

HOLMES TRUSTEES LIMITED
REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2000

Registered No. 3982431



HOLMES TRUSTEES LIMITED

Report of the Directors

The Directors submit their report together with the accounts for the period from incorporation on 28 April 2000 to 31 December 2000.

1. Principal activity and review of the period

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 loans secured on residential property in England 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 fellow subsidiary 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. No future changes in activity are envisaged.

The Company was registered as Trushelfco (No. 2655) Limited in England and Wales on 28 April 2000 as a private limited company, with an authorised share capital of £100 comprising 100 ordinary shares of £1 each, of which two shares were issued and fully paid.

The Company changed its name to Holmes Trustees Limited on 16 June 2000.

The Company commenced operations on 26 July 2000 when the legal title to £6.4 billion of residential mortgage loans was assigned to it by Abbey National plc. On that date, Holmes Funding Limited purchased a share of the beneficial interest in the trust property from Abbey National plc of £2.3 billion. On 29 November 2000 Holmes Funding Limited purchased a further share of the beneficial interest in the trust property of £2.4 billion.

2. Results and Dividend

The results for the year are set out on page 4. All income and expenditure relating to the assets of the Company is distributed to the beneficial owners of the trust property, therefore the Company has made no profit or loss. The Directors do not recommend the payment of a dividend.

At 31 December 2000 the Company owned the legal title to mortgage loans secured on residential property of £6,348,970,000, against which provisions have been made for bad and doubtful debts of £2,733,000. As noted above, the Company has no beneficial interest in these assets, and therefore they are not included in the Company's balance sheet. Amounts received under the loans during the period amounted to £204,852,000.

3. Subsequent events

On 23 May 2001 the legal title to a further £5.7 billion of residential mortgage loans was assigned to the Company by Abbey National plc. On the same date Holmes Funding Limited purchased a further share of the beneficial interest in the trust property of £2.2 billion.

4. Directors and their interests

The Directors who served during the period were :

M McDermott	(appointed 16 June 2000)
M T Robinson	(appointed 20 October 2000)
SPV Management Limited	(appointed 16 June 2000)
A Barton	(appointed 16 June 2000, resigned 20 October 2000)
M S Hutchinson	(appointed 22 May 2000, resigned 16 June 2000)
P M Lake	(appointed 22 May 2000, resigned 16 June 2000)
D C J Rowe	(appointed 28 April 2000, resigned 22 May 2000)
E J Zuercher	(appointed 28 April 2000, resigned 22 May 2000)

At the period end, Holmes Holdings Limited and M. McDermott held one share in the Company. SPV Management Ltd and M. McDermott held one share in the ultimate holding company, Holmes Holdings

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Limited, at the period end. The other share in Holmes Holdings Limited was held by SPV Management Limited. None of the other Directors had a beneficial interest in the shares of the Company, or of the ultimate holding company, Holmes Holdings Limited, at the period end.

5. Directors' Responsibility in respect of the Preparation of Accounts

The Directors are required by UK company law to prepare accounts for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period, and of the profit or loss for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the period ended 31 December 2000. The Directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's system of internal control and for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

6. Auditors

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually. The Directors resolved to appoint Deloitte & Touche as auditors of the Company.

7. Economic and Monetary Union

No material costs or issues arose during the period ended 31 December 2000 as a result of EMU.

By order of the Board



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

14th June 2001

Registered Office:
Abbey House
Baker Street
London
NW1 6XL

HOLMES TRUSTEES LIMITED

Auditors' report to the members of Holmes Trustees Limited

We have audited the financial statements on pages 4 to 7, which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

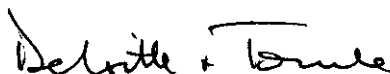
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 of the state of the company's affairs at 31 December 2000 and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

19 June 2001

HOLMES TRUSTEES LIMITED

Profit and Loss Account

For the period ended 31 December 2000

	Note	2000 £'000
Interest receivable	2	1,530
Interest payable	2	<u>(1,530)</u>
OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-
Taxation on profit on ordinary activities		<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-
Profit and loss account b/fwd		<u>-</u>
Profit and loss account c/fwd		<u>-</u>

There are no recognised gains or losses in either the current or previous financial year other than the loss/profit for the year and therefore no statement of total recognised gains and losses is required.

There is no difference between the loss/profit on ordinary activities before taxation and the retained loss/profit for the year stated above and their historical cost equivalents.

All transactions are derived from continuing operations within the United Kingdom.

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Balance Sheet

As at 31 December 2000

	Note	2000 <u>£'000</u>
CURRENT ASSETS		
Cash at bank and in hand	2	105,992
CREDITORS - amounts falling due within one year	3	<u>(105,992)</u>
NET ASSETS		<u><u>-</u></u>
CAPITAL and RESERVES		
Called-up share capital	4	-
Profit and loss account		<u>-</u>
EQUITY SHAREHOLDERS' FUNDS	5	<u><u>-</u></u>

The financial statements on page 4 to 7 were approved by the Board of Directors on 14 June, 2001.

Signed on behalf of the Board of Directors by M. McDermott.



Director

Notes to the Accounts for the period ended 31 December 2000**1. Accounting Policies**Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

- (1) Assets to which the Company has legal title but in which it has no beneficial interest, and the income and expenses on these assets, are not recorded in the financial statements. These assets, and the related income and expenses, are recorded in the financial statements of the companies which hold the beneficial interest in the trust property.
- (2) The Company is a wholly owned subsidiary of Holmes Holdings Limited, a Company incorporated in Great Britain. Accordingly the Company is not required to produce a cash flow statement as prescribed in paragraph 5 (a) of FRS 1 (revised 1996), "Cash flow statements".

2. Cash at Bank and in Hand

The Company holds 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. In the period ended 31 December 2000, interest of £657,000 was payable to a fellow subsidiary undertaking.

3. Creditors : amounts falling due within one year

	2000
	£'000
Amounts due to beneficial owners of trust property	<u>105,992</u>

Of this amount £26,729,000 is due to a fellow subsidiary undertaking.

4. Share Capital

	2000
	£
Authorised:	
100 Ordinary shares of £1 each	<u>100</u>
Alloted and called up:	
2 Ordinary shares of £1 each	<u>2</u>

Notes to the Accounts for the period ended 31 December 2000 (continued)**5. Reconciliation of Movements in Shareholders' Funds**

	2000
	£'000
Retained profit for the period	-
Ordinary share capital issued	-
Opening shareholders' funds	-
Closing shareholders' funds	-

All income and expenditure relating to the assets of the Company is distributed to the beneficial owners of the trust property, therefore the Company has made no profit or loss. The Directors do not recommend the payment of a dividend.

6. Capital Commitments and Contingent Liabilities

There were no outstanding capital commitments or contingent liabilities at 31 December 2000.

7. Related Party Transactions

The Company has taken advantage of the exemption covered by paragraph 3 (c) of FRS 8, "Related party disclosures", not to disclose transactions with entities that are part of the Holmes Group.

8. Ultimate Parent and Controlling Party

The Company's ultimate parent and controlling party is Holmes Holdings Limited, a company registered in England and Wales. Copies of the consolidated financial statements of Holmes Holdings Limited may be obtained from Abbey House, Baker Street, London, NW1 6XL.

The management, operations, accounting and financial reporting functions of the Company are performed by Abbey National plc, which is incorporated in Great Britain. During 2001, Abbey National plc has delegated administration and servicing functions in respect of the loans and advances to customers to a service provider. Copies of the consolidated financial statements of Abbey National plc may be obtained from Abbey House, Baker Street, London, NW1 6XL.