date to which the most recent audited financial information was prepared).

### **3. Incorporation by Reference**

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

### **4. Withdrawal rights**

Persons who have applied for Protected Cell 249 Cell Shares and Protected Cell 250 Cell Shares prior to publication of this Supplement and who wish to exercise their statutory withdrawal rights must do so by lodging a written notice of withdrawal (which shall include a notice sent by electronic mail to Paul.Withers@santanderam.co.uk or by facsimile to Santander ISA Managers Limited on 0845 603 2311), which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a member of CREST, the relevant participant ID and member account ID, with Santander ISA Managers Limited, 287 St. Vincent Street, Glasgow G2 5NB so as to be received no later than two business days after the date of this Supplement (i.e. by 5.30 p.m. on 19 March 2014). Notice of withdrawal given by any other means or which is deposited with or received by Santander ISA Managers Limited after expiry of such period will not constitute a valid withdrawal.

### **5. Document available for inspection**

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

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**ANNEX I**

**SGC ANNUAL REPORT AND ACCOUNTS**

**SANTANDER GUARANTEE COMPANY**

**Registered in England and Wales  
Company Number 02687070**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2013**

**SANTANDER GUARANTEE COMPANY**  
**COMPANY NUMBER: 02687070**

**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended 31 December 2013.

This Directors' report has been prepared in accordance with the special provisions relating to small companies under Sections 415(A) (1) & (2) of the Companies Act 2006.

**Principal activity and review of the year**

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

**Results and dividends**

The profit for the year on ordinary activities after taxation amounted to £14,348 (2012: £18,101).

The Directors do not recommend the payment of a final dividend (2012: £nil).

**Directors**

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

Mark C Jackson  
Richard C Truelove  
Luis P G P De Sousa (resigned 30 June 2013)  
Jacques H.R.E.M.A. Ripoll (appointed 24 July 2013)

**Statement of Directors' responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**SANTANDER GUARANTEE COMPANY**  
**COMPANY NUMBER: 02687070**

**REPORT OF THE DIRECTORS (continued)**

**Statement of Going Concern**

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 11 and 2 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, liquidity risk and market risk.

The Company is part of the Santander UK Group. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Board of Santander UK plc has confirmed that it is a going concern, and that it will provide funding to the Company for the foreseeable future.

The Directors, having assessed the responses of the directors of the company's parent Santander UK plc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Santander UK plc and group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Santander UK plc, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

**Qualifying third party indemnities**

Enhanced indemnities are provided to the Directors of the Company by Santander UK plc against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities remain in force as at the date of this Report and Accounts. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

**Auditors**

Each of the Directors as at the date of approval of this report has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

In accordance with Sections 485 and 487 of the Companies Act 2006, Deloitte LLP are deemed to have been re-appointed as auditors of the Company.

By Order of the Board



For and on behalf of  
Santander Secretariat Services Limited  
Secretary

3 March 2014

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANTANDER GUARANTEE COMPANY

We have audited the financial statements of Santander Guarantee Company (the "Company") for the year ended 31 December 2013 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, the Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Separate opinion in relation to IFRSs as issued by the IASB

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

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

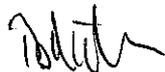
### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Report of the Directors.



Tom Millar (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
3 March 2014

**SANTANDER GUARANTEE COMPANY**  
**COMPANY NUMBER: 02687070**

**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**Income Statement**

For the year ended 31 December 2013

<b>Continuing operations</b>	<b>Note</b>	<b>2013</b> <b>£</b>	<b>2012</b> <b>£</b>
Interest income on amounts due from group companies		18,695	23,975
<b>Profit before tax</b>		<b>18,695</b>	<b>23,975</b>
Tax	4	(4,347)	(5,874)
<b>Net profit attributable to equity holders of the Company</b>		<b>14,348</b>	<b>18,101</b>

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

**Statement of Comprehensive Income**

For the year ended 31 December 2013

	<b>2013</b> <b>£</b>	<b>2012</b> <b>£</b>
<b>Profit for the year</b>	<b>14,348</b>	<b>18,101</b>
<b>Total comprehensive income for the year</b>	<b>14,348</b>	<b>18,101</b>
<b>Attributable to equity holders of the Company</b>	<b>14,348</b>	<b>18,101</b>

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

**Statement of Changes in Equity**

For the year ended 31 December 2013

	<b>Share Capital</b> <b>£</b>	<b>Retained Earnings</b> <b>£</b>	<b>Total</b> <b>£</b>
Balance at 1 January 2012	2,806,750	1,001,597	3,808,347
Total comprehensive income for the year	-	18,101	18,101
<b>Balance at 31 December 2012</b>	<b>2,806,750</b>	<b>1,019,698</b>	<b>3,826,448</b>
Balance at 1 January 2013	2,806,750	1,019,698	3,826,448
Total comprehensive income for the year	-	14,348	14,348
<b>Balance at 31 December 2013</b>	<b>2,806,750</b>	<b>1,034,046</b>	<b>3,840,796</b>

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

**Cash Flow Statement**

For the year ended 31 December 2013

	<b>2013</b> <b>£</b>	<b>2012</b> <b>£</b>
<b>Net cash flows generated from operating activities</b>	<b>8</b>	<b>-</b>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	2,314	2,314
<b>Cash and cash equivalents at end of year</b>	<b>2,314</b>	<b>2,314</b>

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

**SANTANDER GUARANTEE COMPANY**  
**COMPANY NUMBER: 02687070**

**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**Balance Sheet**  
 At 31 December 2013

	Notes	2013 £	2012 £
<b>Non-current assets</b>			
Loans and receivables	5	-	-
<b>Current assets</b>			
Loans and receivables	5	3,842,829	3,830,008
Cash and cash equivalents		2,314	2,314
<b>Total assets</b>		<b>3,845,143</b>	<b>3,832,322</b>
<b>Current liabilities</b>			
Payables	6	(4,347)	(5,874)
<b>Total liabilities</b>		<b>(4,347)</b>	<b>(5,874)</b>
<b>Net current assets/(liabilities)</b>		<b>3,840,796</b>	<b>3,826,448</b>
<b>Net assets</b>		<b>3,840,796</b>	<b>3,826,448</b>
<b>Equity</b>			
Share capital	7	2,806,750	2,806,750
Retained earnings		1,034,046	1,019,698
<b>Total equity attributable to equity holders of the Company</b>		<b>3,840,796</b>	<b>3,826,448</b>

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

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

The financial statements were approved by the Board of Directors and authorised for issue on 3 March 2014. They were signed on its behalf by: **M. JACKSON**

*M. L. Jackson.*

Director

**SANTANDER GUARANTEE COMPANY**  
**COMPANY NUMBER: 02687070**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**1. Accounting policies**

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

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union that are effective or available for early adoption at the Company's reporting date. The Company, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention and on the going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

**Recent accounting developments**

There are a number of changes to IFRS that were effective from 1 January 2013. Those changes did not have a significant impact on the Company's financial statements.

**Future accounting developments**

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

- (a) IFRS 9 'Financial Instruments' – In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9') which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued an amendment to IFRS 9 incorporating requirements for financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments.

Following the IASB's decision in December 2011 to defer the effective date, the standard is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. IFRS 9 is required to be applied retrospectively but prior periods need not be restated.

The second and third phases in the IASB's project to replace IAS 39 will address impairment of financial assets measured at amortised cost and hedge accounting.

The IASB re-opened the requirements for classification and measurement in IFRS 9 in 2012 to address practice and other issues, with an exposure draft of revised proposals issued in November 2012. The proposals have yet to be finalised and it is therefore not yet possible to estimate the financial effects. The current effective date is 1 January 2015, but may be delayed.

- (b) In December 2011, the IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively.

The Company is currently assessing the impact of these clarifications but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

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

**Revenue Recognition**

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

**SANTANDER GUARANTEE COMPANY**  
**COMPANY NUMBER: 02687070**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

**1. Accounting policies (continued)**

**Income taxes, including deferred income taxes**

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

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

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

**Financial guarantee contracts**

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

**Cash and cash equivalents**

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

**Financial assets**

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

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

**Impairment of financial assets**

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

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

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

**Financial liabilities**

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

**Dividends**

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

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**2. Financial risk management**

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are credit risk, liquidity risk and market risk. The Company manages its risk in line with the central risk management function of the Santander UK Group. Santander UK Group's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Santander UK Group's regulators. Effective and efficient risk governance and oversight provide management with assurance that the Santander UK Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen. This in turn reduces the uncertainty of achieving the Santander UK Group's strategic objectives.

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

**Credit risk**

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held. It occurs in intercompany assets held by the Company and financial guarantees issued by the Company.

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

**Liquidity risk**

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

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

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

**Market risk**

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

**Sensitivity analysis**

A 50 basis point adverse movement in interest rates would result in a reduction in operating profit of £18,717 (2012: £19,012) and a corresponding reduction in net assets. A 50 basis point positive movement in interest rates would result in an increase in operating profit of £19,035 (2012: £19,024) and a corresponding increase in net assets.

**Other risks**

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

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**3. Profit from operations**

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the ultimate UK parent company, Santander UK plc. No emoluments were paid by the Company to the Directors during the year (2012: £nil).

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

The statutory audit fee for the current and prior year has been paid on the Company's behalf by the ultimate UK parent company, Santander UK plc, in accordance with Company policy and no recharge has been made. The statutory audit fee for the current year is £5,000 (2012: £5,100).

**4. Tax**

	2013 £	2012 £
<b>Current tax:</b>		
UK corporation tax on profit of the year	4,347	5,874
<b>Tax charge for the year</b>	<b>4,347</b>	<b>5,874</b>

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 24% to 23% with effect from 1 April 2013.

The Finance Act 2013, which provides for a reduction in the main rate of UK corporation tax to 21% effective from 1 April 2014 and 20% effective from 1 April 2015, was enacted on 17 July 2013.

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

	2013 £	2012 £
Profit before tax:	18,695	23,975
Tax calculated at a tax rate of 23.25% (2012: 24.5%)	4,347	5,874
<b>Tax charge on profit for the year</b>	<b>4,347</b>	<b>5,874</b>

**5. Loans and receivables**

	2013 £	2012 £
Non-current	-	-
Current	3,842,829	3,830,008
Amounts due from group companies	3,842,829	3,830,008

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

Amounts due from group companies are repayable on demand, with interest fixed quarterly at one month LIBOR (2012: fixed quarterly at one month LIBOR).

**6. Payables**

	2013 £	2012 £
Amounts due to group companies – group relief	4,347	5,874

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

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

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**7. Share capital**

	2013 £	2012 £
<b>Issued and fully paid:</b>		
- ordinary shares of £1 each	2,806,750	2,806,750

**8. Notes to the cash flow statement**

	2013 £	2012 £
<b>Profit before tax</b>	18,695	23,975
<b>Changes in operating assets and liabilities</b>		
Change in receivables	(12,821)	(17,501)
Change in payables	(5,874)	(6,474)
<b>Cash flows generated from operations</b>	-	-
Income tax paid	-	-
<b>Net cash generated from operating activities</b>	-	-

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

**9. Contingent liabilities**

Since 22 February 2006, the Company has issued guarantees under a guarantee facility to the investors in classes of redeemable preference shares issued by a Guernsey protected cell company. These guarantees in aggregate represent an undertaking by the Company to guarantee a defined return on the redeemable preference shares that is payable when the redeemable preference shares mature. The current maximum exposure under the guarantees is £8 billion (2012 £8 billion). The Company has the benefit of a conditional share subscription agreement provided by Santander UK plc to enable it to pay any claims under the guarantees.

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

**10. Related party transactions**

**Trading transactions**

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

Related party transactions at balance date are as follows:

	Income		Amounts due by related parties		Amounts due to related party	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Related group company	-	-	-	-	4,347	5,874
Immediate UK parent company	18,695	23,975	3,842,829	3,830,008	-	-

No Director or management personnel received any remuneration (2012: £nil).

There were no related party transactions during the year, or existing at the balance sheet date, with the Company's or parent company's key management personnel.

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**11. Capital management and resources**

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

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

**12. Parent undertaking and controlling party**

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

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

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