

# **HOLMES HOLDINGS LIMITED**

**Registered in England and Wales  
No. 3689577**

## **REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2008**

**TUESDAY**



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# HOLMES HOLDINGS LIMITED

## Report of the Directors

The Directors submit their report together with the financial statements for the year ended 31 December 2008.

This Directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

## Principal activity and review of the year

The principal activity of the Company continues to be that of a holding company. No significant change in activity is envisaged; however three subsidiary companies are expected to be dissolved in 2009, without loss to the Company.

## Results and dividends

The profit for the year ended 31 December 2008 was £14,127 (2007: £nil).

The Directors do not recommend the payment of a dividend (2007: £nil).

## Directors

The Directors who served throughout the year were:

Mr D M Green

Mr S Masson

(Alternate Director to R Samson)

Mr M McDermott

Ms R Samson

Wilmington Trust SP Services (London) Limited

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- 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 proper accounting records that 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 1985. 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.

# HOLMES HOLDINGS LIMITED

## Report of the Directors (continued)

### Statement of Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. The Company's objectives, policies and processes for managing its capital are described in note 11 to the financial statements.

Details of the Company's financial risk management objectives, its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk are set out in note 9 to the financial statements.

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.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Third Party Indemnities

Since 2005, Abbey National plc has issued advanced indemnities initially under the Companies (Audit, Investigations and Community Enterprise) Act 2004 and currently under the Companies Act 2006) to certain Directors of the Company against liabilities and associated costs which they could incur in the course of their duties to the Company. The indemnities remain in force as at the date of this Annual Report and Accounts. A copy of each of the indemnities is kept at the registered office address of Abbey National plc.

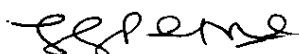
### Auditors

Each of the persons who are a Director at the date of approval of this annual report confirms that:

- so far as each of the Directors are aware, there is no relevant audit information (as defined in s234ZA of the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information (as defined in s234ZA of the Companies Act 1985) and to establish that the Company's auditors are aware of that information.
- the information given in the Directors' Report is consistent with the financial statements.

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  
Abbey National Nominees Limited  
Secretary

30 March 2009

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

## **Independent auditors' report to the members of Holmes Holdings Limited**

We have audited the financial statements of Holmes Holdings Limited for the year ended 31 December 2008 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**


In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and the profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

### **Separate opinion in relation to IFRSs**

As explained in Note 1 to the financial statements, the Company in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Company's affairs as at 31 December 2008 and the profit for the year then ended.



**Deloitte LLP**

Chartered Accountants and Registered Auditors  
London  
30 March 2009

# HOLMES HOLDINGS LIMITED

## Income Statement

For the year ended 31 December 2008

Continuing Operations	Notes	Year ended	Year ended
		31 December 2008	31 December 2007
		£	£
Dividend income	3	14,127	-
Profit before tax		14,127	-
Tax	4	-	-
<b>Profit attributable to equity holders of the Company</b>		<b>14,127</b>	<b>-</b>

The accompanying notes form an integral part of the accounts

## Statement of Recognised Income and Expense

For the year ended 31 December 2008

The Company has no recognised income or expenses for the current and previous year other than the results set out in the Income Statement.

# HOLMES HOLDINGS LIMITED

## Balance Sheet


As at 31 December 2008

	Notes	2008 £	2007 £
<b>Non-current assets</b>			
Interests in subsidiary undertakings	5	550,006	550,006
<b>Current assets</b>			
Cash and cash equivalents		14,129	2
<b>Total assets</b>		564,135	550,008
<b>Liabilities</b>			
Trade and other payables	6	(550,006)	(550,006)
<b>Net current liabilities</b>		(535,877)	(550,004)
<b>Net assets</b>		14,129	2
<b>Equity</b>			
Share capital	7	2	2
Retained earnings	8	14,127	-
<b>Equity attributable to equity holders of the Company</b>		14,129	2

The accompanying notes form an integral part of the accounts.

The financial statements were approved by the board of Directors and authorised for issue on 30 March 2009

They were signed on its behalf by:

  
D M Green  
Director

# HOLMES HOLDINGS LIMITED

## Cash Flow Statement

For the year ended 31 December 2008

	Note	Year ended 31 December 2008 £	Year ended 31 December 2007 £
<b>Net cash from operating activities</b>		-	-
<b>Investing activities</b>			
Dividends received from group companies	3	14,127	-
<b>Net cash from investing activities</b>		<b>14,127</b>	-
<b>Increase in cash and cash equivalents</b>		<b>14,127</b>	<b>2</b>
Cash and cash equivalents at beginning of year		2	-
<b>Cash and cash equivalents at end of year</b>		<b>14,129</b>	<b>2</b>

The accompanying note forms an integral part of the accounts.

# HOLMES HOLDINGS LIMITED

## Notes to the financial statements for the year ended 31 December 2008

### 1. Accounting policies

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

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("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.

#### Interests in subsidiary undertakings

Investments in subsidiary undertakings are carried at cost less any provision for impairment. The accounting reference date of the Company and its subsidiary undertakings is 31 December.

#### Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Impairment of financial assets

At each balance sheet date, the Company assesses 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 available for sale or 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.

### 2. Profit from operations

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the ultimate UK parent undertaking, Abbey National plc. No emoluments were paid by the Company to Directors during the year (2007: £nil).

The Company has no employees (2007: none).

Fees payable to the company's auditors for the audit of the company's annual accounts for the current year are £15,000 (2007: £15,000) and have been borne by Abbey National plc, for which no recharge has been made in the current or prior year.

### 3. Dividend income

	2008 £	2007 £
Dividend income	14,127	-

### 4. Tax

	2008 £000	2007 £000
Current tax:		
UK corporation tax current year	-	-
Adjustment in respect of prior periods	-	-
	-	-

Corporation tax is calculated using an effective tax rate of 28.5% (2007 30%). The standard rate of UK corporation tax reduced from 30% to 28% with effect from 1 April 2008.

The charge for the year can be reconciled to the profit per the income statement as follows:

# HOLMES HOLDINGS LIMITED

## Notes to the financial statements for the year ended 31 December 2008

### 4. Tax (continued)

	2008 £000	2007 £000
Profit before tax:	14,127	-
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	(4,026)	-
Non taxable dividend income	4,026	-
Tax credit for the year	-	-

### 5. Interests in subsidiary undertakings

The following is a list of the subsidiary undertakings of the Company as at 31 December 2008:

Name of subsidiary	Country of Incorporation, ownership (or registration) and operation	Proportion of voting interest %	Proportion of power held %	Method used to account investment
Holmes Financing (No.1) plc	England & Wales	100	100	Equity
Holmes Financing (No.2) plc (in liquidation)	England & Wales	100	100	Equity
Holmes Financing (No.3) plc (liquidated)	England & Wales	100	100	Equity
Holmes Financing (No.4) plc (liquidated)	England & Wales	100	100	Equity
Holmes Financing (No.5) plc (liquidated)	England & Wales	100	100	Equity
Holmes Financing (No.6) plc (in liquidation)	England & Wales	100	100	Equity
Holmes Financing (No.7) plc (in liquidation)	England & Wales	100	100	Equity
Holmes Financing (No.8) plc	England & Wales	100	100	Equity
Holmes Financing (No.9) plc	England & Wales	100	100	Equity
Holmes Financing (No.10) plc	England & Wales	100	100	Equity
Holmes Master Issuer plc	England & Wales	100	100	Equity
PECOH Limited	England & Wales	100	100	Equity
Holmes Funding Limited	England & Wales	100	100	Equity
Holmes Trustees Limited	England & Wales	100	100	Equity

These financial statements are separate financial statements. The Company has taken advantage of the IAS 27 (10) exemption not to prepare consolidated financial statements as it is a wholly controlled subsidiary, whose ultimate controlling party produces separate consolidated financial statements for public use that comply with IFRS. Details of the Company's ultimate controlling party are disclosed in Note 12.

# HOLMES HOLDINGS LIMITED

## Notes to the financial statements for the year ended 31 December 2008

### 6. Trade and other payables

	2008 £	2007 £
Called up share capital not paid, due to group companies	412,485	412,485
Other payables	137,521	137,521
	550,006	550,006

The other payables above comprise loans made available to the Company in order to enable it to acquire the issued share capital of its subsidiaries. It is the intention that the loans are repaid in full on winding-up of each subsidiary.

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

### 7. Share capital

	2008 £	2007 £
<b>Authorised:</b>		
100 ordinary shares	100	100
<b>Issued and fully paid:</b>		
2 ordinary shares	2	2

### 8. Retained earnings

	£
Balance at 1 January 2007	-
Loss for the year	-
<b>Balance at 31 December 2007 and 1 January 2008</b>	-
Profit for the year	14,127
<b>Balance at 31 December 2008</b>	<b>14,127</b>

### 9. Financial Risk Management

The Company's risk management focuses on the major areas of credit risk and liquidity risk. Risk management is carried out by the central risk management function of the Abbey Group. Authority flows from the Abbey National plc Board to the Chief Executive Officer and from him to his direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management of oversight.

#### 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.

The Holmes structure is over collateralised by £8.7 billion.

The structure has a cash balance of £3.6billion, which is also a credit enhancement feature.

The maximum LTV ratio of the securitised mortgages within the structure at origination is 95% with arrears rates, significantly below the rate that can be absorbed by the level of over collateralisation currently within the structure.

Abbey National plc is rated periodically by credit rating agencies Standard & Poor's, Moody's Investors Service and Fitch Ratings, Ltd.

Abbey National plc credit rating is disclosed below as the financial assets of the Holmes securitisation structure are secured on mortgage assets within Abbey National plc. Details of the mortgage assets are disclosed in Note 17 and 18 of AN Plc.

Abbey National's current credit ratings are:

	S & P	Moody's	Fitch
Long-term rating	AA	Aa3	AA-
Long-term rating outlook	Stable	Stable	Stable
Short term	A-1+	P-1	F1+

# HOLMES HOLDINGS LIMITED

## Notes to the financial statements for the year ended 31 December 2008

### 9. Financial Risk Management (continued)

#### 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.

At 31 December 2008	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Intercompany liabilities	412,485	-	-	-	-	412,485
Other payables	-	-	37,506	50,008	50,009	137,523
<b>Total financial liabilities</b>	<b>412,485</b>	<b>-</b>	<b>37,506</b>	<b>50,008</b>	<b>50,009</b>	<b>550,008</b>

At 31 December 2007	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Intercompany liabilities	412,485	-	-	-	-	412,485
Other payables	-	-	12,502	37,506	87,515	137,523
<b>Total financial liabilities</b>	<b>412,485</b>	<b>-</b>	<b>12,502</b>	<b>37,506</b>	<b>87,515</b>	<b>550,008</b>

### 10. Related party transactions

The following were the balances with related parties as at 31 December 2008 and 31 December 2007.

Cash and cash equivalents	2008 £	2007 £
Abbey National Plc	14,129	2

Dividend Income	2008 £	2007 £
Holmes Financing (No.3) plc (liquidated)	4,301	-
Holmes Financing (No.4) plc (liquidated)	5,296	-
Holmes Financing (No.5) plc (liquidated)	4,530	-
	<b>14,127</b>	<b>-</b>

Amounts due to group companies	2008 £	2007 £
Holmes Financing (No.1) plc	37,498	37,498
Holmes Financing (No.2) plc (in liquidation)	37,499	37,499
Holmes Financing (No.3) plc (liquidated)	37,498	37,498
Holmes Financing (No.4) plc (liquidated)	37,499	37,499
Holmes Financing (No.5) plc (liquidated)	37,498	37,498
Holmes Financing (No.6) plc (in liquidation)	37,499	37,499
Holmes Financing (No.2) plc (in liquidation)	37,498	37,498
Holmes Financing (No.8) plc	37,499	37,499
Holmes Financing (No.9) plc	37,498	37,498
Holmes Financing (No.10) plc	37,499	37,499
Holmes Master Issuer plc	37,498	37,498
PECOH Limited	2	2
<b>Total</b>	<b>412,485</b>	<b>412,485</b>

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

# HOLMES HOLDINGS LIMITED

## Notes to the financial statements for the year ended 31 December 2008

### 11. Capital management and resources

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

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

Capital is managed by way of processes set up at inception of the Company and subsequently there is no active process for managing its own capital.

### 12. Parent undertaking and controlling party

Wilmington Trust SP Services (London) Limited, a company incorporated in Great Britain and registered in England and Wales, holds all of the shares in the Company (one jointly with M McDermott as nominee) as trustee under a discretionary charitable trust, dated 17 February 1999, for the benefit of nurses employed in the United Kingdom and for charitable purposes.

The administration, operations, accounting and financial reporting functions of the Company are performed by Abbey National plc, which is incorporated in Great Britain and registered in England and Wales. Abbey National plc has delegated administration and servicing functions in respect of the loans on behalf of the mortgages' trustee and the beneficiaries to a service provider.

The Company meets the definition of a Special Purpose Entity and is therefore consolidated within the Abbey National plc ('Abbey's') group accounts.

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

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