

HOLMES TRUSTEES LIMITED

**Registered in England and Wales
No. 3982431**

ANNUAL REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2007**

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HOLMES TRUSTEES LIMITED

Report of the directors

The Directors submit their report together with the financial statements of Holmes Trustees Limited ('the Company') for the year ended 31 December 2007

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

The principal activity of the Company is to hold the legal interest in certain property on trust absolutely for the beneficial owners of that property

The trust property comprises a portfolio of mortgage loans secured on residential property in England, Scotland and Wales, interest and principal paid by borrowers on those loans, and all other amounts received under the loans

The beneficial owners of the trust property are Abbey National plc, the originators of the trust property, and Holmes Funding Limited, a group company. The Company has no beneficial interest in the trust property

All income from the trust property is distributed to the beneficial owners in proportion to their share of the trust property owned

As at 31 December 2007, the book value of residential mortgage loans that Abbey National plc had assigned legal title to the Company was £37.4 billion (2006: £29.1 billion)

No future changes in activity are envisaged

Results and dividends

There was no profit or loss for the year ended 31 December 2007 (2006: £nil) and therefore the Directors do not recommend the payment of a dividend (2006: £nil)

Directors

The Directors who served throughout the year, except as noted, were

Mr M Filer (appointed 14 December 2007)

Mr D M Green

Mr S Masson (appointed 5 November 2007)

Mr M McDermott

Ms R Samson

Wilmington Trust SP Services (London) Limited

At the year end and the previous year end, Holmes Holdings Limited held one share in the Company. Holmes Holdings Limited and Mr M McDermott jointly held the other share.

Wilmington Trust SP Services (London) Limited and Mr M McDermott held one share in the holding company, Holmes Holdings Limited, at the year end. The other share in Holmes Holdings Limited was held by Wilmington Trust SP Services (London) Limited. Mr M McDermott is also a Director of 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 laws 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 and the Companies Act 1985.

HOLMES TRUSTEES LIMITED

Report of the directors (continued)

Statement of directors' responsibilities (continued)

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 International Financial Reporting Standards. 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 International Financial Reporting Standards is 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 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 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.

Third Party Indemnities

During 2006, Abbey National plc applied the provisions of the Companies (Audit, Investigations and Community Enterprise) Act 2004 to provide enhanced indemnities to certain Directors of the Company and any of its subsidiaries or other company where such person has been nominated in writing by Abbey as its representative on the board of such companies 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.

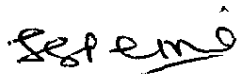
Auditors

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

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as each of the directors is 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 steps that they ought to have taken as director 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

By Order of the Board



For and on behalf of
Abbey National Secretariat Services Limited, Secretary

28 February 2008

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

Independent auditors' report to the members of Holmes Trustees Limited

We have audited the financial statements of Holmes Trustees Limited for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Cash Flow Statement, the Balance Sheet and the related notes 1 to 7. 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 2007 and the result 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 2007 and the result for the year then ended.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

28 February 2008

HOLMES TRUSTEES LIMITED

Income Statement

For the year ended 31 December 2007

There were no transactions in the current or prior year and the company generated neither a profit nor a loss in either year

Statement of Recognised Income and Expense

For the year ended 31 December 2007

The Company has no recognised income or expenses

Cash Flow Statement

For the year ended 31 December 2007

The Company has not undertaken any cash transactions in the current or previous year and so no cash flows have occurred

HOLMES TRUSTEES LIMITED

Balance Sheet

As at 31 December 2007

	Notes	2007 £	2006 £
Current assets			
Cash and cash equivalents	3	2	2
Net assets		2	2
Equity			
Share capital	4	2	2
Equity attributable to equity holders of the company		2	2

The accompanying notes form an integral part of the accounts

The Company acts solely as a trustee in respect of all assets registered in its name. It, therefore, has no beneficial interest in these assets and accordingly they are not shown in this balance sheet. The assets are passed to, and reported by, the ultimate beneficiaries.

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2008. They were signed on its behalf by



D.M. Green
Director

HOLMES TRUSTEES LIMITED

Notes to the financial statements for the year ended 31 December 2007

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.

In 2007, the Company adopted the following new or revised IFRS:

The amendments to IAS 1 "Capital Management" which requires that certain disclosures are made regarding the entity's objectives, policies and processes for managing capital. The Company's capital management disclosures may be found in note 6 to the accounts.

Cash and cash equivalents

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.

2 Result from operations

No Directors were remunerated for their services to the Company. Directors' emoluments are borne by the ultimate UK Parent Company Abbey National plc. No emoluments were paid by the Company to Directors during the year (2006: £nil).

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

The audit fee for the current and prior year has been paid on the Company's behalf by its ultimate UK parent undertaking, Abbey National plc, in accordance with company policy, for which no recharge has been made. The audit fee for the current year is £15,000 (2006: £15,000).

3 Cash and cash equivalents

The Company acts solely as a trustee in respect of all assets registered in its name. It, therefore, has no beneficial interest in these assets and accordingly they are not shown in the balance sheet. The assets are passed to, and reported by, the ultimate beneficiaries.

Included in these are deposits at banks, which pay interest based on three-month LIBOR. The amounts held on deposit are held for the beneficial owners of the trust property. Interest earned on the deposits is distributed to the beneficial owners of the trust property.

At 31 December 2007 the amount held was £319,761,386 (2006: £800,297,202).

During the year £36,169,031 of interest was earned (2006: £26,248,410).

4 Share capital

	2007 £	2006 £
Authorised:		
100 ordinary shares of £1 each	100	100
Issued and fully paid:		
2 ordinary shares	2	2

5 Related party transactions

There were no related party transactions during the year, or existing at the balance sheet date.

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Notes to the financial statements for the year ended 31 December 2007

6 Capital management and resources

Capital held by the Company and managed centrally as part of the Abbey group, comprises share capital 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

7 Parent undertaking and controlling party

The Company's immediate parent company is Holmes Holdings Limited. Holmes Holdings Limited is owned by Wilmington Trust SP Services (London) Limited, a Company incorporated in Great Britain and registered in England and Wales, holding 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. During the year, 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 group accounts

The Company's ultimate controlling party is Banco Santander, S A, a Company incorporated in Spain. Banco Santander, S A is the controlling undertaking of the largest group of undertakings for which group accounts are drawn up. Abbey National plc is the controlling 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 Secretariat, Abbey National House, 2 Triton Square, Regent's Place, London, NW1 3AN