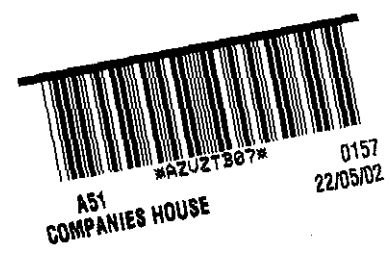


**HOLMES TRUSTEES LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2001**  
**Registered No. 3982431**



# HOLMES TRUSTEES LIMITED

## Report of the Directors

The Directors submit their report together with the accounts for the year to 31 December 2001.

### 1. Principal activity and review of the year

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 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. No future changes in activity are envisaged.

During the year Abbey National plc assigned to the Company the legal title to a further £12 billion of residential mortgage loans. Holmes Funding Limited purchased further shares in the beneficial interest in the trust property from Abbey National plc of £2.2 billion, £2.7 billion and £2.5 billion on 23 May, 5 July and 8 November 2001 respectively.

### 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 (2000: nil).

At 31 December 2001 the Company owned the legal title to mortgage loans secured on residential property of £17,513,308,000 (£6,348,970,000 at 31 December 2000), against which provisions have been made for bad and doubtful debts of £5,261,000 (£2,733,000 at 31 December 2000). 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 year amounted to £686,330,000 (£204,852,000 at 31 December 2000).

### 3. Directors and their interests

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

|                        |                            |
|------------------------|----------------------------|
| M McDermott            |                            |
| M T Robinson           | (resigned 20 August 2001)  |
| M A Parsons            | (appointed 20 August 2001) |
| SPV Management Limited |                            |

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

# HOLMES TRUSTEES LIMITED

## 4. Directors' Responsibility in respect of the Preparation of Accounts

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

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 year ended 31 December 2001. 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.

## 5. Auditors

During the year the Directors re-appointed Deloitte & Touche as auditors of the Company

## 6. Economic and Monetary Union

No material costs or issues arose during the year ended 31 December 2001 as a result of EMU.

By order of the Board



For and behalf of  
Abbey National Secretariat Services Limited, Secretary



2002

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

# HOLMES TRUSTEES LIMITED

## 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 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 8. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

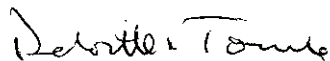
### Basis of audit opinion

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 as at 31 December 2001 and of its result for the year then ended 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

14 May 2002

# HOLMES TRUSTEES LIMITED

## Profit and Loss Account

For the year ended 31 December 2001 and 8 months ended 31 December 2000

|   | Note | 2001<br><u>£'000</u> | 2000<br><u>£'000</u><br>(8 months) |
|---|------|----------------------|------------------------------------|
| Interest receivable   | 2    | 7,348                | 1,530                              |
| Interest payable  | 2    | <u>(7,348)</u>       | <u>(1,530)</u>                     |
| <b>OPERATING PROFIT ON<br/>ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b>                    |      | -                    | -                                  |
| Tax on profit on ordinary activities  |      | <u>-</u>             | <u>-</u>                           |
| <b>PROFIT ON ORDINARY<br/>ACTIVITIES AFTER TAXATION<br/>AND RETAINED FOR THE<br/>YEAR</b> |      | <u>-</u>             | <u>-</u>                           |

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

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

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

# HOLMES TRUSTEES LIMITED

## Balance Sheet

As at 31 December 2001

|  | Note | 2001<br><u>£'000</u> | 2000<br><u>£'000</u> |
|--|------|----------------------|----------------------|
| <b>CURRENT ASSETS</b>                                  |      |                      |                      |
| Cash at bank and in hand                               | 2    | 410,358              | 105,992              |
| <b>CREDITORS - amounts falling due within one year</b> | 3    | <u>(410,358)</u>     | <u>(105,992)</u>     |
| <b>NET CURRENT ASSETS</b>                              |      | <u>-</u>             | <u>-</u>             |
| <b>CAPITAL AND RESERVES</b>                            |      |                      |                      |
| Called-up share capital                                | 4    | -                    | -                    |
| Profit and loss account                                |      | <u>-</u>             | <u>-</u>             |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>                      | 5    | <u>-</u>             | <u>-</u>             |

The financial statements on page 4 to 7 were approved by the Board of Directors on 2 MAY 2002

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



Director

# HOLMES TRUSTEES LIMITED

## Notes to the Accounts for the year ended 31 December 2001 and 8 months 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 year ended 31 December 2001, interest of £5,322,000 (£657,000 period to 31 December 2000) was payable to a group undertaking.

### 3. Creditors : amounts falling due within one year

|  | 2001<br>£'000 | 2000<br>£'000 |
|--|---------------|---------------|
| Amounts due to beneficial owners of trust property | 410,358       | 105,992       |

Of this amount £16,267,000 (£26,729,000 at 31 December 2000) is due to a group undertaking.

### 4. Share Capital

|                                | 2001<br>£ | 2000<br>£ |
|--------------------------------|-----------|-----------|
| <b>Authorised:</b>             |           |           |
| 100 Ordinary shares of £1 each | 100       | 100       |
| <b>Allotted and called up:</b> |           |           |
| 2 Ordinary shares of £1 each   | 2         | 2         |

# HOLMES TRUSTEES LIMITED

## Notes to the Accounts for the year ended 31 December 2001 and 8 months ended 31 December 2000 (continued)

### 5. Reconciliation of Movements in Shareholders' Funds

|                               | 2001<br>£'000 | 2000<br>£'000 |
|-------------------------------|---------------|---------------|
| Retained profit for the year  | -             | -             |
| 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 2001 (2000: £nil).

### 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 immediate and ultimate parent, and controlling party is Holmes Holdings Limited, a company registered in England and Wales and incorporated in Great Britain. Copies of the consolidated financial statements of Holmes Holdings Limited may be obtained from Abbey National House, 2 Triton Square, Regent's Place, London, NW1 3AN.

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 National House, 2 Triton Square, Regent's Place, London, NW1 3AN.