

Southern Pacific 04-A Parent Limited
(formerly Hamperspring Limited)

Directors' Report and Financial Statements

30 November 2004

ERNST & YOUNG

5014807



Southern Pacific 04-A Parent Limited
(formerly Hamperspring Limited)

Registered No: 05014807

Directors

W E Cherry
A W Gower
Capita Trust Company Ltd

Secretary

Clifford Chance Secretaries Limited
10 Upper Bank Street
London
E14 5JJ

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

Barclays Bank plc
Cheapside Business Centre
155 Bishopsgate
London
EC2M 3XA

Solicitors

Clifford Chance
10 Upper Bank Street
London E14 5JJ

Registered Office

1 Broadgate
London
EC2M 25P

Directors' report

The directors present their report and the audited consolidated financial statements for the period from incorporation on 14 January 2004 to 30 November 2004.

Principal activities

Southern Pacific 04-A Parent Limited was incorporated on 14 January 2004. The principal activity of the Company is that of a holding Company. The principal activity of the Group is the investment in mortgage loans secured by first and second charges over residential properties within the United Kingdom. Southern Pacific 04-A Parent Limited acquired Southern Pacific Securities 04-A plc in January 2004.

Business review

The results for the period are shown in the consolidated profit and loss account on page 6. Both the level of business during the period and the financial position of the Group at the end of the period were satisfactory. Southern Pacific 04-A Parent Limited's subsidiary, Southern Pacific Securities 04-A plc, purchased £294,953,797 of mortgages on 28 April 2004 from Southern Pacific Mortgage Limited and £54,003,515 of mortgages on 21 May 2004, also from Southern Pacific Mortgage Limited. Further consideration may be payable to Southern Pacific Mortgage Limited dependent on the future performance of the mortgages. The Group profit and loss account for the eleven month period to 30 November 2004 is set out on page 6.

Dividend

The directors do not recommend the payment of a dividend for the period.

Policy and practice on payment of creditors

The Company does not follow any stated code on payment practice. It is the Company's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with the suppliers at the outset. It is the policy of the Company to abide by the agreed terms of payment. There are no creditor days of suppliers' invoices outstanding at 30 November 2004.

Directors and directors' interests

The directors who held office during the period were as follows:

P M Hills	(appointed 23 March 2004, resigned 12 December 2004)
B D Needham	(appointed 23 March 2004, resigned 25 August 2004)
W E Cherry	(appointed 23 March 2004)
M R Layton	(appointed 14 January 2004, resigned 23 March 2004)
D J Pudge	(appointed 14 January 2004, resigned 23 March 2004)
Capita Trust Company Ltd	(appointed 25 August 2004)

The following director was appointed after year end:

AW Gower	(appointed 11 February 2005)
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None of the directors who held office at the end of the period had any disclosable interest in the shares of the Company.

Directors' report

Financial instruments

The financial instruments held by the Group comprise mortgages, borrowings, cash and various other items (such as trade debtors, trade creditors etc) that arise directly from its operations.

The Group also enters into derivatives transactions where necessary (principally interest rate and currency swaps) to manage its interest rate risk and currency risk.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk is the risk that borrowers will not be able to meet their obligations as they fall due. All mortgages purchased by the Group during the period were required to adhere to specific lending criteria. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) is closely monitored by the directors.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Group minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Group considers the use of derivative financial instruments to mitigate any residual interest rate risk.

Foreign Exchange risk

Foreign exchange risk exists where the loan notes are denominated in a currency which is different to the underlying sterling mortgage loans. The Group minimises its exposure to foreign currency risk by ensuring that the currency characteristics of its assets and liabilities are similar. Where this is not possible the Group considers the use of derivative financial instruments to mitigate any foreign exchange risk.

Liquidity risks

The Group's policy is to manage liquidity risk by matching the timing of the cash receipts from mortgage assets with those of the cash payments due on the loan notes. In addition the Group holds a minimum cash balance to manage short term liquidity requirements.

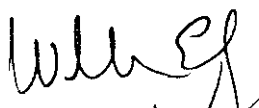
Auditors

Ernst & Young LLP were appointed as auditors on 23 March 2004. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Approved by the board of directors and signed on behalf of the board.

Director

Date:


8/8/06

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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 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 Southern Pacific 04-A Parent Limited (formerly Hamperspring Limited)

We have audited the group's financial statements for the period ended 30 November 2004, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 23. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

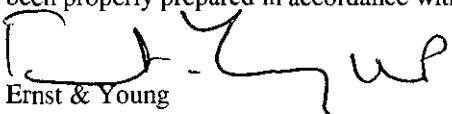
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 of the state of affairs of the company and of the group as at 30 November 2004 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

19 August 2005

Consolidated profit and loss account

for the period ended 30 November 2004

		<i>Period ended 30 November 2004 £000</i>
	<i>Notes</i>	
Interest receivable and similar income	2	12,816
Interest payable and similar charges	3	(11,048)
Net interest receivable		<u>1,768</u>
Other operating income	4	1,292
Total operating income		<u>3,060</u>
Operating expenses		(2,987)
Profit on ordinary activities before taxation	5	<u>73</u>
Tax on profit on ordinary activities	6	(48)
Profit on ordinary activities before taxation	16	<u><u>25</u></u>

The profit for the year was derived from continuing operations.

There were no recognised gains or losses other than the profit for the year, accordingly no statement of recognised gains and losses is given.

The notes on pages 10 to 20 form part of these financial statements.

Consolidated balance sheet

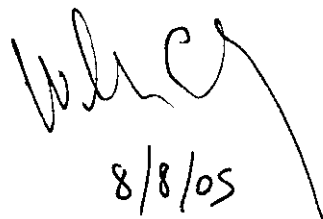
at 30 November 2004

	Notes	30 November 2004 £000
Current assets		
Debtors:		
Amounts falling due after one year	11	294,326
Amounts falling due within one year	12	5,702
Cash at bank and in hand		33,296
		<hr/> 333,324
Creditors: amounts falling due within one year	13	(7,424)
		<hr/> 325,900
Net current assets		
Creditors: amounts falling due after more than one year	14	(325,862)
		<hr/> 38
Net assets		<hr/>
Capital and reserves		
Called up share capital	15	13
Profit and loss account	16	25
		<hr/>
Shareholder's funds	17	38
		<hr/>

The notes on pages 10 to 20 form part of these financial statements.

These financial statements were approved by the board of directors and were signed on its behalf by:

Director


8/8/05

Company balance sheet

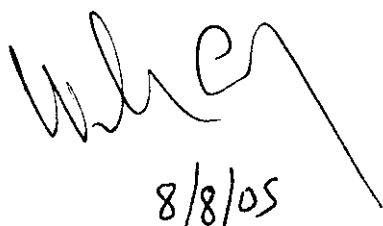
at 30 November 2004

		30 November 2004 £000
	Notes	
Fixed assets		
Investments	8	13
Net assets		<u>13</u>
Capital and reserves		
Called up share capital	15	13
Profit and loss account	16	-
Shareholder's funds	17	<u>13</u>

The notes on pages 10 to 20 form part of these financial statements.

These financial statements were approved by the board of directors and were signed on its behalf by:

Director



8/8/05

Consolidated cash flow statement

for the period ended 30 November 2004

		30 November 2004 £000
	Note	
Cash inflow from operating activities	20	15,025
Returns on investment and servicing of finance		(10,575)
Taxation		—
Capital expenditure and financial investment		(299,035)
Cash outflow before use of liquid cash resources and financing		(294,585)
Financing		
Start up loans		8,815
Mortgage backed securities		319,053
Share capital		13
		327,881
Increase in cash in the year		33,296

Reconciliation of movement in net cashflow to movement in net debt

		30 November 2004 £000
	Notes	
Increase in cash in the year		33,296
Cash flow from increase in net debt and loan financing	21	(327,868)
Change in net debt resulting from cashflows		(294,572)
Capitalised issue costs		2,006
Opening net debt	21	—
Closing net debt		(292,566)

Notes to the financial statements

at 30 November 2004

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and have been drawn up under the historical cost convention. The financial statements have been prepared on a going concern basis.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries for the period ended 30 November 2004. All the subsidiaries are accounted for using acquisition accounting.

In accordance with section 230 (4) of the Companies Act 1985, Southern Pacific 04-A Parent Limited is exempt from the requirement to present its own profit and loss account. The amount of profit for the period dealt with in the financial statements of Southern Pacific 04-A Parent Limited is disclosed in note 16 to the financial statements.

Mortgage loans

Mortgage loans are stated at cost less provision made to reduce the value of the loans to their estimated recoverable amount. Provisions are made against mortgages when in the opinion of the directors, credit risk or economic risk make recovery doubtful. A loan premium is recognised where mortgages are acquired at amounts in excess of the amount recoverable from customers. This loan premium is amortised over the expected life of the mortgages.

Provisions

Specific provisions for losses on loans and advances to customers are made throughout the period and at the period end on a case by case basis (calculated with reference to the probability of the loan defaulting and the value of the security held against the loan). The specific provision for properties in possession is based on the balance outstanding less a discounted valuation of the security held (with adjustments for expenses of sale).

A general provision for losses is made for the general risk of default by customers which is inherent in a mortgage portfolio on balances excluding those in arrears and possession provided for specifically.

Fixed asset investment

The Company's investment in subsidiary companies is stated at cost, less provision for diminution in value where the directors consider this necessary.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transaction or events that result in an obligation to pay more, or a right to pay less tax in the future, have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 30 November 2004

1. Accounting policies (continued)

Deferred consideration

Deferred consideration represents further amounts payable on the acquisition of mortgages from Southern Pacific Mortgage Limited. The payment of these amounts is conditional on the performance of the acquired mortgages. Provision is made for deferred consideration within the financial statements as amounts become payable as a result of the performance of the acquired mortgages.

Interest

Receipts and payments of interest are accounted for on an accruals basis.

Redemption fee income

Redemption fees are receivable on mortgage loans when partially or fully repaid. The level of the fee is dependent on the specific product. The income is credited to the profit and loss account as received.

Sundry fee income

Borrowers may be charged fees as a result of specific information requests and where mortgage accounts fall into delinquency. This income is credited to the profit and loss account on an accruals basis.

Interest rate swaps

During the period a series of amortising interest rate caps were entered into in order to manage the Group's interest rate risk in relation to fixed rate mortgage loans. The derivative contracts matched the expected profile of the run-off of the fixed rate loans. The premiums paid under the interest rate caps are amortised over the life of the transaction and included within interest payable within the profit and loss account.

Issue costs

Initial issue costs incurred in arranging funding facilities are amortised over the life of the facility. Unamortised initial issue costs are deducted from the associated liability in accordance with Financial Reporting Standard No.4 and costs amortised in the period are included in interest payable.

Related party transactions

Southern Pacific Mortgage Limited retains an interest in the cashflows and profits of Southern Pacific Securities 04-A plc, a wholly owned subsidiary of Southern Pacific 04-A Parent Ltd. Accordingly Southern Pacific Mortgage Limited, whilst having no direct investment in the Group, is treated as a related party.

The Group's trade and turnover are wholly within the UK and within a single market sector.

Turnover

The nature of the Group's business is such that its turnover is comprised of interest receivable on its mortgage assets. The Group's income and trade are wholly within the UK and within a single market sector and therefore no segmental analysis has been presented.

Notes to the financial statements

at 30 November 2004

2. Interest receivable and similar income

*Period ended
30 November
2004
£000*

On mortgage loans	12,260
Other interest	556
	<u>12,816</u>

3. Interest payable and similar charges

*Period ended
30 November
2004
£000*

Start up loan	280
Other interest payable	172
Mortgage backed loan notes	10,123
Amortisation of capitalised issue costs	473
	<u>11,048</u>

4. Other operating income

*Period ended
30 November
2004
£000*

Redemption fees	996
Sundry fee income	296
	<u>1,292</u>

5. Profit on ordinary activities before taxation

*Period ended
30 November
2004
£000*

Profit on ordinary activities before taxation is stated after charging:	
Auditors' remuneration - Group	11
- Company	3
Provision for mortgage losses	956
Amortisation of capitalised issue costs	473
Deferred consideration	1,346

Notes to the financial statements

at 30 November 2004

6. Taxation

(a) Analysis of tax charge in the period

	<i>Period ended 30 November 2004 £000</i>
Current tax:	
UK corporation tax on profits in the period	100
Total current tax (note 6(b))	100
Deferred tax:	(52)
Current period credit	
Tax on profit on ordinary activities	48

(b) Factors affecting the tax charge in the period

The tax assessed for the period is higher than the standard rate for current corporation tax in the UK of 30%. The differences are explained below:

	<i>Period ended 30 November 2004 £000</i>
Profit on ordinary activities before tax	73
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30%	22
Effect of: Short-term timing differences	78
	100

7. Information regarding directors and employees

The Company has no employees. The directors received no remuneration from the Company during the period.

Notes to the financial statements

at 30 November 2004

8. Investments

Company

	<i>Shares in group undertakings £</i>
Cost:	
On incorporation	—
Additions	12,502
At 30 November 2004	<u>12,502</u>

The undertakings in which the Company's interest at 30 November 2004 is more than 20% are as follows:

<i>Company</i>	<i>Principal activity</i>	<i>Proportion held</i>
Southern Pacific Securities 04-A plc	Investment in residential loans	100%

The issued share capital consists of ordinary share capital. The Company is registered and operates in the United Kingdom. The subsidiary is wholly owned and is accounted for using the acquisition method. The net assets of Southern Pacific Securities 04-A plc on acquisition were £12,502 comprising cash at bank and in hand.

9. Mortgage loans – net balances

	<i>Mortgages £000</i>	<i>Mortgage loss provision £000</i>	<i>Total £000</i>
Group			
On incorporation	—	—	—
Acquired during period	348,957	(1,149)	347,808
Net movement in the period	(49,922)	(715)	(50,637)
At 30 November 2004	<u>299,035</u>	<u>(1,864)</u>	<u>297,171</u>

Net mortgage loans of £297,171,000 are held as security against the loan notes referred to in note 14.

10. Mortgage Loans - Unamortised premium

Group

	<i>30 November 2004 £000</i>
Premium on acquisition	1,149
Amortisation in the period	(226)
At 30 November 2004	<u>923</u>

Notes to the financial statements

at 30 November 2004

11. Debtors: amounts falling due after more than one year

Group

	<i>30 November</i>
	<i>2004</i>
	<i>£000</i>
Mortgage Loans:	
Net balances (note 9)	293,682
Unamortised premium on acquisition	644
	<hr/>
At 30 November 2004	294,326
	<hr/>

12. Debtors: amounts falling due within one year

Group

	<i>30 November</i>
	<i>2004</i>
	<i>£000</i>
Mortgage loans:	
Net balances (note 9)	3,489
Unamortised premium	279
Prepayments and accrued income	1,878
Deferred Taxation	52
Other debtors	4
	<hr/>
	5,702
	<hr/>

13. Creditors: amounts falling due within one year

Group

	<i>30 November</i>
	<i>2004</i>
	<i>£000</i>
Amounts due to related parties	2,682
Corporation tax	100
Deferred consideration	817
Accruals and deferred income	3,825
	<hr/>
	7,424
	<hr/>

Notes to the financial statements

at 30 November 2004

14. Creditors: amounts falling due after more than one year

	<i>30 November 2004 £000</i>
GBP Denominated Mortgage backed loan notes due 2042 – Class A	274,253
GBP Denominated Mortgage backed loan notes due 2042 – Class B	21,000
GBP Denominated Mortgage backed loan notes due 2042 – Class C	11,550
GBP Denominated Mortgage backed loan notes due 2042 – Class D	8,750
GBP Denominated Mortgage backed loan notes due 2042 – Class E	3,500
	<hr/> 319,053
Less: Issue costs	(2,006)
Start up loan	8,815
	<hr/> 325,862 <hr/>

All amounts falling due after more than one year fall due after more than five years.

The mortgage backed floating rate notes due 2042 are secured over a portfolio of mortgage loans secured by first and second charges over residential properties in the United Kingdom.

The mortgages were purchased from Southern Pacific Mortgage Limited. The mortgages are administered by Southern Pacific Mortgage Limited on behalf of Southern Pacific Securities 04-A plc.

The mortgage backed floating rate notes are subject to mandatory redemption in part at each interest payment date in an amount equal to the principal received or recovered in respect of the mortgages. If not otherwise redeemed or purchased and cancelled, the notes will be redeemed at their principal amount outstanding on the interest payment date falling in September 2042.

Interest on the notes is payable quarterly in arrears at the following annual rates for three month deposits:

Class A	Sterling LIBOR + 0.25%
Class A with Detachable Coupons	Sterling LIBOR + 0.10%
Class B	Sterling LIBOR + 0.60%
Class C	Sterling LIBOR + 0.90%
Class D	Sterling LIBOR + 1.85%
Class E	Sterling LIBOR + 2.50%

The start up loan is repayable by Southern Pacific Securities 04-A plc to Southern Pacific Mortgage Limited on or before September 2042. Interest is payable at a rate of 1.00% above the London Interbank Offered Rate for three month sterling deposits.

Notes to the financial statements

at 30 November 2004

15. Called up share capital

	<i>30 November 2004 £</i>
<i>Authorised</i>	
Ordinary shares of £1 each	50,000
<i>Allotted, called up and fully paid</i>	
Ordinary shares of £1 each	12,502

£1 of share capital was issued on incorporation on 14 January 2004 and settled for cash on 23 March 2004. The remaining shares were allotted, called and fully paid on 23 March 2004.

16. Profit and loss account

	<i>Group 30 November 2004 £000</i>	<i>Company 30 November 2004 £000</i>
Retained profit brought forward	—	—
Retained profit for the period	25	—
Retained profit carried forward	25	—

17. Reconciliation of movement in shareholder's funds

	<i>Group 30 November 2004 £000</i>	<i>Company 30 November 2004 £000</i>
Issue of ordinary share capital	13	13
Retained profit for the year	25	—
Net increase in shareholder's funds	38	13
Opening shareholder's funds	—	—
Closing shareholder's funds	38	13

Notes to the financial statements

at 30 November 2004

18. Derivatives and other financial instruments

As explained on page 3 the Group uses financial instruments in its normal course of business. The following analysis gives an indication of the significance of these instruments to the Group.

(a) Interest rate risk profile of financial liabilities as at 30 November 2004

	<i>Total</i>	<i>Total</i>	<i>Weighted</i>	<i>Weighted</i>
	<i>variable</i>	<i>fixed</i>	<i>average</i>	<i>average time</i>
	<i>rate</i>	<i>rate</i>	<i>interest</i>	<i>for which</i>
<i>Total</i>	<i>rate</i>	<i>rate</i>	<i>rate</i>	<i>rate is fixed</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>%</i>	<i>years</i>
Interest rate profile	327,868	327,868	—	—

(b) Interest rate risk profile of financial assets as at 30 November 2004

	<i>Total</i>	<i>Total</i>	<i>Weighted</i>	<i>Weighted</i>
	<i>variable</i>	<i>fixed</i>	<i>average</i>	<i>average time</i>
	<i>rate</i>	<i>rate</i>	<i>interest</i>	<i>for which</i>
<i>Total</i>	<i>rate</i>	<i>rate</i>	<i>rate</i>	<i>rate is fixed</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>%</i>	<i>years</i>
Interest rate profile	332,331	306,173	26,158	5.58

All financial assets are denominated in pounds sterling.

The rates of interest receivable and payable on variable rate financial instruments, with the exception of the mortgage backed loan notes, are set with reference to the London Interbank Offer Rate. The rates of interest payable on the mortgage backed loan notes are set as detailed in note 14.

A series of currency swaps have been entered into, in order to manage the Group's currency rate exposure.

(c) Fair value of financial instruments

	<i>Book value</i>	<i>Fair value</i>
	<i>30 November</i>	<i>30 November</i>
	<i>2004</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
On balance sheet		
Mortgage loans	299,035	299,035
Cash and deposits	33,296	33,296
Mortgage backed loan notes due 2042	(319,053)	(319,053)
Start up loan	(8,815)	(8,815)

The Group uses interest rate caps in certain circumstances to hedge against movements in interest rates.

At 30 November 2004 the notional value of the caps held was £98,760,000 and the unrecognised negative fair value was £97,293.

Notes to the financial statements

at 30 November 2004

19. Deferred Taxation

	<i>Period ended 30 November 2004 £000</i>
Other short term timing differences	52
	<u>52</u>
Asset on incorporation	—
Deferred tax credit in the profit and loss account (note 6)	52
	<u>52</u>
Asset on incorporation	52
	<u>52</u>

Deferred tax has only been recognised to the extent that it is estimated to reverse in future and therefore only £51,538 has been recognised in the financial statements. A further deferred tax asset totalling £26,462 has not been recognised.

20. Reconciliation of operating profit to net cash inflow from operating activities

	<i>Period ended 30 November 2004 £000</i>
Operating profit	73
Interest payable on start up loan	280
Interest payable on mortgage backed loan notes	10,123
Other interest payable	172
Unamortised premium on acquisition	(923)
Unamortised premium on loan notes/initial issue costs	(2006)
Provision for deferred consideration	817
Movement in provision for mortgage losses	1,864
Change in other debtors	(1,882)
Change in other creditors	6,507
	<u>15,025</u>
Net cash inflow from operating activities	<u>15,025</u>

Notes to the financial statements

at 30 November 2004

21. Analysis of net debt

	<i>Opening balances £000</i>	<i>Cash flow £000</i>	<i>Other Non-cash Movements £000</i>	<i>30 November 2004 £000</i>
Cash in hand and at bank	—	33,296	—	33,296
Mortgage backed securities	—	(319,053)	—	(319,053)
Start up loan	—	(8,815)	—	(8,815)
Cash flow from increase in net debt and loan financing	—	(327,868)	—	(327,868)
Amortisation of capitalised issue costs	—	—	2,006	2,006
Total	—	(294,572)	2,006	(292,566)

The net non-cash movements arise from the amortisation of the initial costs on start up which have been capitalised.

22. Related party transactions

During the year, Southern Pacific Securities 04-A plc purchased mortgages for £348,957,000 from Southern Pacific Mortgage Limited.

During the year, Southern Pacific Securities 04-A plc has been charged the following amounts of interest and administration fees by Southern Pacific Mortgage Limited and the amounts outstanding at year end are:

	<i>Amount charged period ended 30 November 2004 £000</i>	<i>Amount outstanding 30 November 2004 £000</i>
A note detachable coupons	172	61
Start-up loan interest	280	280
Start-up loan principal	—	8,815
Mortgage & Cash/bond administration fees	618	169
Aggregate arrears and interest loan	—	1,866

23. Control

The entire issued share capital of the Company is held by a Trustee under the terms of a trust primarily for the benefit of the creditors of the Company or, if none, for the benefit of the holders of notes issued by the wholly-owned subsidiary, Southern Pacific Securities 04-A plc, and ultimately for charitable purposes.

The largest group in which the results of the Company are consolidated is that headed by Lehman Brothers Holdings Inc., incorporated in the United States of America. The consolidated accounts of this group are available from 745 Seventh Avenue, New York, USA.