BRACKEN SECURITIES HOLDINGS LIMITED

Registered in England and Wales
Company Number 06382115

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Bracken Securities Holdings Limited - 06382115

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Registered Office

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

Bracken Securities Holdings Limited - 06382115
Report of the directors
For the year ended 31 December 2010

The Directors present their report, together with the financial statements for the year ended 31 December 2010

The Report of the Directors 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 (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 Santander UK 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 be 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 a profit nor a loss (2009 £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 profit for the year on ordinary activities after taxation amounted to £Nil (2009 £Nil)

The Directors do not recommend the payment of a final dividend (2009 £Nil)

Directors

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

I J Hares

SFM Directors Limited

SFM Directors (No 2) Limited

Secretary

The secretary who served during the year and as at the date of this report was Richard Hawker

Directors' Responsibilities Statement

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

Company law (the "Companies Act 2006") 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 - 06382115
Report of the directors
For the year ended 31 December 2010 (continued)

Directors' Responsibilities Statement (continued)

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 Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future and that the Company is also well placed to manage its business risks successfully despite the current uncertain economic outlook

Accordingly, they continue to adopt the going concern basis of accounting in preparing the report and accounts

Third Party Indemnities

Enhanced indemnities are provided for the benefit of Mr Hares as a Director of the Company by Santander UK plc against liabilities and associated costs which he could incur in the course of his 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

Auditor

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 auditor is 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

Deloitte LLP having expressed their willingness to continue in office Accordingly Deloitte LLP, in accordance with Section 487 of the Companies Act 2006, are deemed to have been re-appointed as auditor of the Company

By Order of the Board

C Wallace

Claudia Wallace
Per pro SFM Directors Limited, As Director
28 February 2011
Registered Office 35 Great St Helen's, London, EC3A 6AP

Independent Auditor's Report to the members of Bracken Securities Holdings Limited - 06382115

We have audited the financial statements of Bracken Securities Holdings Limited (the 'Company') for the year ended 31 December 2010 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 11 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 auditor's 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 auditor
As explained more fully in the Directors' Responsibilities Statement, 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) 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 2010 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

Caroline Britton

Caroline Britton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
Date 28th February 2011.

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Statement of Comprehensive Income
For the year ended 31 December 2010

The Company did not trade during the current or preceding year and has made neither profit nor loss nor any other comprehensive income

Statement of Changes in Equity
For the year ended 31 December 2010

	31 December 2010 £	31 December 2009 £
Equity at 1 January	12,502	12,502
Equity at 31 December	12,502	12,502

Cash Flow Statement
For the year ended 31 December 2010

The Company has not undertaken any cash transactions in the current or previous year and so no cash flows have occurred

Bracken Securities Holdings Limited - 06382115

Balance Sheet
As at 31 December 2010

	Note	31 December 2010 £	31 December 2009 £
NON CURRENT ASSETS			
Investment in subsidiary undertakings	4	12,501	12,501
CURRENT ASSETS			
Cash and cash equivalents	6	1	1
NET CURRENT ASSETS		**1**	**1**
NET ASSETS		**12,502**	**12,502**
EQUITY			
Called up share capital	8	1	1
Other reserves		12,501	12,501
TOTAL ORDINARY SHAREHOLDERS' EQUITY		**12,502**	**12,502**

The accompanying notes 1 to 11 form an integral part of the accounts

These financial statements were approved by the Board of Directors and authorised for issue on 28 February 2011 They were signed on their behalf by

C Wallace

Claudia Wallace

Per pro SFM Directors Limited

As Director

Bracken Securities Holdings Limited - 06382115

Notes to the Financial Statements
For the year ended 31 December 2010 (continued)

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 year

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

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 estimates and judgements

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

Application of new and revised International Financial Reporting Standards
In 2010, the Company adopted the following significant new or revised standards or amendments to standards

IFRS 3 'Business Combinations'
In January 2008, the IASB issued an amendment to IFRS 3 which clarifies and changes certain elements of accounting for a business combination, including the measurement and accounting for non-controlling interests, contingent consideration, step acquisitions and acquisition-related costs and also widens the scope of the standard There are also associated amendments to IAS 27, IAS 28 and IAS 31

IFRS 3 (2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 January 2010 Its adoption has affected the accounting for business combinations in the current year as follows

IFRS 3 (2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree

IFRS 3 (2008) changes the recognition and subsequent accounting requirements for contingent consideration Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably, any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition

1 **Principal accounting policies (continued)**

Under the revised Standard, contingent consideration is measured at fair value at the acquisition date, subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss

Any adjustments to contingent considerations for acquisitions made prior to 1 January 2010 which result in an adjustment to goodwill continue to be accounted for under IFRS 3 (2004) and IAS 27 (2005)

IFRS 3 (2008) requires the application of acquisition accounting only at the point where control is achieved, for a business combination achieved in stages (step acquisition) If an acquirer has a pre-existing equity interest in an acquiree and increases its equity interest sufficiently to achieve control, it must remeasure its previously-held equity interest in the acquiree at acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss Once control is achieved, all other increases and decreases in ownership interests are treated as transactions among equity holders and reported within equity Goodwill does not arise on any increase, and no gain or loss is recognised on any decrease

IFRS 3 (2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition

IFRS 3 (2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Company and the acquiree

The adoption of IFRS 3 (2008) did not affect the Company

IAS 27 'Consolidated and Separate Financial Statements'

In January 2008, the IASB issued an amendment to IAS 27, to reflect the amendment in IFRS 3 The changes in the accounting policy have been applied prospectively from 1 January 2010 The application of IAS 27 (2008) has resulted in changes in the Company's accounting policies for changes in ownership interests in subsidiaries

Specifically, the revised Standard has affected the Company's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate, for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Company to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost The resulting difference is recognised as a gain or loss in profit or loss

The adoption of IAS 27 (2008) did not affect the Company

1 Principal accounting policies (continued)

IAS 28 'Investment in Associates' and IAS 31 'Interest in Joint Ventures'

In January 2008, the IASB made consequential amendments to IAS 28 and IAS 31 to extend the changes in IAS 27

The principle adopted in IAS 27 (2008) that a change in accounting basis is recognised as a disposal and re-acquisition of any retained interest at fair value is extended to IAS 28 and IAS 31 as follows

IAS 28 is amended such that for a change in equity interest in an associate, the investor remeasures at acquisition date fair value any investment retained in the former associate, with any consequential gain or loss compared to its carrying amount under IAS 28 recognised in profit or loss

IAS 31 is amended such that for a change in joint control interest in an entity, the investor remeasures at fair value any investment retained in the former jointly controlled entity, with any consequential gain or loss compared to its carrying amount under IAS 31 recognised in profit or loss

Any amount that has previously been recognised in other comprehensive income, and that would be reclassified to profit or loss following a disposal, is similarly reclassified to profit or loss

The adoption of IAS 28 (2008) did not affect the Company

New and revised International Fiancial Reporting Standards in issue but not yet effective

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

IFRS 9 'Financial Instruments' – In November 2009, the IASB issued IFRS 9 and in October 2010, issued an amendment to IFRS 9 which introduce new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 'Financial Instruments Recognition and Measurement' to be subsequently measured at amortised cost or fair value Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss

The Company anticipates that IFRS 9 will be adopted in the Company's financial statements for the annual period beginning on or after 1 January 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed

1 Principal accounting policies (continued)

IFRS 7 'Financial Instruments Disclosures' – In October 2010, the IASB issued amendments to IFRS 7 that increase the disclosure requirements for transactions involving transfers of financial assets The amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period The amendments to IFRS 7 are effective for annual periods beginning on or after 1 July 2011, with earlier application permitted

The Company does not anticipate that these amendments to IFRS 7 will have a significant effect on the Company's disclosures regarding transfers of financial assets However, if the Company enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected

IAS 24 'Related Party Transactions' – In November 2009, the IASB issued amendments to IAS 24, effective for annual periods beginning on or after 1 January 2011, with earlier application permitted The revised standard modifies the definition of a related party and simplifies disclosures for government-related entities

The disclosure exemptions introduced in IAS 24(2009) do not affect the Company because the Company is not a government-related entity However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard

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 (2009 £5,000)

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

Directors' emoluments

Directors' emoluments for Mr Hares are/were borne by the UK controlling undertaking, Santander UK plc (2009 position unchanged)

Corporate service fees, which include the provision of Directors are borne by Bracken Securities plc

The Company has no employees (2009 None)

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Notes to the Financial Statements
For the year ended 31 December 2010

4. Investment in subsidiary undertakings

	31 December 2010 £	31 December 2009 £
Shares in subsidiary undertakings	12,501	12,501

The shares included above represent a 100% beneficial holding in Bracken Securities Option Limited (1fully paid ordinary share of £1) and Bracken Securities plc (1 fully paid ordinary share of £1 and 49999 partly paid ordinary shares of £1) Both subsidiary undertakings are 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 Santander UK 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 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 year 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 2010 £	31 December 2009 £
Called up and fully paid 1 ordinary share of £1 each	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

10 Related parties

During 2010, fees of £1,250 (2009 £1,250) were paid by Bracken Securities plc to Structured Finance Management Limited in respect of corporate services fees, which included fees for the provsion of Directors to the Company

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

11 Parent undertaking and controlling party

The entire issued share capital of the Company is held by SFM Corporate Services Limited, a Company incorporated in Great Britain, and registered in England and Wales, which holds the share 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 Copies of the financial statements of SFM Corporate Services Limited may be obtained from 35 Great St Helen's, London, EC3A 6AP

In accordance with SIC 12 "Consolidation – Special Purpose Entities", the Company is controlled by Santander UK plc and is therefore consolidated in the Santander UK plc Group accounts Santander UK plc is incorporated in Great Britain and is registered in England and Wales

The Company's ultimate parent undertakings 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 Santander UK 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