

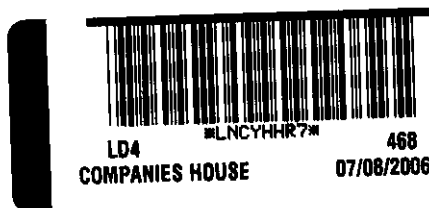
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## Southern Pacific 04-A Parent Limited

### Directors' Report and Financial Statements

30 November 2005

ERNST & YOUNG



Registered No: 05014807

**Directors**

W C Bilsborough  
A W Gower  
Capita Trust Company Ltd

**Secretary**

Clifford Chance Secretaries (CCA) 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 year ended 30 November 2005.

### Principal activities

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.

### Business review

The results for the year are shown in the consolidated profit and loss account on page 6. Both the level of business during the year and the financial position of the Group at the end of the year were satisfactory.

### Dividend

The directors do not recommend the payment of a dividend for the year (2004 - £nil).

### 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 2005 (2004 - nil days).

### Directors and directors' interests

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

W E Cherry	(resigned 23 September 2005)
Capita Trust Company Ltd	
W C Bilsborough	(appointed 23 September 2005)
AW Gower	(appointed 11 February 2005)

None of the directors who held office at the end of the year had any disclosable interest in the shares of the Company (2004 - £nil).

## 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 year 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 year 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

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:

26 July 2006

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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**

We have audited the group's financial statements for the year ended 30 November 2005, 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 group'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 group'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 group and the group'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 Group's directors are responsible for the preparation of the financial statements in accordance with applicable 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 Group 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 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP.*  
Ernst & Young  
Registered Auditor  
London

*26 July 2006*

**Consolidated profit and loss account**

for the year ended 30 November 2005

		<i>Year ended Period ended</i>	
		<i>30 November 2005</i>	<i>30 November 2004</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Interest receivable and similar income	2	18,635	12,816
Interest payable and similar charges	3	(17,052)	(11,048)
<b>Net interest receivable</b>		<b>1,583</b>	<b>1,768</b>
Other operating income	4	2,230	1,292
<b>Total operating income</b>		<b>3,813</b>	<b>3,060</b>
Operating expenses		(3,818)	(2,987)
<b>(Loss)/profit on ordinary activities before taxation</b>	5	<b>(5)</b>	<b>73</b>
Tax on (loss)/profit on ordinary activities	6	31	(48)
<b>Profit on ordinary activities before taxation</b>	16	<b>26</b>	<b>25</b>

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 2005

	Notes	2005 £000	2004 £000
<b>Current assets</b>			
Debtors:			
Amounts falling due after one year	11	206,040	294,326
Amounts falling due within one year	12	5,222	5,702
Cash at bank and in hand		33,892	33,296
		<u>245,154</u>	<u>333,324</u>
<b>Creditors:</b> amounts falling due within one year	13	(5,790)	(7,424)
		<u>239,364</u>	<u>325,900</u>
<b>Net current assets</b>			
<b>Creditors:</b> amounts falling due after more than one year	14	(239,300)	(325,862)
		<u>64</u>	<u>38</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	15	13	13
Profit and loss account	16	51	25
		<u>64</u>	<u>38</u>
<b>Shareholder's funds</b>			
	17	<u>64</u>	<u>38</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

Date:

26 May 2006



## Company balance sheet

at 30 November 2005

	Notes	2005 £000	2004 £000
<b>Fixed assets</b>			
Investments	8	13	13
<b>Net assets</b>		<u>13</u>	<u>13</u>
<b>Capital and reserves</b>			
Called up share capital	15	13	13
Profit and loss account	16	—	—
<b>Shareholder's funds</b>	17	<u>13</u>	<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

Date:

26/11/2006

**Consolidated cash flow statement**

for the year ended 30 November 2005

		<i>Year ended Period ended</i>	
		<i>30 November 2005</i>	<i>30 November 2004</i>
	<i>Note</i>	<i>£000</i>	<i>£000</i>
Cash inflow from operating activities	20	16,550	15,098
Returns on investment and servicing of finance		(16,517)	(10,648)
Taxation		(99)	—
Capital expenditure and financial investment		87,891	(299,035)
<b>Cash inflow/(outflow) before use of liquid cash resources and financing</b>		<b>87,825</b>	<b>(294,585)</b>
<b>Financing</b>			
Start up loans		—	8,815
Mortgage backed securities		(87,229)	319,053
Share capital		—	13
		<b>(87,229)</b>	<b>327,881</b>
<b>Increase in cash in the year</b>		<b>596</b>	<b>33,296</b>

**Reconciliation of movement in net cashflow to movement in net debt**

		<i>Year ended Period ended</i>	
		<i>30 November 2005</i>	<i>30 November 2004</i>
	<i>Note</i>	<i>£000</i>	<i>£000</i>
Increase in cash in the year		596	33,296
Cash flow from decrease/(increase) in net debt and loan financing	21	87,227	(327,868)
Change in net debt resulting from cashflows		87,823	(294,572)
Capitalised issue costs		(665)	2,006
<b>Opening net debt</b>	21	<b>87,158</b>	<b>(292,566)</b>
		<b>(292,566)</b>	<b>—</b>
<b>Closing net debt</b>		<b>(205,408)</b>	<b>(292,566)</b>

## Notes to the financial statements

at 30 November 2005

### 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 year ended 30 November 2005. 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 year 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 year and at the year 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 year 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 2005

### 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 year 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 year are included in interest payable.

#### Related party transactions

Southern Pacific Mortgage Limited retains an interest in the cashflows and profits of Southern Pacific Financing 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 2005

### 2. Interest receivable and similar income

	<i>Year ended 30 November 2005</i>	<i>Period ended 30 November 2004</i>
	<i>£000</i>	<i>£000</i>
On mortgage loans	17,544	12,260
Other interest	1,091	556
	<u>18,635</u>	<u>12,816</u>

### 3. Interest payable and similar charges

	<i>Year ended 30 November 2005</i>	<i>Period ended 30 November 2004</i>
	<i>£000</i>	<i>£000</i>
Start up loan	501	280
Other interest payable	137	73
Mortgage backed loan notes	15,879	10,295
Amortisation of capitalised issue costs	535	400
	<u>17,052</u>	<u>11,048</u>

### 4. Other operating income

	<i>Year ended 30 November 2005</i>	<i>Period ended 30 November 2004</i>
	<i>£000</i>	<i>£000</i>
Redemption fees	1,689	996
Sundry fee income	541	296
	<u>2,230</u>	<u>1,292</u>

### 5. Profit on ordinary activities before taxation

	<i>Year ended 30 November 2005</i>	<i>Period ended 30 November 2004</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - Group	11	11
- Company	3	3
Provision for mortgage losses	1,600	956
Amortisation of capitalised issue costs	535	473
Deferred consideration	1,360	1,346
	<u></u>	<u></u>

## Notes to the financial statements

at 30 November 2005

### 6. Taxation

(a) Analysis of tax charge in the year

	<i>Year ended Period ended</i>	
	<i>30 November 2005</i>	<i>30 November 2004</i>
	<i>£000</i>	<i>£000</i>
Current tax:		
UK corporation tax on profits in the year	(50)	100
Adjustment to prior period tax charge	(3)	—
Total current tax (note 6(b))	(53)	100
Deferred tax:		
Origination and reversal of timing differences	22	(52)
Tax on profit on ordinary activities	(31)	48

(b) Factors affecting the tax charge in the year

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

	<i>Year ended Period ended</i>	
	<i>30 November 2005</i>	<i>30 November 2004</i>
	<i>£000</i>	<i>£000</i>
(Loss)/profit on ordinary activities before tax	(5)	73
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 30%	(1)	22
Effect of:		
Short-term timing differences	(48)	78
Prior period adjustment	(4)	—
	(53)	100

### 7. Information regarding directors and employees

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

## Notes to the financial statements

at 30 November 2005

### 8. Investments

*Company*

	<i>Shares in group undertakings £</i>
Cost:	
At 30 November 2004	12,502
Additions	—
At 30 November 2005	12,502

The undertakings in which the Company's interest at 30 November 2005 is more than 20% are as follows:

<i>Company</i>	<i>Principal activity</i>	<i>Proportion held</i>
Southern Pacific Financing 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 Financing 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			
At 30 November 2004	299,035	(1,864)	297,171
Net movement in the year	(87,889)	(1,093)	(88,982)
At 30 November 2005	211,146	(2,957)	208,189

Net mortgage loans of £208,189,000 (2004 - £297,171,000) are held as security against the loan notes referred to in note 14.

### 10. Mortgage Loans - Unamortised premium

*Group*

	<i>2005 £000</i>	<i>2004 £000</i>
At the start of the year	923	1,149
Amortisation in the year	(301)	(226)
At 30 November 2005	622	923

## Notes to the financial statements

at 30 November 2005

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

*Group*

	2005	2004
	£000	£000
Mortgage Loans:		
Net balances (note 9)	205,628	293,682
Unamortised premium on acquisition	412	644
At 30 November 2005	<u>206,040</u>	<u>294,326</u>

### 12. Debtors: amounts falling due within one year

*Group*

	2005	2004
	£000	£000
Mortgage loans:		
Net balances (note 9)	2,561	3,489
Unamortised premium	210	279
Prepayments and accrued income	1,375	1,878
Deferred Taxation	30	52
Deferred consideration	994	—
Corporation tax	52	—
Other debtors	—	4
	<u>5,222</u>	<u>5,702</u>

### 13. Creditors: amounts falling due within one year

*Group*

	2005	2004
	£000	£000
Amounts due to related parties	3,185	2,682
Corporation tax	—	100
Deferred consideration	—	817
Accruals and deferred income	2,593	3,825
Other creditors	12	—
	<u>5,790</u>	<u>7,424</u>



## Notes to the financial statements

at 30 November 2005

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

	2005	2004
	£000	£000
GBP Denominated Mortgage backed loan notes due 2042 – Class A	187,026	274,253
GBP Denominated Mortgage backed loan notes due 2042 – Class B	21,000	21,000
GBP Denominated Mortgage backed loan notes due 2042 – Class C	11,550	11,550
GBP Denominated Mortgage backed loan notes due 2042 – Class D	8,750	8,750
GBP Denominated Mortgage backed loan notes due 2042 – Class E	3,500	3,500
	<hr/>	<hr/>
	231,826	319,053
Less: Issue costs	(1,341)	(2,006)
Start up loan	8,815	8,815
	<hr/>	<hr/>
	239,300	325,862
	<hr/>	<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 Financing 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 Financing 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 2005

## 15. Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
Ordinary shares of £1 each	15,000	15,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	12,501	12,501

## 16. Profit and loss account

	Group 2005 £000	Company 2005 £000	Group 2004 £000	Company 2004 £000
Retained profit brought forward	25	—	—	—
Profit for the year	26	—	25	—
Retained profit carried forward	51	—	25	—

## 17. Reconciliation of movement in shareholder's funds

	Group 2005 £000	Company 2005 £000	Group 2004 £000	Company 2004 £000
Issue of ordinary share capital	—	—	13	13
Retained profit for the year	26	—	25	—
Net increase in shareholder's funds	26	—	38	13
Opening shareholder's funds	38	13	—	—
Closing shareholder's funds	64	13	38	13

## Notes to the financial statements

at 30 November 2005

### 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

	<i>Total</i>	<i>Total</i>	<i>Total</i>	<i>Weighted</i>	<i>Weighted</i>
	<i>variable</i>	<i>fixed</i>	<i>average</i>	<i>average</i>	<i>time</i>
	<i>rate</i>	<i>rate</i>	<i>interest</i>	<i>rate</i>	<i>for which</i>
	<i>£000</i>	<i>£000</i>	<i>rate</i>	<i>rate</i>	<i>rate is fixed</i>
			<i>%</i>		<i>years</i>
<b>2005</b>					
Interest rate profile	240,641	240,641	—	—	—
	=====	=====	=====	=====	=====
<b>2004</b>					
Interest rate profile	327,868	327,868	—	—	—
	=====	=====	=====	=====	=====

All financial liabilities are denominated in pounds sterling.

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

	<i>Total</i>	<i>Total</i>	<i>Total</i>	<i>Weighted</i>	<i>Weighted</i>
	<i>variable</i>	<i>fixed</i>	<i>average</i>	<i>average</i>	<i>time</i>
	<i>rate</i>	<i>rate</i>	<i>interest</i>	<i>rate</i>	<i>for which</i>
	<i>£000</i>	<i>£000</i>	<i>rate</i>	<i>rate</i>	<i>rate is fixed</i>
			<i>%</i>		<i>years</i>
<b>2005</b>					
Interest rate profile	245,038	228,904	16,134	5.67	0.00
	=====	=====	=====	=====	=====
<b>2004</b>					
Interest rate profile	332,331	306,173	26,158	5.58	0.88
	=====	=====	=====	=====	=====

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.

#### (c) Fair value of financial instruments

	<i>Book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value</i>
	<i>2005</i>	<i>2005</i>	<i>2004</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>On balance sheet</b>				
Mortgage loans	211,146	211,146	299,035	299,035
Cash and deposits	33,892	33,892	33,296	33,296
Mortgage backed loan notes due 2042	(231,826)	(231,826)	(319,053)	(319,053)
Start up loan	(8,815)	(8,815)	(8,815)	(8,815)

## Notes to the financial statements

at 30 November 2005

### 18. Derivatives and other financial instruments (continued)

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

At 30 November 2005 the notional value of the caps held was £97,120,000 (2004 - £98,760,000) and the unrecognised negative fair value was £16,998 (2004 - £97,293).

### 19. Deferred taxation

	<i>Year ended Period ended</i>	
	<i>30 November</i>	<i>30 November</i>
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Other short term timing differences	30	52
	<u>30</u>	<u>52</u>
Deferred tax asset brought forward	52	—
Deferred tax credit in the profit and loss account (note 6)	(22)	52
Asset at the end of the year	<u>30</u>	<u>52</u>

Deferred tax has only been recognised to the extent that it is estimated to reverse in future. At the end of the year the deferred tax asset not recognised is nil (2004 - £26,462).

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

	<i>Year ended Period ended</i>	
	<i>30 November</i>	<i>30 November</i>
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Operating (loss)/profit	(5)	73
Interest payable on start up loan	501	280
Interest payable on mortgage backed loan notes	15,879	10,295
Other interest payable	137	73
Unamortised premium on acquisition	301	(923)
Unamortised premium on loan notes/initial issue costs	665	(2,006)
Provision for deferred consideration	(1,811)	817
Movement in provision for mortgage losses	1,093	1,864
Change in other debtors	507	(1,882)
Change in other creditors	(717)	6,507
Net cash inflow from operating activities	<u>16,550</u>	<u>15,098</u>

## Notes to the financial statements

at 30 November 2005

### 21. Analysis of net debt

	30 November 2004 £000	Cash flow £000	Other Non-cash Movements £000	30 November 2005 £000
Cash in hand and at bank	33,296	596	–	33,892
Mortgage backed securities	(319,053)	87,227	–	(231,826)
Start up loan	(8,815)	–	–	(8,815)
Cash flow from increase in net debt and loan financing	(327,868)	87,227	–	(206,749)
Amortisation of capitalised issue costs	2,006	–	(665)	1,341
Total	(292,566)	87,823	(665)	(205,408)

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:

	Amount charged year ended 30 November 2005 £000	Amount outstanding 30 November 2005 £000	Amount charged period ended 30 November 2004 £000	Amount outstanding 30 November 2004 £000
A note detachable coupons	1,778	451	172	61
Start-up loan interest	501	781	280	280
Start-up loan principal	–	8,815	–	8,815
Mortgage & Cash/bond administration fees	697	79	618	169
Aggregate arrears and interest loan	–	1,560	–	1,866
Other mortgage related items	–	9	–	–
Working Capital Loan	–	306	–	306

### 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 Financing 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.