

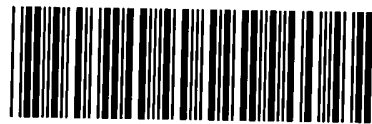
HOLMES HOLDINGS LIMITED

**Registered in England and Wales
Company number 03689577**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2017**

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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 2017.

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 activities 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.

As at 31 December 2017, the book value of residential mortgage loans that Santander UK plc had assigned legal title to the Holmes securitisation structure was £4.30bn (2016: £5.56bn). The Holmes securitisation structure comprising fellow subsidiaries is over collateralised by £2.60bn (2016: £2.58bn). The Holmes securitisation structure acquired interest in a portfolio of mortgage loans (Funder share) was £1.70bn (2016: £2.98bn) and the Santander UK plc seller share was £2.60bn (2016: £2.58bn).

The Holmes securitisation structure has cash balances and reserves of £0.30bn (2016: £0.66bn) 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 £278 (2016: £356).

The Directors do not recommend the payment of a final dividend (2016: £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	
Mr M H Filer	(resigned on 26 April 2017)
Mr D J Wynne	(appointed on 1 November 2017)
Wilmington Trust SP Services (London) Limited	

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

Wilmington Trust SP Services (London) Limited and Mr Martin McDermott jointly held one share in the holding company, Holmes Holdings Limited, at 31 December 2016. The other share in Holmes Holdings Limited 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 was also a director of Wilmington Trust SP Services (London) Limited. Mr D J Wynne 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 Annual Report and the financial statements in accordance with applicable law and regulation.

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 the financial statements, the directors are required to:

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

The directors 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 independent auditors under Section 487(2) of the Companies Act 2006.

By order of the Board



D J Wynne
Director
11 May 2018

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 audit of the financial statements

Opinion

In our opinion, Holmes Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Directors

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 year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

Independent auditors' report to the members of Holmes Holdings Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

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.



Jessica Miller (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 May 2018

STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2017

Continuing operations	Note	2017 £	2016 £
Interest expense and similar charges	4	(278)	(356)
Loss before tax		(278)	(356)
Tax charge on loss for the year	5	-	-
Loss for the year		(278)	(356)
Other comprehensive income for the year		-	-
Total comprehensive expense for the year		(278)	(356)

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

STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
At 1 January 2016	2	165,726	165,728
Total comprehensive expense	-	(356)	(356)
At 31 December 2016 and 1 January 2017	2	165,370	165,372
Total comprehensive expense	-	(278)	(278)
At 31 December 2017	2	165,092	165,094

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

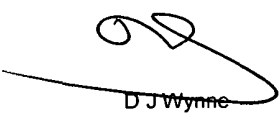
BALANCE SHEET

As at 31 December 2017

	Note	2017 £	2016 £
Non-current assets			
Investments in subsidiary undertakings	6	50,006	50,006
Current assets			
Trade and other receivables	7	165,262	165,484
Total assets		215,268	215,490
Current liabilities			
Trade and other payables	8	(50,174)	(50,118)
Net current assets		115,088	115,366
Net assets		165,094	165,372
Equity			
Share capital	9	2	2
Retained earnings		165,092	165,370
Total equity		165,094	165,372

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

The financial statements on pages 5 to 14 were approved by the Board of Directors and signed on its behalf by:


D J Wynne
Director

11 May 2018

CASH FLOW STATEMENT

For the years ended 31 December 2017

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Loss before tax	(278)	(356)
Increase in accruals	56	53
Decrease in amounts owed by group undertakings	222	303
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 2017

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 which is limited by shares, 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 as disclosed in the Directors' statement of going concern set out in the Report of the Directors. 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

At 31 December 2017, 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. Both tests were applied to financial assets at 31 December 2017, and gave rise to no classification and measurement changes for the Company.

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.

Transition and impact: IFRS 9 has been endorsed for use in the European Union. The mandatory effective date of IFRS 9 is 1 January 2018. For the Company, the application of IFRS 9 resulted in no changes to shareholders' equity at 1 January 2018.

- b) IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) – In May 2014, the IASB issued IFRS 15. The effective date of IFRS 15 is 1 January 2018. The standard establishes a principles-based approach for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied. Revenue relating to lease contracts, insurance contracts and financial instruments is outside the scope of IFRS 15. For Santander UK group's fee and commission income, which is within the scope of the standard, income is recognised as services are provided and this continues under the performance obligation approach in IFRS 15. The Company has no in scope income and, consequently, IFRS 15 has no impact on these Financial Statements.
- c) IFRS 16 'Leases' (IFRS 16) – In January 2016, the IASB issued IFRS 16. The standard is effective for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure for both lessees and lessors. For lessee accounting, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements from the existing leasing standard (IAS 17) and a lessor continues to classify its leases as operating leases or finance leases and to account for

those two types of leases differently. The Company has no operating or finance leases, and so IFRS 16 will not have an effect on these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

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

Income tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

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 (2016: £nil).

Staff costs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Auditor remuneration

Fees payable to the Company's auditors for the audit of the Company's annual Financial Statements for the current year are £5,500 (2016: £5,000) 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

	2017 £	2016 £
Loan interest payable	278	356
	278	356

5. TAX CHARGE ON LOSS FOR THE YEAR

	2017 £	2016 £
Current tax:		
UK corporation tax on loss for the year	-	-
Tax charge on loss for the year	-	-

UK corporation tax is calculated at 19.25% (2016: 20%) of the estimated assessable profits for 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 2017, 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 basic tax rate of the Company as follows:

	2017 £	2016 £
Loss before tax	(278)	(356)
Tax calculated at a tax rate of 19.25% (2016: 20%)	(54)	(71)
Movement in current year deferred tax not recognised	54	71
Tax charge for the year	-	-

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

	Unprovided Balance Sheet 2017 £	Unprovided Balance Sheet 2016 £
Deferred tax assets:		
Tax losses carried forward	384	397
	384	397

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

6. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2017 £000
Cost or valuation:	
At 1 January 2017 and 31 December 2017	50,006
Impairment:	
At 1 January 2017 and 31 December 2017	-
Net book value:	
At 31 December 2016	50,006
At 31 December 2017	50,006

The following is a list of the subsidiary undertakings of the Company as at 31 December 2017:

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.

7. TRADE AND OTHER RECEIVABLES

	2017 £	2016 £
Amounts owed by group undertakings	165,262	165,484
	165,262	165,484

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

8. TRADE AND OTHER PAYABLES

	2017 £	2016 £
Amounts owed to group undertakings	37,501	37,501
Accruals	168	112
Other payables	12,505	12,505
	50,174	50,118

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

9. SHARE CAPITAL

	2017 £	2016 £
Issued and fully paid:		
2 (2016: 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 2017, the book value of residential mortgage loans that Santander UK plc had assigned legal title to the Holmes securitisation structure was £4.30bn (2016: £5.56bn). The Holmes securitisation structure comprising fellow subsidiaries is over collateralised by £2.60bn (2016: £2.58bn). The Holmes securitisation structure acquired interest in a portfolio of mortgage loans (Funder share) was £1.70bn (2016: £2.98bn) and the Santander (UK) plc seller share was £2.60bn (2016: £2.58bn).

The Holmes securitisation structure has cash balances and reserves of £0.30bn (2016: £0.66bn) 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.

Santander UK's current credit ratings are:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

10. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity of financial liabilities

At 31 December 2017	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	168	-	-	-	-	168
Total financial liabilities	50,174	-	-	-	-	50,174

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
Total financial liabilities	50,118	-	-	-	-	50,118

11. RELATED PARTY TRANSACTIONS

The following were the balances with related parties as at 31 December 2017 and 2016.

Amount owed by group undertakings	2017 £	2016 £
Santander UK Plc	165,262	165,484

Amounts owed to group undertakings	2017 £	2016 £
Holmes Master Issuer plc	37,499	37,499
PECOH Limited	2	2
Total	37,501	37,501

Amounts owed to related parties	2017 £	2016 £
Wilmington Trust SP Services (London) Limited	12,505	12,505
Total	12,505	12,505

Interest payable to related parties	2017 £	2016 £
Wilmington Trust SP Services (London) Limited	278	356

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

12. CAPITAL MANAGEMENT AND RESOURCES

Capital held by the Company and managed centrally as part of the Santander UK 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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 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.