

HOLMES HOLDINGS LIMITED

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

REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 DECEMBER 2007**

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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 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 and review of the year

The principal activity of the Company continues to be that of a holding company. No future change in activity is 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 were

Mr D M Green

Mr S Masson (Alternate director to R Samson, appointed 5 November 2007)

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.

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Report of the directors (continued)

Auditors

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

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

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 Holdings Limited

We have audited the financial statements of Holmes Holdings 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 9. 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

29 February 2008

HOLMES HOLDINGS 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 for the current and previous year

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 HOLDINGS LIMITED

Balance Sheet

As at 31 December 2007

	Notes	2007 £	2006 £
Non-current assets			
Interests in subsidiary undertakings	3	550,006	550,006
Current assets			
Cash and cash equivalents		2	2
Total assets		550,008	550,008
Current liabilities			
Trade and other payables	4	(550,006)	(550,006)
Net current liabilities		(550,004)	(500,004)
Net assets		2	2
Equity			
Share capital	5	2	2
Retained earnings		-	-
Equity attributable to equity holders of the company		2	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 28 February 2008. They were signed on its behalf by


D M Green
Director

HOLMES HOLDINGS 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 8 to the accounts.

Financial Instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

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 2006. £nil.

The Company has no employees (2006: none).

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 £3,000 (2006: £3,000).

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

3 Interests in subsidiary undertakings

The following is a list of the subsidiary undertakings of the Company

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	England & Wales	100	100	Equity
Holmes Financing (No 3) plc	England & Wales	100	100	Equity
Holmes Financing (No 4) plc	England & Wales	100	100	Equity
Holmes Financing (No 5) plc	England & Wales	100	100	Equity
Holmes Financing (No 6) plc	England & Wales	100	100	Equity
Holmes Financing (No 7) plc	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 9.

4 Trade and other payables

	2007 £	2006 £
Called up share capital not paid, due to group companies	412,483	412,483
Other payable	137,523	137,523
	550,006	550,006

The other payable above comprises 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.

5 Share capital

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

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

6. 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.

Maximum exposure to credit risk without taking into account collateral or credit enhancements can be found in note 7 to the accounts.

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.

Maturities of financial liabilities

At 31 December 2007	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Intercompany liabilities	412,483	-	-	-	-	412,483
Other payables	12,502	-	37,506	-	87,515	137,523
Total financial liabilities	424,985	-	37,506	-	87,515	550,006

At 31 December 2006	Demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total
Intercompany liabilities	412,483	-	-	-	-	412,483
Other payables	-	-	12,502	37,506	87,515	137,523
Total financial liabilities	412,483	-	12,502	37,506	87,515	550,006

7 Related party transactions

The following were the balances with related parties as at 31 December 2007 and 31 December 2006

Amounts due to group companies	2007 £	2006 £
Holmes Financing (No 1) plc	37,498	37,498
Holmes Financing (No 2) plc	37,499	37,499
Holmes Financing (No 3) plc	37,498	37,498
Holmes Financing (No 4) plc	37,499	37,499
Holmes Financing (No 5) plc	37,498	37,498
Holmes Financing (No 6) plc	37,499	37,499
Holmes Financing (No 7) plc	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
Total	412,483	412,483

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

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

8 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.

9 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.