

Bracken Securities Holdings Limited

Company Number 06382115

**Reports and Accounts
For the year ended 31 December 2009**

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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 year ended 31 December 2009

The Directors present their annual report, together with the financial statements for the year ended 31 December 2009. The comparative amounts cover the period from 26 September 2007 (date of incorporation) to 31 December 2008.

The Directors' Report has been prepared in accordance with the special provisions relating to small companies under section 415 (A) (1) & (2) of the Companies Act 2006.

Principal activity and review of the year

Bracken Securities Holdings Limited, Company number 06382115 (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 act as a Post Enforcement Call Option Holder in connection with the loan notes issued by Bracken Securities plc.

The Company did not trade during the year and consequently has made neither profit nor a loss (2008 £ Nil).

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 Santander UK 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 (2008 £ Nil).

Directors

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

Mr I J Hares

Mr C R Annis* Resigned 31 March 2009

SFM Directors Limited

SFM Directors (No 2) Limited

* Alternate Director to Mr I J Hares

Statement of Directors' responsibilities

The Directors are responsible for preparing the report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 2006.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

Bracken Securities Holdings Limited

Directors' Report

For the year ended 31 December 2009 (continued)

Statement of Directors' responsibilities (continued)

However, Directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 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 Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements.

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

Third Party Indemnities

Enhanced indemnities are provided for the benefit of Ian Hares as a Director of the Company by Santander UK plc 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 Accounts. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

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 remain in force at the date of this report.

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 s418 of the Companies Act 2006.

In accordance with Sections 485 and 487 of the Companies Act 2006, Deloitte LLP are deemed to have been re-appointed as auditors of the Company.

By Order of the Board



Helena Whitaker

Per pro SFM Directors Limited

As Director

12 March 2010

Registered Office 35 Great St Helen's, London, EC3A 6AP

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

We have audited the financial statements of Bracken Securities Holdings Limited (the 'Company') for the year ended 31 December 2009 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of Directors' Responsibilities, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its result 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

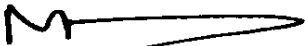
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report.


Manbinder Rana (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
On 12 March 2010

Bracken Securities Holdings Limited

Statement of Comprehensive Income For the year ended 31 December 2009

The Company has not traded since incorporation and consequently has made neither profit nor loss

Statement of Changes in Equity For the year ended 31 December 2009

	Note	31 December 2009 £	26 September 2007 to 31 December 2008 £
Equity at 1 January/inception		12,502	-
Capital contribution		-	12,501
Share capital raised		-	1
Equity at 31 December		<u>12,502</u>	<u>12,502</u>

During 2008, 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

Bracken Securities Holdings Limited
Company Number 06382115

Balance Sheet
As at 31 December 2009

	Note	31 December 2009 £	31 December 2008 £
NON CURRENT ASSETS			
Investment in subsidiary undertakings	4	12,501	12,501
CURRENT ASSETS			
Cash and cash equivalents	6	1	1
NET CURRENT ASSETS		<u>1</u>	<u>1</u>
NET ASSETS		<u>12,502</u>	<u>12,502</u>
EQUITY			
Called up share capital	8	1	1
Retained earnings		-	-
Other reserves		12,501	12,501
TOTAL ORDINARY SHAREHOLDERS' EQUITY		<u>12,502</u>	<u>12,502</u>

The attached notes 1 to 12 form an integral part of the financial statements

These financial statements were approved by the Board of Directors and authorised for issue on 12 March 2010
They were signed on their behalf by



Helena Whitaker

Per pro SFM Directors Limited

As Director

Bracken Securities Holdings Limited

Cashflow Statement

For the year ended 31 December 2009

	Note	31 December 2008 £	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		-	12,501
Issue of share capital		-	1
Net cash from financing activities		-	12,502
Net increase in cash and cash equivalents		-	1
Cash and cash equivalents at start of the year/period		1	-
Cash and cash equivalents at end of year	6	<u>1</u>	<u>1</u>

Bracken Securities Holdings Limited

Notes to the Financial Statements For the year ended 31 December 2009

1 Principal accounting policies

The financial statements of Bracken Securities Holdings Limited (the 'Company') have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS adopted for use by the European Union (EU), and therefore the financial statements comply with Article 4 of the EU IAS regulation.

These policies have been consistently applied throughout the period.

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 financial statements have been prepared under the historical cost convention and on the going concern basis as disclosed in the Statement of Going Concern set out in the Directors' Report.

b. 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.

c. Related party transactions

Santander UK plc, the Company's UK controlling undertaking is incorporated in Great Britain and registered in England and Wales. Santander UK 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.

d. 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.

e. Changes to Accounting Standards

Recent developments

In 2009, the Company adopted the following new or revised IFRS:

IAS 1 'Presentation of Financial Statements' – On 6 September 2007, the IASB issued an amendment to IAS 1 'Presentation of Financial Statements' which changes the way in which non-owner changes in equity are required to be presented. As a result, a 'Statement of Changes in Equity' has been included as a separate primary financial statement showing changes in equity during the periods presented. In addition, the Statement of Recognised Income and Expenses has been replaced with a 'Statement of Comprehensive Income'. The adoption of the amendment to IAS 1 did not have any impact on the Company's profit or loss or financial position.

IFRS 7 'Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments' On 5 March 2009, the IASB issued an amendment to IFRS 7 'Financial Instruments: Disclosures' which requires enhanced disclosures about fair value measurements and liquidity risk. Among other things, the amendment (1) requires disclosure of any change in the method for determining fair value and the reasons for the change, (2) establishes a three-level hierarchy for making fair value measurements, (3) requires disclosure for each fair value measurement in the balance sheet of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever level 3 of the hierarchy is used including a measure of sensitivity to a change in input data, (4) clarifies that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts, and (5) requires disclosure of a maturity analysis for derivative financial liabilities.

Bracken Securities Holdings Limited

Notes to the Financial Statements For the year ended 31 December 2009 (continued)

1 Principal accounting policies (continued)

e. Changes to Accounting Standards (continued)

Future developments

The Company has not yet adopted the following new or revised IFRS or IFRIC interpretations, which have been issued but which are not yet effective for the Company

IFRS 9 'Financial Instruments' - On November 12, 2009, the IASB issued IFRS 9 'Financial Instruments' which significantly overhauls the accounting requirements for financial instruments under IFRS. IFRS 9 is mandatory for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 9 requires that a financial asset be classified into one of three categories for measurement and income recognition: (1) Amortised cost, (2) Fair value through profit or loss (FVTPL) and (3) Fair value through other comprehensive income. The standard requires reclassification between amortised cost and FVTPL (or vice versa) if a financial asset no longer meets the criteria for its original classification. IFRS 9 replaces the existing classification and measurement requirements in IAS 39 for financial assets. It changes the manner in which entities classify and measure investments in debt and equity securities, loan assets, trade receivables, and derivative financial assets by requiring entities to classify financial assets as being measured at either amortised cost or fair value depending on the entity's business model and the contractual cash flow characteristics of the asset. The Company is currently evaluating the requirements of IFRS 9.

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, Santander UK plc, in accordance with Company policy, for which no recharge has been made. The audit fee for the current period is £5,000 (2008: £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

Directors' emoluments for Mr I J Hares and for Mr C R Annis are/were borne by the UK controlling undertaking, Santander UK plc. Corporate service fees, which include the provision of Directors, are borne by Bracken Securities plc.

The Company has no employees (2008: None).

4 Investment in subsidiary undertakings

	31 December 2009 £	31 December 2008 £
Shares in subsidiary undertakings	12,501	12,501

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

Bracken Securities Holdings Limited

Notes to the Financial Statements For the year ended 31 December 2009 (continued)

4. Investment in subsidiary undertakings (continued)

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. Investments in subsidiary companies are shown at cost less provision for impairment. The Company has exercised the exemption under Section 400 of the Companies Act 2006, which dispenses with the requirement to prepare group accounts. This is also in line with the exemption in IAS 27 'Consolidated and Separate Financial Statements'.

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 Santander UK 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. Issued Share capital

	31 December 2009	31 December 2008
	£	£
Called up and fully paid 1 ordinary share of £1	1	1

9. Risk management policy and control framework

Risk management is carried out centrally by the Santander UK group. Details of the policies applied are disclosed in the financial statements of Santander UK plc, which do not form part of this report.

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 Santander UK plc. The Company places reliance upon the specific policies and procedures Santander UK plc has in place at group level to counteract this risk.

Bracken Securities Holdings Limited

Notes to the Financial Statements For the year ended 31 December 2009 (continued)

10 Related parties

During 2009, 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

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

11. 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 on a discretionary trust basis for the benefit of certain charities

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

In accordance with SIC 12 "Consolidation – Special Purpose Entities", the Company is controlled by Alliance & Leicester plc 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 undertaking and controlling party is Banco Santander, S A, a Company registered in Spain Banco Santander, S A is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member Alliance & Leicester plc is the parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the Company is a member

Copies of all sets of group accounts, which include the results of the Company, are available from Secretariat, Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN

12 Events after the Balance Sheet Date

On 25 February 2010 Alliance & Leicester plc announced that, subject to Financial Services Authority support and approval by the High Court of England and Wales, it intends to transfer its business to Santander UK plc ("Santander UK") later this year under Part VII of the Financial Services and Markets Act 2000 (the "Part VII Transfer")

If approved, the Part VII Transfer will mean that Santander UK will assume each role, and the associated rights and obligations, of Alliance & Leicester plc under or in relation to the securitisation programme of which the Company is a party