

HOLMES HOLDINGS LIMITED

Registered in England and Wales
Company number 03689577

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2022

THURSDAY



AC68VK62

A05

22/06/2023

#108

COMPANIES HOUSE

REPORT OF THE DIRECTORS

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

The Report of the Directors has been prepared taking into consideration the entitlement to small company's exemption from preparing a strategic report provided in section 414B (b) of the Companies Act 2006.

Principal activities and review of the year

The principal activity of Holmes Holdings Limited (the "Company") is that of a holding company with investments in its subsidiary companies (note 6).

Wilmington Trust SP Services (London) Limited, a company incorporated in Great Britain and registered in England and Wales, holds the entire share capital of the Company as Trustee under a discretionary charitable trust, dated 17 February 1999, for the benefit of certain charities.

The Company meets the definition of a special purpose entity and is consolidated within the Santander UK Group Holdings plc group (the "Group") financial statements in accordance with IFRS10.

The Company is part of a securitisation arrangement whereby the related party Holmes Funding Limited receives proceeds from the related party Holmes Master Issuer plc, which issues debt securities in the international capital markets, and makes such funds available to Santander UK plc by purchasing a beneficial interest in a UK residential mortgage loan portfolio held by the related party Holmes Trustees Limited (the 'Holmes Master Trust').

The securitisation transaction documents which sets out the securitisation arrangements in more detail can be found at www.santander.co.uk/uk/about-santander-uk/investor-relations/holmes-master-trust.

As at 31 December 2022, the book value of residential mortgage loans that Santander UK plc had assigned legal title to the Holmes securitisation structure was £1,651m (2021: £2,294m). The Holmes securitisation structure comprising fellow subsidiaries is over collateralised by £772m (2021: £1,739m). The Holmes securitisation structure acquired an interest in a portfolio of mortgage loans (funder share) of £879m (2021: £556m). The Santander UK plc seller share was £772m (2021: £1,739m). The seller share does not provide credit enhancement. Further information is available in the February 2023 Holmes Master Trust Monthly Investor Report which provides details of the Holmes securitisation structure as at 31 December 2022. The February 2023 Holmes Master Trust Monthly Investor Report discloses the book value of residential mortgage loans that Santander UK plc had assigned legal title to the Holmes securitisation structure of £1,651m gross of £5m loan overpayments (2021: £2,300m gross of £6m loan overpayments).

The Holmes securitisation structure has cash balances and reserves of £204m (2021: £129m) which also act as a credit enhancement feature.

Likely Future Developments

The Directors do not expect any significant change in the level of business in the foreseeable future.

Results and dividends

The loss for the year after taxation amounted to £550 (2021: loss of £1,480).

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

Directors

The Directors who served throughout the year and to the date of signing the financial statements were as follows:

Mr S D Affleck
Mr D J Wynne
Wilmington Trust SP Services (London) Limited

None of the Directors had a beneficial interest in the shares of the Company or its subsidiaries, at the year-end.

Recent events within the global banking industry

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

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

REPORT OF THE DIRECTORS (CONTINUED)

Uncertain macroeconomic and geopolitical environment

In the past few years, a number of broader, more complex and uncertain risks have evolved which may present future headwinds. These include geopolitical tensions between regions across the world, in particular the current conflict in the Ukraine. This has impacted global energy prices and supply chains which added to inflationary pressures, as well as stretching household finances. These risks accelerate trends towards deglobalisation, and a reduction of variety of goods and services, causing prices to increase over the medium to long-term. These factors are also playing into increased localised political risk across the globe, including in the UK with a second new Prime Minister in 2022.

The Company is closely following these developments and the potential for any material impacts, which may need to be taken into consideration in its business plans and intends to take a coordinated approach with the other members of the Santander UK plc group.

Streamlined Energy and Carbon Reporting (SECR)

The Company is out of scope of the Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006

Statement of Going Concern

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 10 and 12 to the financial statements include the Company's financial risk management objectives; its exposures to credit risk and liquidity risk; and its policies and processes for managing its capital.

The Company is part of the Santander UK Group Holdings plc group. The Company generated losses in the current and previous years. However, the Company has net assets and is part of a securitisation arrangement which is over collateralised.

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 certain Directors of the Company by Santander UK plc (where such person has been nominated in writing by Santander UK plc 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 remain in force as at the date of this Annual Report and Financial Statements. A copy of each of the indemnities is kept at the registered office address of Santander UK plc which is 2 Triton Square, Regent's Place, London NW1 3AN.

REPORT OF THE DIRECTORS (CONTINUED)

Statement of disclosure of information to independent auditors

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

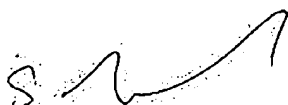
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's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

Independent Auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as independent auditors under Section 487(2) of the Companies Act 2006.

On behalf of the Board



S D Affleck
Director
19 June 2023

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

Independent auditors' report to the members of Holmes Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Holmes Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

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

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.

Independent auditors' report to the members of Holmes Holdings Limited

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 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.

Report of the Directors

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to a breach of the underlying documents governing the transaction, 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. 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 the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

Independent auditors' report to the members of Holmes Holdings Limited

- Making inquiries with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating the business rationale for any significant transactions that are unusual or outside the scope of the Transaction documents;
- Testing journals using a risk-based approach and evaluating whether there was evidence of bias or fraud; and
- Reviewing minutes of the meetings of the board of directors that occurred during the period and made enquiries of management.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Jennifer Hale

Jennifer Hale (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

19 June 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

Continuing operations	Note	2022 £	2021 £
Interest expense and similar charges	4	(550)	(1,480)
Loss before tax		(550)	(1,480)
Tax charge	5	-	-
Loss for the year after tax		(550)	(1,480)
Other comprehensive income for the year		-	-
Total comprehensive expense for the year		(550)	(1,480)

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Share capital £	Retained earnings £	Total equity £
At 1 January 2021	2	164,211	164,213
Loss and total comprehensive expense for the year	-	(1,480)	(1,480)
At 31 December 2021 and 1 January 2022	2	162,731	162,733
Loss and total comprehensive expense for the year	-	(550)	(550)
At 31 December 2022	2	162,181	162,183

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

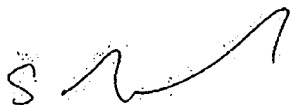
BALANCE SHEET

As at 31 December

	Note	2022 £	2021 £
Non-current assets			
Investments in subsidiary undertakings	6	50,004	50,006
Current assets			
Amounts owed by group undertakings	7	166,096	166,096
Total assets		216,100	216,102
Current liabilities			
Trade and other payables	8	(53,917)	(53,369)
Net current assets		112,179	112,727
Net assets		162,183	162,733
Equity			
Share capital	9	2	2
Retained earnings		162,181	162,731
Total equity		162,183	162,733

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

The financial statements on pages 7 to 16 were approved by the Board of Directors and signed on its behalf by:



S D Affleck
Director
19 June 2023

CASH FLOW STATEMENT

For the year ended 31 December

	2022 £	2021 £
Loss before tax	(550)	(1,480)
Cash flows from operating activities		
Decrease in amounts owed to group undertakings	(2)	-
Increase in accruals	550	1,480
Net cash (used in)/ generated from operating activities	(2)	-
Investing activities		
Disposal of investments	2	-
Net cash generated from investing activities	2	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 years presented, unless otherwise stated.

General information

The Company is a private limited liability company which is limited by shares, domiciled and incorporated in the United Kingdom, registered in England and Wales and is part of a European listed group whose ultimate parent is Banco Santander SA. The registered office address of the Company is 2 Triton Square, Regent's Place, London NW1 3AN.

Basis of preparation

These financial statements are prepared for Holmes Holdings Limited (the Company) under the Companies Act 2006.

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 Pound Sterling.

The financial statements have been prepared on the going concern basis using the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss. 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 Report of the Directors.

Recent accounting developments

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

In February 2021, the IASB amended IAS 1 'Presentation of Financial Statements' to require entities to disclose their material rather than their significant accounting policies. To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality. The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments have been applied in preparing these financial statements and, consequently, only material accounting policy information is disclosed.

Future accounting developments

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

Material accounting policy information

The following material accounting policies have been applied in preparing these financial statements. Those material accounting policies which involve 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 accounting estimates and areas of significant management judgement".

Investments 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. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Income taxes

Income tax payable on profits 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 tax liabilities are generally recognised for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Financial instruments of the Company comprise amounts owed by group undertakings, and trade payables arising from the Company's operations. These instruments are recognised, classified and subsequently measured in accordance with IFRS 9.

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost. Expected credit losses are recognized on all financial assets at amortised cost. The expected credit loss considers forward looking information to recognise impairment allowances earlier in the lifecycle of a product. A three-stage approach to impairment measurement is adopted as follows:

- Stage 1 - the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
- Stage 2 - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
- Stage 3 - lifetime expected credit losses for financial instruments which are credit impaired.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets are written off when it is reasonably certain that receivables are irrecoverable.

Amounts owed by group undertakings

Amounts owed by group undertakings are measured at initial recognition at fair value and are subsequently measured at amortised cost. Expected credit losses are recognised on all financial assets at amortised cost. The expected credit loss considers forward looking information to recognise impairment allowances earlier in the lifecycle of a product. A three-stage approach to impairment measurement is adopted as described above.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise assets with less than three months' maturity from the date of acquisition, including cash, restricted balances and non-restricted balances with central banks, loans and advances to banks, amounts due from other banks and bank overdrafts.

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF SIGNIFICANT MANAGEMENT JUDGEMENT

The preparation of the Company's 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 on-going basis. Management bases its estimates and judgements on historical experience and on other factors that are believed to be reasonable under the circumstances.

Management do not consider there to be any areas requiring significant management judgement or estimates for both the current and prior years.

3. OPERATING EXPENSES

Directors' emoluments

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by Santander UK plc and Wilmington Trust SP Services (London) Limited. No emoluments were paid by the Company to the Directors during the year (2021: £nil).

Staff costs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3. OPERATING EXPENSES (CONTINUED)

Auditors' remuneration

The audit fee payable to the Company's auditors for the audit of the Company's annual financial statements for the current year is £7,000 (2021: £5,923). In 2022 these costs have been borne by the Company's parent company Santander UK plc.

Fees payable to the auditors for non-audit services were nil (2021: nil).

4. INTEREST EXPENSE AND SIMILAR CHARGES

	2022 £	2021 £
Loan interest payable	550	1,480
	550	1,480

5. TAX CHARGE

	2022 £	2021 £
Current tax:		
UK corporation tax on result for the year	-	-
Tax charge	-	-

For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the 'Taxation of Securitisation Companies Regulations (SI 2006/3296)'. Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the Transaction.

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

The UK government announced in its budget on 3 March 2021 that it would increase the main rate of corporation tax from 19% to 25% with effect from 1 April 2023.

The tax on the Company's loss before tax differs (2021: differs) from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2022 £	2021 £
Loss before tax	(550)	(1,480)
Tax calculated at tax rate of 19% (2021: 19%)	(105)	(281)
Movement in current year deferred tax not recognised	105	281
Tax charge for the year	-	-

Deferred tax assets are attributable to the following items:

	Unprovided Balance Sheet 2022 £	Unprovided Balance Sheet 2021 £
Deferred tax assets:		
Tax losses carried forward	1,293	1,156
	1,293	1,156

The deferred tax assets scheduled above have not been recognised in the Company on the basis that sufficient future taxable profits are not forecast within the foreseeable future in excess of the profits arising from the reversal of existing taxable temporary differences, to allow for the utilisation of the assets as they reverse.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2022 £000
Cost or valuation:	
At 1 January 2022	50,006
Disposals	(2)
At 31 December 2022	50,004
Net book value:	
At 31 December 2021	50,006
At 31 December 2022	50,004

The following is a list of the subsidiary undertakings of the Company as at 31 December 2022:

Name of subsidiary	Place of incorporation, ownership (or registration) and operation	Proportion of ownership interest %	Ultimate proportion of ownership %	Cost 2022 £000	Cost 2021 £000
Holmes Master Issuer plc	England and Wales	100	100	50,000	50,000
Holmes Funding Limited	England and Wales	100	100	2	2
Holmes Trustees Limited	England and Wales	100	100	2	2
PECOH Limited	England and Wales	100	100	-	2
				50,004	50,006

The disposal during the year relates to PECO Limited which was dissolved.

These financial statements represent Holmes Holdings Limited only. 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 that comply with IFRS and which are publicly available from 2 Triton Square, Regent's Place, London, NW1 3AN.

Details of the Company's ultimate controlling party are disclosed in note 13.

The registered office address of all of the above subsidiaries is 2 Triton Square, Regent's Place, London, NW1 3AN.

7. AMOUNTS OWED BY GROUP UNDERTAKINGS

	2022 £	2021 £
Amounts owed by group undertakings – Santander UK plc	166,096	166,096
	166,096	166,096

The balance held by Santander UK plc is accessible by the Company on demand.

8. TRADE AND OTHER PAYABLES

	2022 £	2021 £
Amounts owed to group undertakings	37,499	37,501
Accruals	3,913	3,363
Other payables	12,505	12,505
	53,917	53,369

The other payables balance comprises loans made available to the Company by Wilmington Trust SP Services (London) Limited in order to enable it to acquire the issued share capital of its subsidiaries. Interest is charged annually on the outstanding balance at 2% plus compounded daily SONIA rates (2021: 2% plus LIBOR). It is the intention that the loans are repaid in full on winding-up of each subsidiary. It is not considered likely that such an event will occur within the next year. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

9. SHARE CAPITAL

	2022 £	2021 £
Authorised, called up, issued and fully paid:		
2 (2021: 2) ordinary shares of £1(2021: £1) each	2	2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

10. FINANCIAL RISK MANAGEMENT

The Company's risk management focuses on the major areas of credit risk, liquidity risk, interest risk and operational risk. Risk management is carried out by the central risk management function of Santander UK plc. Authority flows from the Santander UK 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.

Key metrics under IFRS 9 are as follows:

Metric	Description
Expected credit losses (ECL)	ECL tells us what credit risk is likely to cost us either over the next 12 months on qualifying exposures, or defaults over the lifetime of the exposure where there is evidence of a significant increase in credit risk (SICR) since origination. We explain how we calculate ECL below.
Stages 1, 2 and 3	We assess each facility's credit risk profile to determine which stage to allocate them to, and we monitor where there is a SICR and transfers between the stages. We explain how we allocate a facility to Stage 1, 2 or 3 below.
Significant increase in credit risk (SICR)	Loans 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 loan. Loans which have not experienced a SICR are subject to 12 month ECL. We assess each facility's credit risk profile to determine which of three stages to allocate them to, see the company's accounting policies in Note 1.

The maximum exposure to credit risk without taking into account collateral or credit enhancements is the carrying amount of the amount owed by group undertakings as disclosed in note 11.

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

Santander UK plc's current credit ratings at the date of approval of these financial statements were:

	S&P	Moody's	Fitch
Long-term rating	A	A1	A+
Long-term rating outlook	Stable	Negative	Stable
Short-term rating	A-1	P-1	F1

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 immediate controlling party, ensuring that the Company will have sufficient liquid resources to ensure it can meet its obligations as they fall due.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes regulatory, legal and compliance risk. Operational risk is monitored and managed within the Group. An independent central operational risk function has responsibility for establishing the framework within which these risks are managed and is aligned to operational risk professionals within business areas to ensure consistent approaches are applied across the Group. The primary purpose of the framework is to define and articulate the Group-wide policy, processes, roles and responsibilities.

The day-to-day management of operational risk is the responsibility of business managers who identify, assess and monitor the risks, in line with the processes described in the framework. The operational risk function ensures that all key risks are regularly reported to the Group's risk committee and Board of Members.

Interest risk

The sensitivity analysis below has been determined based on the exposure to interest rates for floating rate interest bearing liabilities at the end of the reporting year.

A 50 basis point adverse movement in interest rates would result in an increase in loss before tax of £81 (2021: £188) and a 50 basis point favourable movement in interest rates would result in a decrease in loss before tax of £81 (2021: £188).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

10. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity of financial liabilities

At 31 December 2022	On Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Amounts owed to group undertakings	37,499	-	-	-	-	37,499
Other payables	12,505	-	-	-	-	12,505
Accruals	3,913	-	-	-	-	3,913
Total financial liabilities	53,917	-	-	-	-	53,917

At 31 December 2021	On Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Amounts owed to group undertakings	37,501	-	-	-	-	37,501
Other payables	12,505	-	-	-	-	12,505
Accruals	3,363	-	-	-	-	3,363
Total financial liabilities	53,369	-	-	-	-	53,369

The carrying value and fair value of financial liabilities are the same.

11. RELATED PARTY TRANSACTIONS

The following were the balances with related parties as at 31 December 2022 and 2021.

	2022 £	2021 £
Amount owed by group undertakings		
Santander UK Plc	166,096	166,096
Total	166,096	166,096

	2022 £	2021 £
Amounts owed to group undertakings		
Holmes Master Issuer plc	37,499	37,499
PECOH Limited	-	2
Total	37,499	37,501

	2022 £	2021 £
Amounts owed to related parties		
Wilmington Trust SP Services (London) Limited	12,505	12,505
Total	12,505	12,505

	2022 £	2021 £
Interest payable to related parties		
Wilmington Trust SP Services (London) Limited	550	1,480

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

12. CAPITAL MANAGEMENT AND RESOURCES

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 8.

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. The Company is designed to hold minimum reserves once all amounts owed by group undertakings have been received and amounts owed to group undertakings have been paid. The Company's capital is not externally regulated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

13. PARENT UNDERTAKING AND CONTROLLING PARTY

Wilmington Trust SP Services (London) Limited, a company incorporated in Great Britain and registered in England and Wales, holds the entire share capital of the Company as trustee under a discretionary charitable trust, dated 17 February 1999, for the benefit of certain charities.

The administration, operations, accounting and financial reporting functions of the Company are performed by Santander UK plc, which is incorporated in Great Britain and registered in England and Wales.

Santander UK plc has been delegated administration and servicing functions in respect of the loans on behalf of the mortgages' trustee and the beneficiary as the service providers.

The Company is a Special Purpose Entity controlled by Santander UK plc and is therefore consolidated within the Santander UK Group Holdings plc Financial Statements.

The Company's ultimate controlling party is Banco Santander SA a company incorporated in Spain. Banco Santander SA is the parent undertaking of the largest group of undertakings for which group Financial Statements 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 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 Corporate Governance Office, Santander UK plc, 2 Triton Square, Regent's Place, London NW1 3AN.

14. POST BALANCE SHEET EVENTS

There were no adjusting or significant non-adjusting events that have occurred between the 31 December 2022 and the date of authorisation of these financial statements.