Marble Arch Residential Securitisation No. 4 Parent Limited

Report and Financial Statements

30 November 2010

Registered No 05819309

Directors

M H Filer
Wilmington Trust SP Services (London) Limited
J Schroeder

Secretary

Wilmington Trust SP Services (London) Limited
Third Floor
1 King s Arms Yard
London EC2R 7AF

Auditors

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

Note Trustee

BNYM Corporate Trustee Services Limited
One Canada Square
London E14 5AL

Registered Office

c/o Wilmington Trust SP Services (London) Limited
Third Floor
1 King s Arms Yard
London EC2R 7AF

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 30 November 2010

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 properties within the United Kingdom

Business review

On 31 October 2006 the Group purchased £839,999,706 of mortgages from Southern Pacific Mortgage Limited Further consideration may be payable dependent on future performance of the mortgages The acquisition of these mortgage assets has been accounted for as a loan to originator as detailed in Note 1 of the financial statements To facilitate the purchase, the Group issued a series of mortgage-backed loans on 31 October 2006 These loan notes are listed on the Irish Stock Exchange

The mortgage servicing, cash bond administration and accounting services are provided to the Group by Acenden Limited (formerly Capstone Mortgage Services Limited), an external party

The consolidated results for the year ended 30 November 2010 are set out on page 9 The Group's business activities, together with the factors likely to affect its future development, financial performance and financial position are set out below

The current economic environment is difficult and the Group has reported a loss on ordinary activities before tax for the year after Financial Reporting Standard No 26 adjustments, which are required in order to recognise the interest income on mortgage loan assets underlying the loan to originator on an Effective Interest Rate (EIR) basis The directors consider that the outlook presents significant challenges in meeting the capital repayments and interest due to the holders of the loan notes as and when they fall due

The directors have concluded that the Group will continue as a going concern and set out the basis for this conclusion in the Going concern section of this report

On 22 September 2009 the Group filed claims of US$17,806,765 against the interest rate swap counterparty arising from the Swap Agreement and against Lehman Brothers Holdings Inc (LBHI) arising from a guarantee given by LBHI unconditionally guaranteeing the obligations of the Swap Counterparty in connection with the Swap Agreement The directors do not currently think that it is possible to quantify amounts that may eventually be recovered under these claims and therefore nothing has been recognised in the financial statements

As required by Financial Reporting Standard No 26, the result for the year includes a fair value loss on derivative financial instruments of £6,002,460 (2009 – £7,396,223gain) and an unrealised exchange gain on restatement of loan liabilities of £6,872,947 (2009 – £6,681,415loss)

At the year end the loan to originator balance after the Effective Interest Rate Adjustment, was £286,160,157 (2009 – £317,616,913) At the December 2010 Interest Payment Date the originator held the following mortgage loans underlying the loan to originator, excluding the Effective Interest Rate Adjustment

	Principal balance £000	*Number of loans*
First Mortgages	243,003	1,789
Second Mortgages	57,115	3,274
Total	300,118	5,063

Directors' report

Busıness review (contınued)

These mortgages provıde securıty agaınst loan notes ın ıssue totallıng £300,114,398 as at the December 2010 Interest Payment date

The mortgage loans generated a weıghted average margın over fundıng costs of 4 30% durıng the year, before consıderıng the adjustments for Fınancıal Reportıng Standard No 26 The weıghted average cost of funds for the year was 0 68%

The mortgage loans exhıbıted the followıng quarterly arrears profile

	Q1	*Q2*	*Q3*	*Q4*
	%	%	%	%
Delınquencıes days – (excludıng repossessıons)				
Current	76 16	75 36	76 33	76 38
>30<=60	6 03	5 76	5 68	5 84
>60<=90	2 69	3 50	4 08	4 10
>90<=120	2 76	2 56	2 79	2 81
>120	12 36	12 82	11 12	10 87
Total	100 00	100 00	100 00	100 00

At the March 2011 Interest Payment Date followıng the year end, the mortgage assets underlyıng the loan to orıgınator balance, was £294,869,811, 14 90% of the balance was greater than 3 months ın arrears

The dırectors consıder the level of arrears to be wıthın expectatıons and have not made any adjustment to the expected cash flows of the loan to orıgınator

The performance of the mortgage loans durıng the year to 30 November 2010 enabled deferred consıderatıon of £Nıl (2009 – £Nıl) to be paıd to the current holder of the rıghts to the resıdual cash flows of the securıtısatıon

Future development

The dırectors of the company do not envısage any change to the prıncıpal actıvıtıes of the Group ın the future

Goıng concern

As descrıbed ın the Busıness revıew, the Group has reported a loss on ordınary actıvıtıes before tax for the year

The Group ıs also ın a net lıabılıty posıtıon as at 30 November 2010 due to the ımpact of adverse ınterest rate movements on the value of the mortgage backed loan notes, whıch are no longer covered by ınterest rate swaps, the amortısatıon of the premıum paıd to the mortgage loan orıgınator and the ımpaırment of the underlyıng mortgage loans Should these adverse ınterest rate movements and thıs ımpaırment not reverse ın forthcomıng perıods the Group may be unable to meet capıtal repayments and ınterest due to the holders of the loan notes as and when they fall due

It ıs the ıntentıon of the dırectors of the Group to contınue operatıons untıl such a tıme as the amount due from mortgage loans underlyıng the loan to orıgınator have been fully realısed Ultımately, due to the non-recourse nature of the mortgage backed loan notes, any shortfall ın the proceeds from the mortgage assets wıll be a rısk to the holders of those notes and accordıngly the fınancıal statements have been prepared on a goıng concern basıs

Fair value

Note 18 dıscloses the faır values of the mortgage assets, underlyıng the loan to orıgınator, and loan notes The dırectors noted that as at 30 November 2010 the respectıve faır values of the mortgage assets underlyıng the loan to orıgınator, and loan notes are less than the carryıng values recorded ın the balance sheet

Directors' report

Fair value (continued)

The directors believe that this is reasonable, based on the global contraction of credit markets, the challenges faced by the sub prime mortgage sector and the decline in market demand for mortgage backed securities

As no liquid market exists for either the mortgage loans underlying the loan to originator or loan notes, the directors have ascribed an approximate fair value based on an internal discounted cash flow model that is used to value non-securitised mortgage loan receivables This model takes into account expected prepayment rates, arrears levels, house price movements, level of repossessions, losses and discount rates based on the most recent available information

Dividend

The directors do not recommend the payment of a dividend for the year (2009 – £Nil)

Policy and practice on payment of creditors

The Group does not follow any stated code on payment practice It is the Group'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 Group to abide by the agreed terms of payment There are no creditor days of suppliers' invoices outstanding at the year end (2009 – nil days)

Directors

The directors who held office during the year were as follows

M H Filer
Wilmington Trust SP Services (London) Limited
J Schroeder

Registered office

On 31 May 2011 the company changed its registered office Details of the new registered office are shown on page 1

Principal risks and uncertainties

Financial instrument risk

The financial instruments held by the Group comprise mortgage assets underlying the loan to originator, borrowings, cash and various other items (such as other debtors, other creditors etc) that arise directly from its operations

The Group also entered into derivative 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, foreign exchange 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 underlying the loan to originator 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 The mortgage portfolio is recognised as a collateralised non-recourse loan to the originator as explained in note 1 In addition there is credit risk associated with the ability of the swap counterparty to meet its obligations under the swap agreement This is recognised by showing the derivative financial instruments in the balance sheet net of a credit valuation adjustment

Directors' report

Principal risks and uncertainties (continued)

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 has used derivative financial instruments to mitigate any residual interest rate risk However the interest rate swap counterparty has filed for Chapter 11 bankruptcy, and has defaulted on the swaps The swap agreements have not been replaced The directors believe under current circumstances that it is not viable to replace the swaps and until such time, the Group will continue with an unhedged interest rate risk exposure

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 exchange risk by ensuring that the currency characteristics of its assets and liabilities are similar Where this is not possible the Group has used derivative financial instruments to mitigate any foreign exchange risk

Liquidity risk

The Group's policy is to manage liquidity risk by matching the timing of the cash receipts from mortgage assets underlying the loan to originator 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

Corporate governance

The Directors are responsible for internal control in Marble Arch Residential Securitisation No 4 Parent Limited and for reviewing the effectiveness Procedures have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud The procedures enable Marble Arch Residential Securitisation No 4 Parent Limited to comply with the relevant regulatory obligations

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

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

13 JUL 2011

Sunil Masson
Authorised Signatory

Director **Wilmington Trust SP Services (London) Limited**

Date

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group s transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Marble Arch Residential Securitisation No 4 Parent Limited

We have audited the financial statements of Marble Arch Residential Securitisation No 4 Parent Limited for the year ended 30 November 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 auditors

As explained more fully in the Directors Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent 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 In addition, we read all the financial and non-financial information in the accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 November 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Independent auditors' report

to the members of Marble Arch Residential Securitisation No 4 Parent Limited

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company s 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

Ernst & Young LLP

Amarjit Singh (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date 14 JULY 2011

Consolidated profit and loss account

for the year ended 30 November 2010

	Notes	2010 £000	2009 £000
Interest receivable and similar income	2	9,300	50,063
Interest payable and similar charges	3	(5,297)	(14,869)
Net interest receivable		4,003	35,194
Net fair value (loss)/gain on derivatives		(6,002)	7,396
Other operating income	4	787	810
Unrealised exchange gain/(loss) on loan liabilities		6,873	(6,681)
Operating expenses		(7,138)	(16,285)
Loss/(profit) on ordinary activities before taxation	5	(1,477)	20,434
Tax on (loss)/profit on ordinary activities	6	1,886	(5,492)
Profit *on ordinary activities after taxation*	16	409	14,942

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 12 to 29 form part of these financial statements

Consolidated balance sheet

at 30 November 2010

	Notes	*2010* *£000*	*2009* *£000*
Fixed assets			
Loan to originator	9	286,160	317,617
Current assets			
Debtors			
Amounts falling due after one year	11	18,901	24,903
Amounts falling due within one year	12	944	1,192
Cash at bank and in hand		70,336	71,308
		90,181	97,403
Creditors: amounts falling due within one year	13	(62,283)	(65,435)
Net current assets		27,898	31,968
Creditors. amounts falling due after one year	14	(323,510)	(359,446)
Net liabilities		(9,452)	(9,861)
Capital and reserves			
Issued share capital	15	–	–
Profit and loss account	16	(9,452)	(9,861)
Shareholders' deficit	17	(9,452)	(9,861)

The notes on pages 12 to 29 form part of these financial statements

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

13 JUL 2011

Sunil Masson
Authorised Signatory

Director **Wilmington Trust SP Services (London) Limited**

Date

Company balance sheet

at 30 November 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Investments	8	13	13
Creditors	13	(13)	(13)
Net assets		–	–
Capital and reserves			
Issued share capital	15	–	–
Profit and loss account	16	–	–
Shareholders' funds	17	–	–

The notes on pages 12 to 29 form part of these financial statements

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

Director

Sunil Masson 13 JUL 2011
Authorised Signatory
Wilmington Trust SP Services (London) Limited

Date

Notes to the financial statements

at 30 November 2010

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 UK accounting standards and under the historical cost convention except for derivative financial instruments which are carried at fair value through the profit and loss account The financial statements have been prepared on a going concern basis as referred to in the Going concern section of the Directors report

Basis of consolidation

The Group financial statements consolidate the financial statements of the Group and all its subsidiaries for the year ended 30 November 2010 All the subsidiaries are accounted for using acquisition accounting

In accordance with section 408 (4) of the Companies Act 2006, Marble Arch Residential Securitisation No 4 Parent Limited is exempt from the requirement to present its own profit and loss account The result for the year of Marble Arch Residential Securitisation No 4 Parent Limited is disclosed in note 16 to the financial statements

Income recognition

Interest income on mortgage loan assets underlying the loan to originator is recognised in the profit and loss account on an Effective Interest Rate (EIR) basis The EIR recognises revenue equivalent to the rate that effectively discounts estimated future cash flows throughout the estimated life to the net carrying value of the loan

Loan to originator

Where a transfer of a financial asset does not qualify for derecognition, the transferee does not recognise the transferred asset for financial reporting purposes, as its asset The transferee derecognises the cash or other consideration paid and recognises a receivable from the transferor In relation to the mortgage portfolio transferred to the Group, derecognition is considered to be inappropriate for the portfolio seller's or originator s (Southern Pacific Mortgage Limited) own financial statements as the originator has retained significant risks, in the form of credit enhancement paid in, and rewards, in the form of deferred purchase consideration to be paid out, of that financial asset The Group's financial statements are therefore prepared on the basis that its acquisitions of beneficial interests in mortgage portfolios are recognised as a collateralised non-recourse loan to the originator

The loan to originator is classified within 'loans and receivables , the initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest rate method The effective interest on the loan to the originator is calculated with reference to the interest earned on the beneficial interest in the mortgage portfolio less the residual interest due to the current holder of the rights to the residual cash flows of the securitisation

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated

An adjustment to the expected cash flows of the loan to originator balance would be recognised where there is a risk that the income on the loan will be significantly reduced This could occur if the credit quality of the mortgage assets that are pledged as collateral for the loan deteriorated significantly and is calculated using the methodology below

Notes to the financial statements

at 30 November 2010

1. Accounting policies (continued)

Loan to originator (continued)

Specific provisions for losses on loans and advances to customers which underlie the loan to originator 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)

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

Discount on purchase of mortgage assets underlying the loan to originator

Cash received from the originator on acquisition of the mortgage assets underlying the loan to originator to cover start up costs are amortised over the expected life of the mortgage assets The amortised balance is deducted from the loan to originator with the income for the year included in interest receivable

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 taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that have occurred at that date that will result in an obligation to pay more, or a right to pay less tax with the following exceptions

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 an undiscounted 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

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 mortgages underlying the loan to originator

Under the terms of the securitisation the Group earns an annual profit in an amount equal to 0 01 per cent of the aggregate balances of the loans in the mortgage pool This is reflected in the profit and loss before any movements on fair value gains and losses on derivatives and Effective Interest Rate adjustments

Profits in excess of 0 01 per cent accrue to the current holder of the rights to the residual cash flows of the securitisation, as deferred consideration Accordingly, amounts owing to the current holder of the rights to the residual cash flows of the securitisation are recognised as creditors in the balance sheet

Derivatives

The Group uses derivative financial instruments to hedge its exposure to interest rate and currency risk arising from operational, financing and investment activities The Group does not hold or issue derivative financial instruments for trading purposes However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments

Notes to the financial statements

at 30 November 2010

1. Accounting policies (continued)

Derivatives (continued)

Financial Reporting Standard No 26 requires all derivative financial instruments to be recognised initially at fair value on the balance sheet Subsequent to initial recognition, derivatives are remeasured to fair value Where the value of the derivative is positive, it is carried as a derivative asset and, where negative, as a derivative liability The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account The fair value of the interest rate swaps caps and currency swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date

Interest rate caps

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 underlying the loan to originator The derivative contracts were designed to match the expected profile of the run-off of the fixed rate loans

Currency swaps

A series of currency swaps were entered into in order to manage the Group s currency rate exposure in relation to non-sterling denominated Loan Notes The derivative contracts were designed to match the expected profile of the run-off of the non-sterling denominated Loan Notes.

Foreign currencies

Mortgage-backed floating rate notes included in financial liabilities, denominated in foreign currencies at the balance sheet date, are reported at the rates of exchange prevailing at the reporting date Any exchange differences arising in the year on the settlement or retranslation of foreign currency liabilities are included in 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 26 and costs amortised in the year are included in interest payable

Mortgage-backed loan notes

Mortgage-backed loan notes are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, the mortgage-backed loan notes are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis

The repayment of the loan notes is dependent on principal and interest collections on the mortgage loans The directors periodically review the estimated future cash flows on the mortgage loans to determine whether the amortised cost carrying value of the loan notes requires adjustment If a shortfall in the cash flows is identified, an adjustment is credited to the profit and loss account to reduce the carrying value of the loan notes

Related party transactions

Southern Pacific Mortgage Limited retains an interest in the cash flows and profits of Marble Arch Residential Securitisation No 4 plc, a wholly owned subsidiary of Marble Arch Residential Securitisation No 4 Parent Limited Accordingly Southern Pacific Mortgage Limited whilst having no direct investment in the Group is treated as a related party

MARS 4 Residual Financing Limited purchased and benefits from the residual cash flows generated by Marble Arch Residential Securitisation No 4 plc, whilst having no direct investment in the Group, is treated as a related party

Notes to the financial statements

at 30 November 2010

1. Accounting policies (continued)

Statement of cash flows

Under Financial Reporting Standard No 1 (Revised), the Group is exempt from the requirement to prepare a statement of cash flows on the grounds that it is included in publicly available consolidated financial statements

Turnover

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

2. Interest receivable and similar income

	2010	2009
	£000	£000
On loan to originator	7,032	45,932
Other interest	182	654
Amortisation of discount on purchase of mortgage assets underlying the loan to originator	2,086	3,477
	9,300	50,063

3. Interest payable and similar charges

	2010	2009
	£000	£000
Mortgage backed loan notes	4,374	13,707
Other interest payable	577	587
Amortisation of premium paid to mortgage loan originator	75	124
Amortisation of capitalised issue costs	271	451
	5,297	14,869

4 Other operating income

	2010	2009
	£000	£000
Redemption fees	133	625
Sundry fee income	654	185
	787	810

Notes to the financial statements

at 30 November 2010

5. (Loss)/profit on ordinary activities before taxation

This is stated after charging/(crediting)

	2010	*2009*
	£000	*£000*
Auditors' remuneration – for audit services – Group	14	13
– Company	5	5
Other fees to auditors – taxation services – Group	9	8
– Company	1	2
Adjustment to the expected cash flows of the loan to originator arising from the impairment of the underlying mortgages	906	(6,510)
Adjustment to the expected cash flows of the loan to originator arising from bad debts incurred on the underlying mortgages	3,819	19,762

6. Tax

(a) Tax on (loss)/profit on ordinary activities

The tax (credit)/charge is made up as follows

	2010	*2009*
	£000	*£000*
Current tax		
UK corporation tax on (loss)/profit in the year	–	–
Total current tax (note 6(b))	–	–
Deferred tax		
Origination and reversal of timing differences	(1,886)	5,492
Effect of rate change on opening liability	–	–
Total deferred tax (credit)/charge (note 19)	(1,886)	5,492
Tax on (loss)/profit on ordinary activities	(1,866)	5,492

Notes to the financial statements

at 30 November 2010

6. Tax (continued)

(b) Factors affecting the tax (credit)/charge in the year

The tax rate assessed for the year is higher than the small companies rate of corporation tax in the UK of 21% (2009 – 21%) The factors affecting the tax (credit)/charge are explained below

	2010	*2009*
	£000	*£000*
(Loss)/profit on ordinary activities before tax	(1,477)	20,434
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax for small companies of 21% (2009 – 21%)	(310)	4,291
Effects of		
Other short-term timing differences	1,886	(5,492)
Utilisation of tax losses and other deductions	(1,576)	1,201
Current tax charge for the year (note 6(a))	–	–

7. Information regarding directors and employees

The Group has no employees (2009 – none) The directors received no remuneration from the Group during the year (2009 – £Nil)

8. Investments

Company

	Shares in group undertakings
	£000
At 30 November 2010 and 2009	13

The undertakings in which the Company's interest at 30 November 2010 is more than 20% are as follows

Company	*Principal activity*	*Proportion held*
Marble Arch Residential Securitisation No 4 plc	Investment in residential loans	100%

At 30 November 2010 the Company held 49,998 ordinary shares of £1 each in Marble Arch Residential Securitisation No 4 plc, and has paid up 25p on each share The Company also held one fully paid share of £1 in the same company These holdings represent the entire issued share capital of that company except for one fully paid ordinary share of £1 held by Wilmington Trust SP Services (London) Limited on a discretionary basis

Notes to the financial statements

at 30 November 2010

8. Investments (continued)

Marble Arch Residential Securitisation No 4 plc acts as an investment company, holding mortgages financed by Mortgage Backed Floating Rate Notes The subsidiary is registered and operates in the United Kingdom The following information is presented in respect of its financial statements for the year ended 30 November 2010

	2010	*2009*
	£000	*£000*
Aggregate capital and reserves	(9,439)	(9,848)
Profit for the year	409	14,942

9. Loan to originator – net balances

Group

	2010	*2009*
	£000	*£000*
At 1 December	317,617	348,908
Movement in unamortised discount on acquisition of mortgage loans underlying the loan to originator	2,086	3,477
Movement in unamortised premium on acquisition of mortgage loans underlying the loan to originator (note 10)	(75)	(124)
Principal repayments and mortgage redemptions	(28,743)	(21,392)
Adjustment to the expected cash flows of the loan to originator arising from the impairment of the underlying mortgages	(906)	6,510
Adjustment to the expected cash flows of the loan to originator arising from bad debts incurred on the underlying mortgage loans	(3,819)	(19,762)
At 30 November	286,160	317,617

The Group purchased a portfolio of mortgage loans from Southern Pacific Mortgage Limited However, as the principal economic risk and rewards associated with these mortgage loans remain with Southern Pacific Mortgage Limited, these loans are not deemed for accounting purposes to have been transferred to the Group Accordingly, the Group accounts for the transaction as a loan to Southern Pacific Mortgage Limited, as the originator of the loans The repayment of the loan to originator is linked to the repayment of the loan notes referred to in note 14

The loan to Southern Pacific Mortgage Limited is denominated in Sterling and bears interest at a variable rate It is secured on the beneficial interest in a portfolio of residential mortgage loans

The current mortgage loans in the pool have loan periods of between 1 to 308 months remaining with current interest rates ranging from 1 06% to 15% per annum

The mortgage loans are held as security against the loan notes referred to in note 14

Notes to the financial statements

at 30 November 2010

10 Mortgage loans – unamortised premium

Group	*2010*	*2009*
	£000	*£000*
At the start of the year	373	497
Amortisation in the year	(75)	(124)
At the end of the year	298	373

11. Debtors: amounts falling due after one year

Group	*2010*	*2009*
	£000	*£000*
Derivative financial instruments	18,901	24,903

The above mark to market gain is net of a credit valuation adjustment of £2,175,031 in respect of counterparty default risk (2009 – £1,995,923)

12. Debtors: amounts falling due within one year

Group	*2010*	*2009*
	£000	*£000*
Amounts owed by related parties	–	126
Corporation tax	14	14
Deferred taxation (note 18)	84	–
Prepayments and accrued income	846	1,052
	944	1,192

13. Creditors: amounts falling due within one year

	Group	*Company*	*Group*	*Company*
	2010	*2010*	*2009*	*2009*
	£000	*£000*	*£000*	*£000*
Other creditors	60,902	13	61,013	13
Deferred taxation (note 19)	–	–	1,802	–
Amounts owed to related parties	10	–	–	–
Accruals and deferred income	1,371	–	2,620	–
	62,283	13	65,435	13

Other creditors include £60,900,000 (2009 – £60,900,000) owing to the liquidity facility provider This arises from the drawdown of the facility due to the increased counterparty default risk of the provider The cash drawing of £60,900,000 (2009 – £60,900,000) is included in Cash at bank and in hand

Notes to the financial statements

at 30 November 2010

14. Creditors: amounts falling due after one year

Group	*2010*	*2009*
	£000	*£000*
USD Denominated Mortgage backed loan notes due 2023 – Class A1b	–	–
GBP Denominated Mortgage backed loan notes due 2023 – Class A1c	–	–
USD Denominated Mortgage backed loan notes due 2040 – Class A2b	–	–
GBP Denominated Mortgage backed loan notes due 2040 – Class A2c	–	–
GBP Denominated Mortgage backed loan notes due 2040 – Class A3c (with detachable coupons)	136,973	166,306
EUR Denominated Mortgage backed loan notes due 2040 – Class B1a	30,413	33,230
USD Denominated Mortgage backed loan notes due 2040 – Class B1b	17,408	16,501
GBP Denominated Mortgage backed loan notes due 2040 – Class B1c	20,000	20,000
EUR Denominated Mortgage backed loan notes due 2040 – Class C1a	36,303	39,665
GBP Denominated Mortgage backed loan notes due 2040 – Class C1c	15,000	15,000
EUR Denominated Mortgage backed loan notes due 2040 – Class D1a	17,295	18,897
GBP Denominated Mortgage backed loan notes due 2040 – Class D1c	26,000	26,000
GBP Denominated Mortgage backed loan notes due 2040 – Class DTc	–	–
GBP Denominated Mortgage backed loan notes due 2040 – Class E1c	25,200	25,200
GBP Denominated Mortgage backed loan notes due 2040 – Class ETc	–	–
GBP Denominated Mortgage backed loan notes due 2040 – Class FTc	–	–
	324,592	360,799
Less Issue costs	(1,082)	(1,353)
	323,510	359,446

The mortgage backed loan notes with nil value have been fully repaid

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

With the exception of the Class DTc, Class ETc and Class FTc notes the GBP mortgage backed loan notes due 2040 are secured over a portfolio of mortgage loans secured by first and second charges over residential properties in the United Kingdom

The mortgages underlying the loan to originator are administered by Acenden Limited on behalf of Marble Arch Residential Securitisation No 4 plc

The loan notes are repaid as the underlying portfolio redeems The terms and conditions of the loan notes provide that the loan note holders will receive interest and principal only to the extent that sufficient funds are generated from the mortgage loans The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments Note holders have no recourse to Marble Arch Residential Securitisation No 4 plc in any form

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 March 2040

Notes to the financial statements

at 30 November 2010

14 Creditors: amounts falling due after one year (continued)

The loan notes issued by Marble Arch Residential Securitisation No 4 plc are full recourse obligations of that Company and are issued subject to an option of Eurosail Options Limited, a related party, to acquire the notes for nominal consideration, the post enforcement call option, should any of the notes remain outstanding following enforcement of their rights and realisation of the assets of the Company The Post-Enforcement Call Option may be exercised by Eurosail Options Limited on the date following the enforcement by the Note Trustee of the Issuer Security on which the Note Trustee determines that there are no further assets available to pay amounts due and owing to the Noteholders Noteholders will be bound by the terms of the Post-Enforcement Call Option granted to Eurosail Options Limited and the Noteholders will not be paid more than a nominal amount for that transfer

The loan notes are repayable out of capital receipts from the mortgage loan receivables, with the Class A Notes ranking in priority to the Class B Notes, which rank in priority to the Class C Notes, which rank in priority to the Class D Notes, which rank in priority to the Class E Notes

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

Class A1b Notes	USD LIBOR + 0 07%
Class A1c Notes	Sterling LIBOR +0 07%
Class A2b Notes	USD LIBOR + 0 13%
Class A2c Notes	Sterling LIBOR + 0 13%
Class A3c Notes	Sterling LIBOR + 0 18%
Class A3c Detachable coupons	See below
Class B1a Notes	EURIBOR + 0 28%
Class B1b Notes	USD LIBOR + 0 28%
Class B1c Notes	Sterling LIBOR + 0 3%
Class C1a Notes	EURIBOR + 0 48%
Class C1c Notes	Sterling LIBOR + 0 5%
Class D1a Notes	EURIBOR + 0 95%
Class D1c Notes	Sterling LIBOR + 0 95%
Class DTc Notes	Sterling LIBOR + 0 85%
Class E1c Notes	Sterling LIBOR + 3 90%
Class ETc Notes	Sterling LIBOR + 3 4%
Class FTc Notes	Sterling LIBOR +6 5%

"Detachable A3c Coupon Rate" means on any Interest Determination Date the rate (expressed per cent, per annum) which is the product of the following

D% X A / A3c

Where

D% means, the rate of 1 00 per cent per annum on each of the first to the fourth Interest Determination Dates (inclusive), the rate of 1 95 per cent per annum on each of the fifth and the sixth Interest Determination Dates (inclusive), the rate of 2 05 per cent per annum on the seventh Interest Determination Date, the rate of 2 20 per cent per annum on the eighth Interest Determination Date and the rate of 2 25 per cent per annum on each of the ninth to the twelfth Interest Determination Dates (inclusive), and zero per cent at all other times,

A means the aggregate Sterling Equivalent Principal Amount Outstanding (as defined in Condition 6 (*Payments*)) in respect of the A Notes, and

A3c means the aggregate Principal Amount Outstanding in respect of the A3c Notes

Notes to the financial statements

at 30 November 2010

15. Issued share capital

	2010	2009
	£	£
Allotted and called up		
1 shares 100% called and fully paid	1	1

£1 of share capital was issued on incorporation on 17 May 2006 and settled for cash on 17 May 2006

16 Profit and loss account

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Retained loss brought forward	(9,861)	–	(24,803)	–
Profit for the year	409	–	14,942	–
Retained loss carried forward	(9,452)	–	(9,861)	–

17. Reconciliation of movement in shareholders' funds

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Opening shareholders deficit	(9,861)	–	(24,803)	–
Profit for the year	409	–	14,942	–
Closing shareholders' deficit	(9,452)	–	(9,861)	–

18. Derivatives and other financial instruments

Nature and extent of risks arising from financial instruments

The main risks arising from the Group s financial instruments are credit risk interest rate risk, foreign exchange risk and liquidity risk Financial instruments used by the Group for risk management purposes include derivative instruments Such instruments are used only for commercial hedging purposes, not for trading or speculative purposes The principal derivative instruments used by the Group in managing its risks are interest rate caps, interest rate swaps and foreign currency swaps The maturity profile of the derivative instruments reflects the nature of exposures arising from underlying business activities All of the Group's derivatives activities are contracted with financial institutions

During the year, the Group recognised net fair value gains of £870,487 (2009 –£714,808 gain) due to the movements in the fair value of derivatives and exchange rate movements on the loan notes

The main risks arising from the Group's financial instruments and management of these risks are summarised below

Notes to the financial statements

at 30 November 2010

18. Derivatives and other financial instruments (continued)

Nature and extent of risks arising from financial instruments (continued)

Credit risk

Credit risk arises primarily from the potential for default in the mortgage loan portfolio Credit risk is managed through the arrears management process which ensures that mortgages going into arrears are quickly identified and closely monitored

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as set out in table (a)

Liquidity risk

The underlying mortgage loan assets are funded by the issue of floating rate loan notes Liquidity risk is managed by matching the timing of the cash receipts from mortgage assets with those of the cash payments due on the loan notes The Group holds a minimum cash balance to manage short-term liquidity requirements

Foreign exchange risk

Certain loan notes are issued in Euro denominations and repayments of principal and payments of interest are made in Euros The Group takes out derivative instruments to manage movements in foreign currency exchange rates

Interest rate risk

The Group is exposed to interest rate risk 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 takes out derivative financial instruments to manage interest rate mismatches However, the interest rate swap counterparty has filed for Chapter 11 bankruptcy, and has defaulted on the swap which has not been replaced The directors believe under the current circumstances that it is not viable to replace the swap and until such time the Group will continue with an unhedged interest rate risk exposure

(a) Credit risk

Before taking account of any collateral, the maximum exposure to credit risk as at 30 November was

	2010	*2009*
	£000	*£000*
Loan to originator	286,160	317,617
Derivative financial instruments	18,901	24,903
Cash at bank and in hand	70,336	71,308
	375,397	413,828

Notes to the financial statements

at 30 November 2010

18. Derivatives and other financial instruments (continued)

Nature and extent of risks arising from financial instruments (continued)

(b) Liquidity risk

The contractual undiscounted cash flows associated with financial liabilities were as follows

At 30 November 2010

Financial liabilities	*Less than 1 year £000*	*1-2 years £000*	*2-3 years £000*	*3-4 years £000*	*4-5 years £000*	*5+ years £000*	*Total £000*
Loan notes	19,412	16,706	15,969	15,265	14,592	262,334	344,278

At 30 November 2009

Financial liabilities	*Less than 1 year £000*	*1-2 years £000*	*2-3 years £000*	*3-4 years £000*	*4-5 years £000*	*5+ years £000*	*Total £000*
Loan notes	38,364	33,046	29,751	26,785	246,525	–	374,471

There is no contractual obligation to pay down the loan notes other than as set out in note 14

The undiscounted cash flows have been estimated by applying a constant (per annum) prepayment rate to the principal balance of the mortgage loans underlying the loan to originator and using the weighted average interest rate prevailing at the balance sheet date However, it is not expected that the loans will repay at a constant rate until maturity, that all of the loans will prepay at the same rate or that there will be no defaults or delinquencies on the loans, therefore the amounts disclosed above are only estimates of the possible future cash outflows on the loan notes

(c) Foreign exchange risk

The Group uses foreign currency swaps in certain circumstances to hedge against any currency exposure risks At 30 November 2010, the notional value of the swaps held was £81,800,000 (2009 – £81,800,000) and the recognised positive fair value of the swaps was £18,900,850 (2009 – £24,903,310 positive)

Excluding the effect of derivatives, the amounts of financial assets and liabilities denominated in foreign currencies were as follows

	2010 Euro £000	*2009 Euro £000*
Financial liabilities		
EUR Denominated Mortgage backed loan notes due 2040 – Class B1a	30,413	33,230
USD Denominated Mortgage backed loan notes due 2040 – Class B1b	17,408	16,501
EUR Denominated Mortgage backed loan notes due 2040 – Class C1a	36,303	39,665
EUR Denominated Mortgage backed loan notes due 2040 – Class D1a	17,295	18,897
	101,419	108,293

There were no financial assets that were denominated in foreign currencies

Notes to the financial statements

at 30 November 2010

18. Derivatives and other financial instruments (continued)

Nature and extent of risks arising from financial instruments (continued)

(d) Interest rate risk

The table below summarises the interest rate risk profile of the Group s financial instruments

At 30 November 2010

	Total *£000*	*Total non-interest bearing* *£000*	*Within 3 months* *£000*	*After 3 months but within 6 months* *£000*	*After 6 months but within 1 year* *£000*	*After 1 year but within 5 years* *£000*	*Weighted average fixed interest rate* *%*	*Weighted average time for which rate is fixed Years*
Financial assets								
Loan to originator	286,160	(8,046)	294,206	–	–	–	N/A	N/A
Cash and deposits	70,336	–	70,336	–	–	–		
Derivative financial instruments	18,901	18,901	–	–	–	–		
Total assets	375,397	10,855	364,542	–	–	–		
Financial liabilities								
Mortgage backed loan notes due 2023 and 2040	324,592	19,620	304,972	–	–	–		
Liquidity facility provider creditor	60,900	–	60,900	–	–	–		
Total liabilities	385,492	19,620	365,872	–	–	–		

Notes to the financial statements

at 30 November 2010

18 Derivatives and other financial instruments (continued)

Nature and extent of risks arising from financial instruments (continued)

(d) Interest rate risk (continued)

At 30 November 2009

	Total £000	Total non-interest bearing £000	Within 3 months £000	After 3 months but within 6 months £000	After 6 months but within 1 year £000	After 1 year but within 5 years £000	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years
Financial assets								
Loan to originator	317,617	373	317,244	–	–	–	N/A	N/A
Cash and deposits	71,308	–	71,308	–	–	–		
Derivative financial instruments	24,903	24,903	–	–	–	–		
Total assets	413,828	25,276	388,552	–	–	–		
Financial liabilities								
Mortgage backed loan notes due 2023 and 2040	360,799	26,493	334,306	–	–	–		
Liquidity facility provider creditor	60,900	–	60,900	–	–	–		
Total liabilities	421,699	26,493	395,206	–	–	–		

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 Offered Rate The rates of interest payable on the mortgage backed loan notes are set as detailed in note 14

The Group used interest rate caps in certain circumstances to hedge against movements in interest rates The interest rate caps have expired during the year, and as at 30 November 2010, the notional value of these caps was £Nil (2009 – £252,000,000) and the recognised positive fair value was £Nil (2009 – £Nil)

The Group used interest rate swaps in certain circumstances to hedge against interest rate fluctuations when mortgage loans have fixed interest rates while the mortgage backed loan notes have variable rates Following the default of the swap counterparty at 30 November 2010, the notional value of the swaps held was £Nil (2009 – £Nil) and the recognised positive fair value was £Nil (2009 – £Nil) These swaps would otherwise have expired at the end of the mortgage loans fixed rate period which occurred prior to the year end

On 22 September 2009 the Group filed claims of US$17,806,765 against the interest rate swap counterparty arising from the Swap Agreement and against Lehman Brothers Holdings Inc (LBHI) arising from a guarantee given by LBHI unconditionally guaranteeing the obligations of the Swap Counterparty in connection with the Swap Agreement The directors do not currently think that it is possible to quantify amounts that may eventually be recovered under these claims and therefore nothing has been recognised in the financial statements

Notes to the financial statements

at 30 November 2010

18. Derivatives and other financial instruments (continued)

Nature and extent of risks arising from financial instruments (continued)

(e) Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows

	At 30 November 2010			*At 30 November 2009*		
	Book value	*Fair value*	*If fair values increased by 1%*	*Book value*	*Fair value*	*If fair values increased by 1%*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Financial assets						
Loan to originator	286,160	206,583	2,066	317,617	248,280	2,483
Cash and deposits	70,336	70,336	703	71,308	71,308	713
Derivative financial instruments	18,901	18,901	189	24,903	24,903	249
	375,397	295,820	2,958	413,828	344,491	3,445
Financial liabilities						
Mortgage backed loan notes due 2040	(324,592)	(205,966)	(2,060)	(360,799)	(254,923)	(2,549)
Liquidity facility provider	(60,900)	(60,900)	(609)	(60,900)	(60,900)	(609)
	(385,492)	(266,866)	(2,669)	(421,699)	(315,823)	(3,158)

The directors have considered the fair values of the Group's main financial instruments, which are mortgage loan receivables underlying the loan to originator and loan notes

As no liquid market exists for either the mortgage loans underlying the loan to originator or loan notes, the directors have ascribed an approximate fair value based on an internal discounted cash flow model that is used to value non-securitised mortgage loan receivables This model takes into account expected payment rates, arrears, house price movements and discount rates based on the most recent available information

(f) Interest income and expense on financial instruments that are not at fair value through profit and loss

	2010	*2009*
	£000	*£000*
Interest receivable on loan to originator	7,032	45,932
Interest expense on loan notes	(4,374)	(13,707)
	2,658	32,225

Notes to the financial statements

at 30 November 2010

19. Deferred taxation

	2010 £000	2009 £000
(Liability)/asset at start of year	(1,802)	3,690
Deferred tax credit/(charge) during the year (note 6)	1,886	(5,492)
Asset/(liability) at the end of the year	84	(1,802)

Full provision has been made for deferred tax liabilities arising as a result of Financial Reporting Standard No 26 adjustments Losses of £35,291,296 (2009 – £42,799,825) resulting in a deferred tax asset of £7,411,172 (2009 – £8,987,963) have not been recognised The deferred tax asset has not been recognised due to uncertainty surrounding the Group's future profitability

Deferred taxation has been recognised at 21% (2009 – 21%) being the UK small companies' corporation tax rate at the balance sheet date

	2010 £000	2009 £000
Effect of Financial Reporting Standard No 26 adjustment for EIR	(67)	(2,136)
Effect of Financial Reporting Standard No 26 adjustment for Derivatives	(3,969)	(5,229)
Effect of Financial Reporting Standard No 26 adjustment for FX hedge	4,120	5,563
Total deferred tax asset/(liability) recognised at 21%	84	(1,802)

In the Budget 2011 on 25 March 2011 the small companies corporation tax rate was reduced to 20% as from 1 April 2011 This was enacted on 29 March 2011 following the House of Commons approval of the Budget resolution

The directors estimate that the effect of these changes will be to decrease the Company's deferred tax asset by £4,007 as a result of the reversal of timing differences in the following years

Notes to the financial statements

at 30 November 2010

20. Related party transactions

During the year, Marble Arch Residential Securitisation No 4 plc has paid the following amounts to MARS 4 Residual Financing Limited, Southern Pacific Mortgage Limited and Wilmington Trust SP Services (London) Limited and the amounts outstanding at the end of the year were

Marble Arch Residential Securitisation No 4 plc

	Amount paid 2010 £000	*Amount outstanding 2010 £000*	*Amount paid 2009 £000*	*Amount outstanding 2009 £000*
MARS 4 Residual Financing Limited				
A note detachable coupons	205	–	4,631	728
Residual income – redemption penalties	110	3	343	50
Southern Pacific Mortgage Limited				
Mortgage related amounts receivable	–	10	–	(126)
Wilmington Trust SP Services (London) Limited				
Corporate services fees	9	–	9	4
Company secretarial fees	4	–	3	3

21. Capital structure

The Company's capital is represented by the capital and reserves attributable to equity holders The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act 2006, with which it complies The Company manages its ordinary share capital in order that there is sufficient capital to meet the needs of the Company in its operation

22. Parent undertaking and control

The entire issued share capital of Marble Arch Residential Securitisation No 4 Parent Limited is held by a Trustee under a declaration of trust for charitable purposes

Marble Arch Residential Securitisation No 4 Parent Limited is included in the financial statements of Southern Pacific Mortgage Limited, a company registered in England and Wales under linked presentation Financial statements of this group is available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ