

Bracken Securities Holdings Limited

Company Number 6382115

**Reports and Accounts
For the period ended 31 December 2008**

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Bracken Securities Holdings Limited

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Registered Office:

35 Great St. Helen's, London, EC3A 6AP

Bracken Securities Holdings Limited

Directors' Report For the period ended 31 December 2008

The Directors present their annual report, together with the audited financial statements for the period from incorporation on 26 September 2007 ('date of inception') to 31 December 2008.

The 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

Bracken Securities Holdings Limited (the 'Company') was established as a special purpose company and is a holding company with investments in its subsidiary companies. The Company's principal subsidiary, Bracken Securities plc, acquires and funds portfolios of mortgage loans secured on residential properties located within the UK. Funding is raised by the issuance of floating and fixed rate debt securities (residential mortgage backed notes) to Alliance & Leicester plc, which in turn utilises the notes as collateral to raise funds. The principal activity of the other subsidiary, Bracken Securities Option Limited, is to as a Post Enforcement Call Option Holder in connection with the loan notes issued by Bracken Securities plc.

The Company was registered in England and Wales on 26 September 2007 as a private limited company, with an authorised share capital of £100 comprising 100 ordinary shares of £1 each. On 26 September one share was allotted to SFM Corporate Services Limited and was fully paid.

Business review and future developments

The Company has, during the period under review, subscribed for the entire issued ordinary share capital of Bracken Securities Option Limited and Bracken Securities plc.

The Company did not trade during the period and consequently has made neither profit nor a loss. During the period, the Company received a capital contribution of £12,501 from Alliance & Leicester plc, its UK controlling undertaking.

The Directors do not anticipate any changes to the present level of activity, or the nature of, the Company's business in the foreseeable future.

The activities of the Company are dependent upon the future funding strategies within the Alliance & Leicester Group. The accounts have been prepared on a going concern basis as there are no plans to terminate the operations of the company within the next year.

Results and dividend

The Directors do not recommend the payment of a dividend.

Post balance sheet event

On 9 January 2009, ownership of Alliance & Leicester plc was transferred within the Santander Group from Banco Santander, S.A. to Abbey National plc.

Directors

The following persons were directors of the Company during the period:

Mr I J Hares	appointed 5 October 2007
Mr C R Annis*	appointed 5 October 2007
SFM Directors Limited	appointed 26 September 2007
SFM Directors (No.2) Limited	appointed 26 September 2007

* Alternate Director to Mr I J Hares.

Third Party Indemnities

Alliance & Leicester plc, has made qualifying third party indemnity provisions for the benefit of Ian Hares and Chris Annis and Structured Finance Management Limited (SFM) has made qualifying third party indemnity provisions for the benefit of SFM Directors Limited and SFM Directors (No.2) Limited. These indemnity provisions were made during the year and remain in force at the date of this report.

Bracken Securities Holdings Limited

Directors' Report

For the period ended 31 December 2008 (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 are 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 have taken all the steps that they ought to have taken as directors 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.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

By Order of the Board



For and on behalf of
SFM Directors Limited, Director
16 January 2009

Bracken Securities Holdings Limited

Statement of Directors' Responsibilities For the period ended 31 December 2008

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 period. 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 period 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 Company'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.

Independent Auditors' Report to the members of Bracken Securities Holdings Limited

We have audited the financial statements of Bracken Securities Holdings Limited for the period ended 31 December 2008 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 14. 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 Annual Report 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 Directors' Report 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 as described in the contents section 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 judgments 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

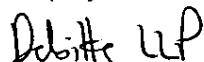
In our opinion:

- 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 2008 and of its result for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report 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 2008 and of its result for the period then ended.



Deloitte LLP

Chartered Accountants and Registered Auditors
Birmingham, United Kingdom
On 19 January 2009

Bracken Securities Holdings Limited

Income Statement

For the period ended 31 December 2008

The Company did not trade during the period and consequently has made neither profit nor a loss.

Statement of Changes in Equity

For the period ended 31 December 2008

	Note	26 September 2007 to 31 December 2008 £
Equity at inception		-
Capital contribution	11	12,501
Share capital raised	9	1
Equity at 31 December		<u>12,502</u>

Bracken Securities Holdings Limited

Balance Sheet As at 31 December 2008

	Note	31 December 2008 £
NON CURRENT ASSETS		
Investment in subsidiary undertakings	4	<u>12,501</u>
CURRENT ASSETS		
Cash and cash equivalents	6	<u>1</u>
NET CURRENT ASSETS		<u>1</u>
NET ASSETS		<u><u>12,502</u></u>
EQUITY		
Called up share capital	8	1
Retained earnings	9	-
Other reserves	10	12,501
TOTAL ORDINARY SHAREHOLDERS' EQUITY		<u><u>12,502</u></u>

The attached notes 1 to 14 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 16 January 2009. They were signed on their behalf by:



SFM Directors Limited
Director

Bracken Securities Holdings Limited

Cashflow Statement

For the period ended 31 December 2008

	Note	26 September 2007 to 31 December 2008 £
Operating activities		
Profit before tax		-
Cash flows by operations		-
Net cash from operating activities		-
Investing activities		
Investment in subsidiary undertakings	4	(12,501)
Net cash used in investing activities		(12,501)
Financing activities		
Capital contribution	10	12,501
Issue of share capital	8	1
Net cash from financing activities		(12,502)
Net increase in cash and cash equivalents		1
Cash and cash equivalents at inception		-
Cash and cash equivalents at end of period	6	1

Bracken Securities Holdings Limited

Notes to the Financial Statements For the period ended 31 December 2008

1. Principal accounting policies

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.

These policies have been consistently applied throughout the period.

The activities of the Company are dependent upon the future funding strategies within the Alliance & Leicester Group. The accounts have been prepared on a going concern basis as there are no plans to terminate the operations of the company within the next year.

a. Accounting convention

The Company prepares its accounts under the historical cost convention, unless otherwise stated.

b. Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from the 'Profit before tax' as reported in the Income Statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxable profit also includes items that are taxable or deductible that is not included in 'Profit before tax'. The Company's liability for current tax and deferred tax is calculated using tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

c. 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.

d. 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.

Bracken Securities Holdings Limited

Notes to the Financial Statements For the period ended 31 December 2008 (continued)

1. Principle accounting policies (continued)

e. Changes to IFRS not adopted in 2008 accounts

The International Accounting Standards Board has published the following IAS's, IFRS's and International Financial Reporting Interpretations Committee (IFRIC) interpretations:

Standard/Interpretation		Issued	Effective for periods commencing on or after
IFRIC 13	Customer loyalty programmes	1 Oct 2007	1 July 2008
IFRIC 15	Amendments for the construction of real estate	1 Jul 2008	1 Jan 2009
IFRIC 16	Hedges of net investment in foreign operation	1 Jul 2008	1 Oct 2008
Amendment to IAS 1	Presentation of financial statements	1 Sep 2007	1 Jan 2009
Amendment to IAS 32	Financial instruments: Presentation	1 Feb 2008	1 Jan 2009
Amendment to IAS 39	Eligible hedged items	1 Jul 2008	1 Jul 2009
IAS 23 (revised)	Borrowing costs	1 Mar 2007	1 Jan 2009
IAS 27 (revised)	Consolidated and separate financial statements	1 Jan 2008	1 Jul 2009
IFRS 3 (revised)	Business combinations	1 Jan 2008	1 Jul 2009

The Company has not elected to adopt these early in these financial statements. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

f. Related party transactions

Alliance & Leicester plc, the Company's UK controlling undertaking is incorporated in Great Britain and registered in England and Wales. Alliance & Leicester plc performs the administration, operations, accounting and financial reporting functions of the Company.

Related party transactions with group undertakings are detailed in their respective notes.

g. Critical accounting policies

The directors believe that due to the nature of the Company's operations, there are no critical judgements in applying the accounting policies or key assumptions.

2. Segmental reporting

The Company operates in one business sector and all of the Company's activities are in the UK.

3. Operating expenses

Auditors' remuneration

The audit fee for the current period has been paid on the Company's behalf by its UK controlling undertaking, Alliance & Leicester plc, in accordance with company policy, for which no recharge has been made. The audit fee for the current period is £1,000.

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the Alliance & Leicester plc consolidated financial statements are required to disclose such fees on a consolidated basis.

Directors' emoluments

The directors received no emoluments from the Company in respect of qualifying services during the current period. Directors' emoluments for Mr I J Hares and Mr C R Annis are borne by the UK controlling undertaking, Alliance & Leicester plc, and for SFM Directors Limited and SFM Directors (No.2) Limited charges are borne by Bracken Securities plc.

The Company has no employees.

Bracken Securities Holdings Limited

Notes to the Financial Statements For the period ended 31 December 2008 (continued)

4. Investment in subsidiary undertakings

31 December
2008
£

Shares in subsidiary undertakings	<u>12,501</u>
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The shares included above represent a 100% beneficial holding in Bracken Securities Option Limited and Bracken Securities plc. Both subsidiary undertakings were incorporated in England and Wales.

Bracken Securities plc acquires and funds portfolios of mortgage loans secured on residential properties located within the UK. Funding is raised by the issuance of floating and fixed rate debt securities (residential mortgage backed notes) to Alliance & Leicester plc. Bracken Securities Option Limited acts as a Post Enforcement Call Option Holder in connection with the loan notes issued by Bracken Securities plc.

The directors consider that the fair value of the investment is consistent with its book value.

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 ultimate controlling party are disclosed in note 13.

5. Taxation

The Company did not trade during the period and therefore there is no tax charge or related tax balances.

6. Cash and cash equivalents

The cash and cash equivalents balance is held by SFM Corporate Services Limited in a client account, and is accessible by the Company on demand.

7. Capital management and financial resources

Capital held by the Company and managed centrally as part of the Alliance & Leicester group, comprises share capital and reserves.

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 due have been received and amounts owing have been paid. The Company's capital is not externally regulated.

8. Share capital

31 December
2008
£

Authorised 100 ordinary shares of £1 each	<u>100</u>
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Called up and fully paid 1 ordinary share of £1 each	<u>1</u>
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On 26 September one share was allotted to SFM Corporate Services Limited and was fully paid.

Bracken Securities Holdings Limited

Notes to the Financial Statements For the period ended 31 December 2008 (continued)

9. Retained earnings

	31 December 2008 £
Balance at inception and at 31 December	-

The Company did not trade during the period and consequently has made neither a profit nor a loss.

10. Other reserves

	31 December 2008 £
Balance at inception	-
Capital contribution	12,501
At 31 December	12,501

During the period, the Company received a capital contribution of £12,501 from Alliance & Leicester plc, its UK controlling undertaking, to enable it to make investments in subsidiary undertakings.

11. Risk management policy and control framework

The activities of the Company are limited to fully owning and controlling the subsidiary companies.

The principal risks arising from the Company's activities are operational risk. The principal nature of such risk is summarised below.

Operational risk

Operational risk is defined as 'the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events'. Operational services are provided by Alliance & Leicester plc. The Company places reliance upon the specific policies and procedures Alliance & Leicester plc has in place at group level to counteract this risk.

12. Related parties

During the period, fees of £1,250 were paid by Bracken Securities plc to Structured Finance Management Limited in respect of corporate services fees, including fees for providing directors to the Company.

SFM Corporate Services Ltd is a wholly owned subsidiary of Structured Finance Management Limited.

There have been no transactions with key management personnel during the period, other than those disclosed elsewhere in these accounts in respect of transactions with Structured Finance Management Limited.

Bracken Securities Holdings Limited

Notes to the Financial Statements

For the period ended 31 December 2008 (continued)

13. Parent undertaking and controlling party

SFM Corporate Services Limited, a company incorporated in Great Britain, and registered in England and Wales, holds all of the shares in the Company as trustee under a discretionary charitable trust for charitable purposes.

In accordance with SIC 12 "Consolidation – Special Purpose Entities", the company is controlled by Alliance & Leicester and is therefore consolidated in the Alliance & Leicester Group accounts. Alliance & Leicester plc is incorporated in Great Britain and is registered in England and Wales.

The Company's ultimate parent and controlling party is Banco Santander, S.A, a company incorporated in Spain.

The smallest group in which the 2008 results of the Company are consolidated is the Alliance & Leicester Group; these accounts may be obtained from the Group's registered office at Carlton Park, Narborough, Leicester, LE19 0AL.

The largest group in which the 2008 results of the Company are consolidated is the group accounts of Banco Santander, S.A., copies of which may be obtained from Santander Shareholder Department, Abbey National House, 2 Triton Square, Regent's Place, London, NW1 3AN.

14. Post balance sheet event

On 9 January 2009, ownership of Alliance & Leicester plc was transferred within the Santander Group from Banco Santander, S.A. to Abbey National plc.