

# HOLMES HOLDINGS LIMITED

Registered in England and Wales  
Company number 03689577

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 DECEMBER 2016

TUESDAY



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## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2016

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 activity 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.

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 financial statements in accordance with IFRS10.

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

The Securitisation Transaction document 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](http://www.santander.co.uk/uk/about-santander-uk/investor-relations/holmes-master-trust).

As at 31 December 2016, the book value of residential mortgage loans that Santander UK plc had assigned legal title to the Holmes securitisation structure was £5.56bn (2015: £7.05bn). The Holmes securitisation structure comprising fellow subsidiaries is over collateralised by £2.58bn (2015: £1.66bn). The Holmes securitisation structure acquired interest in a portfolio of mortgage loans (Funder share) was £2.98bn (2015: £5.39bn) and the Santander UK plc seller share was £2.58bn (2015: £1.66bn).

The Holmes securitisation structure has cash balances and reserves of £0.66bn (2015: £0.87bn) which also acts 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 on ordinary activities after taxation amounted to £356 (2015: £311).

The Directors do not recommend the payment of a final dividend (2015: £nil).

### Directors

The Directors who served throughout the year and to the date of this report (except as noted) were as follows:

Mrs R J Morrison (appointed 7 April 2016)  
Mr M H Filer  
Wilmington Trust SP Services (London) Limited

At the year-end and the previous year-end, the Company held one share in Holmes Funding Limited and the Company and Martin McDermott jointly held the other share. On 24 January 2017 the share held jointly was transferred to the Company.

Wilmington Trust SP Services (London) Limited and Mr Martin McDermott jointly held one share in the Company at 31 December 2016. The other share in the Company was held by Wilmington Trust SP Services (London) Limited. On 24 January 2017 the share held jointly was transferred to Wilmington Trust SP Services (London) Limited.

Mr M H Filer is also a director of Wilmington Trust SP Services (London) Limited. None of the other Directors had a beneficial interest in the shares of the Company or its subsidiaries, at the year-end.

## REPORT OF THE DIRECTORS (CONTINUED)

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. 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.

### 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. Although the Company has net assets, it is reliant on other companies in the Santander UK Group for a significant proportion of its funding.*

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.

### Independent Auditors

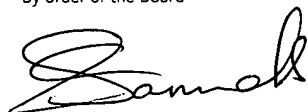
Each of the Directors as at the date of approval of this report confirms that:

- 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.

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

By order of the Board



Santander Secretariat Services Limited,  
Secretary

11 April 2017

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 financial statements

#### Our opinion

In our opinion, Holmes Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinions on other matters prescribed by the Companies Act 2006

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Report of the Directors. We have nothing to report in this respect.

#### Other matters on which we are required to report by exception

##### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

##### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. 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 take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HOLMES HOLDINGS LIMITED (CONTINUED)

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, 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.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Report of the Directors, we consider whether the report includes the disclosures required by applicable legal requirements.



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

12 April 2017

## STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

Continuing operations	Notes	2016 £	2015 £
Interest expense and similar charges	4	(356)	(311)
Loss before tax		(356)	(311)
Tax charge on loss for the year	5	-	-
Loss for the year		(356)	(311)
Other comprehensive income for the year		-	-
Total net comprehensive expense for the year attributable to the equity holders of the Company		(356)	(311)

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

## STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December

	Share capital £	Retained earnings £	Total equity £
At 1 January 2015	2	166,037	166,039
Total comprehensive expense	-	(311)	(311)
At 31 December 2015 and 1 January 2016	2	165,726	165,728
Total comprehensive expense	-	(356)	(356)
At 31 December 2016	2	165,370	165,372

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

## BALANCE SHEET

As at 31 December

	Notes	2016 £	2015 £
<b>Non-current assets</b>			
Investments in subsidiary undertakings	6	50,006	50,006
<b>Current assets</b>			
Trade and other receivables	7	165,484	165,787
<b>Total assets</b>		<b>215,490</b>	<b>215,793</b>
<b>Current liabilities</b>			
Trade and other payables	8	(50,118)	(50,065)
<b>Net current assets</b>		<b>115,366</b>	<b>115,722</b>
<b>Net assets</b>		<b>165,372</b>	<b>165,728</b>
<b>Equity</b>			
Share capital	9	2	2
Retained earnings		165,370	165,726
<b>Total equity</b>		<b>165,372</b>	<b>165,728</b>

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

The financial statements were approved by the Board of Directors, authorised for issue, and signed on its behalf by:



Rachel Morrison  
Director

11 April 2017

## CASH FLOW STATEMENT

For the years ended 31 December

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Loss before tax	(356)	(311)
Increase/(decrease) in accruals	53	(306)
Decrease in amounts owed by group undertakings	303	617
Net cash generated by operating activities	-	-
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 2016

### 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 limited liability company, domiciled and incorporated in the United Kingdom 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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The functional and presentation currency of the Company is sterling.

The financial statements have been prepared on the going concern basis using the historical cost convention. 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.

#### Future accounting developments

The Company has not yet adopted the following significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective for the Company:

- a) IFRS 9 'Financial Instruments' (IFRS 9) – In July 2014, the International Accounting Standards Board (IASB) approved IFRS 9 to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 sets out the requirements for recognition and measurement of financial instruments. The main new developments of the standard are discussed below.

*Classification and measurement of financial assets and financial liabilities:* Under IFRS 9, financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. For many financial assets, the classification and measurement outcomes will be similar to IAS 39. However, under IFRS 9, embedded derivatives are not separated from host financial assets and equity securities are measured at fair value either through profit or loss or, in certain circumstances, an irrevocable election may be made to present fair value movements in other comprehensive income. The requirements for the classification and measurement of financial liabilities were carried forward unchanged from IAS 39, however, the requirements relating to the fair value option for financial liabilities were changed to address own credit risk and, in particular, the presentation of gains and losses within other comprehensive income.

*Impairment:* IFRS 9 introduces fundamental changes to the impairment of financial assets measured at amortised cost or at fair value through other comprehensive income, lease receivables and certain commitments to extend credit and financial guarantee contracts. It is no longer necessary for losses to be incurred before credit losses are recognised. Instead, under IFRS 9, an entity always accounts for expected credit losses (ECLs), and any changes in those ECLs. The ECL approach must reflect both current and forecast changes in macroeconomic data over a horizon that extends from 12 months to the remaining life of the asset if a borrower's credit risk is deemed to have deteriorated significantly at the reporting date compared to the origination date. The estimate of ECLs should reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considering reasonable and supportable information at the reporting date. Similar to the current incurred credit loss provisioning approach, management will exercise judgement as to whether additional adjustments are required in order to adequately reflect possible events or current conditions that could affect credit risk.

For financial assets, an ECL is the current value of the difference between the contractual cash flows owed to the entity according to the contract and the cash flows which the entity expects to receive. For undrawn loan commitments, an ECL is the current value of the difference between the contractual cash flows owed to the entity and the cash flows which the entity expects to receive if the loan is drawn.

An assessment of each facilities' credit risk profile will determine whether they are to be allocated to one of three stages:

- Stage 1: when it is deemed there has been no significant increase in credit risk since initial recognition, a loss allowance equal to a 12-month ECL – i.e. the proportion of lifetime expected losses resulting from possible default events within a the next 12-months - will be applied;
- Stage 2: when it is deemed there has been a significant increase in credit risk since initial recognition, but no credit impairment has materialised, a loss allowance equal to the lifetime ECL – i.e. lifetime expected loss resulting from all possible defaults throughout the residual life of a facility – will be applied; and
- Stage 3: when the facility is considered credit impaired, a loss allowance equal to the lifetime ECL will be applied. Similar to incurred losses under IAS 39, objective evidence of credit impairment is required.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Future accounting developments (continued)

The assessment of whether a significant increase in credit risk has occurred since initial recognition involves the application of both quantitative measures and qualitative factors, requires management judgement and is a key aspect of the IFRS 9 methodology.

*Transition:* IFRS 9 has been endorsed for use in the European Union. The mandatory effective date of IFRS 9 is 1 January 2018. There is no requirement to restate comparative information. No significant impact on the financial statements is expected by the Company arising from the implementation of this standard.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. None of these are expected to have a material impact on the financial statements of the Company.

#### 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 profit and loss account.

#### Income taxes

The directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both the Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As a result, no deferred tax amounts are recognised.

Under the powers conferred by the Act, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met and an election being made, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement.

The tax expense represents the sum of the income tax currently payable.

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

#### Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Financial liabilities

The entity classifies its financial liabilities, including intercompany financial liabilities, as payables and other financial liabilities, which are held at cost. The carrying values of financial liabilities are a fair approximation of their fair values.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 2. CRITICAL ACCOUNTING POLICIES 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 throughout the current or prior year.

### 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 (2015: £nil).

#### Staff costs

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

#### Auditor remuneration

Fees payable to the Company's auditors for the audit of the Company's annual Financial Statements for the current year are £5,000 (2015: £5,227) and have been borne by Santander UK plc, for which no recharge has been made in the current or prior year.

### 4. INTEREST EXPENSE AND SIMILAR CHARGES

	2016 £	2015 £
Loan interest payable	356	311
	356	311

### 5. TAX CHARGE ON LOSS FOR THE YEAR

	2016 £	2015 £
Current tax:		
UK corporation tax on loss for the year	-	-
Tax credit on loss for the year	-	-

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 this 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 20% (2015: 20%) of the estimated assessable profits of the year. The Finance (No. 2) Act 2015, which provides for reductions in the main rate of UK corporation tax to 19% effective from 1 April 2017 and to 18% from 1 April 2020 was enacted on 18 November 2015.

The Finance Act 2016, which was substantively enacted on 6 September 2016, introduced a further reduction in the corporation tax rate to 17% from 2020. Since this further change was substantively enacted prior to 31 December 2016, the effects have been reflected in the deferred tax balances at the balance sheet date.

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

	2016 £	2015 £
Loss before tax	(356)	(311)
Tax calculated at a tax rate of 20% (2015: 20%)	(71)	(62)
Movement in current year deferred tax not recognised	71	62
Tax credit for the year	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 5. TAX CHARGE ON LOSS FOR THE YEAR (CONTINUED)

The Company meets the requirements of a securitisation company for tax purposes and is taxed on the margin that it receives in return for participating in the securitisation structure under the waterfall arrangement. Any other amounts that form part of its retained profit and all other amounts that it receives are disregarded for tax purposes.

Deferred tax assets and liabilities are attributable to the following items:

	Unprovided Balance Sheet 2016 £	Unprovided Balance Sheet 2015 £
<b>Deferred tax assets:</b>		
Tax losses carried forward	397	326
	<b>397</b>	<b>326</b>

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.

### 6. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2016 £000
<b>Cost or valuation:</b>	
At 1 January 2016 and 31 December 2016	50,006
<b>Impairment:</b>	
At 1 January 2016 and 31 December 2016	-
<b>Net book value:</b>	
At 1 January 2016	50,006
At 31 December 2016	50,006

The following is a list of the subsidiary undertakings of the Company as at 31 December 2016:

Name of subsidiary	Place of incorporation, ownership (or registration) and operation	Proportion of ownership interest %	Ultimate proportion of ownership %
Holmes Master Issuer plc	England and Wales	100	100
PECOH Limited	England and Wales	100	100
Holmes Funding Limited	England and Wales	100	100
Holmes Trustees Limited	England and Wales	100	100

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 for public use that comply with IFRS. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 7. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Amounts owed by group undertakings	165,484	165,787
	165,484	165,787

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

### 8. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Amounts owed to group undertakings	37,501	37,501
Accruals	112	59
Other payables	12,505	12,505
	50,118	50,065

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 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

	2016 £	2015 £
Issued and fully paid:		
2 (2015: 2) ordinary shares of £1 each	2	2

### 10. 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 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.

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.

As at 31 December 2016, the book value of residential mortgage loans that Santander UK plc had assigned legal title to the Holmes securitisation structure was £5.56bn (2015: £7.05bn). The Holmes securitisation structure comprising fellow subsidiaries is over collateralised by £2.58bn (2015: £1.66bn). The Holmes securitisation structure acquired interest in a portfolio of mortgage loans (Funder share) was £2.98bn (2015: £5.39bn) and the Santander (UK) plc seller share was £2.58bn (2015: £1.66bn).

The Holmes securitisation structure has cash balances and reserves of £0.66bn (2015: £0.87bn) which also acts as a credit enhancement feature.

The maximum LTV ratio of the securitised mortgages within the structure at origination is 95% with arrears rates, significantly below the rate that can be absorbed by the level of over collateralisation currently within the structure.

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

Santander UK plc credit rating is disclosed below as the financial assets of the Holmes securitisation structure are secured on mortgage assets within Santander UK plc. Details of the mortgage assets are disclosed in the notes to the Group financial statements of Santander UK plc.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016  
(CONTINUED)

## 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

Santander UK's current credit ratings are:

	S & P	Moody's	Fitch
Long-term rating	A	Aa3	A
Long-term rating outlook	Negative	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.

## Maturity of financial liabilities

At 31 December 2016

	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	112	-	-	-	-	112
<b>Total financial liabilities</b>	<b>50,118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,118</b>

At 31 December 2015

	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	59	-	-	-	-	59
<b>Total financial liabilities</b>	<b>50,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,065</b>

## 11. RELATED PARTY TRANSACTIONS

The following were the balances with related parties as at 31 December 2016 and 2015.

	2016 £	2015 £
<b>Amount owed by group undertakings</b>		
Santander UK Plc	165,484	165,787
<b>Amounts owed to group undertakings</b>		
Holmes Master Issuer plc	37,499	37,499
PECOH Limited	2	2
<b>Total</b>	<b>37,501</b>	<b>37,501</b>
<b>Amounts owed to related parties</b>		
Wilmington Trust SP Services (London) Limited	12,505	12,505
<b>Total</b>	<b>12,505</b>	<b>12,505</b>
<b>Interest payable to related parties</b>		
Wilmington Trust SP Services (London) Limited	356	311

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 12. CAPITAL MANAGEMENT AND RESOURCES

Capital held by the Company and managed centrally as part of the Santander UK Group Holdings plc group, comprises share capital and reserves which can be found in the Balance Sheet on page 6.

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.

### 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 group 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 the 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 Secretariat, Santander UK plc, 2 Triton Square, Regent's Place, London NW1 3AN.