Registered number: 06370654

Eurosail Prime-UK 2007-A plc

Reports and audited financial statements for the year ended 30 November 2019

Eurosail Prime-UK 2007-A plc

Contents

Eurosail Prime-UK 2007-A plc

Company information

Directors	Wilmington Trust SP Services (London) Limited D J Wynne R Sutton (Resigned 26 March 2019) E M Hughes (Appointed 26 March 2019 and resigned 30 September 2019) C J Duffy (Appointed 30 September 2019)
Company secretary	Wilmington Trust SP Services (London) Limited
Registered office	Third Floor, 1 King's Arms Yard London EC2R 7AF
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Registered number	06370654
Trustee	BNY Mellon Corporate Trustee Services Limited One Canada Square London E14 5AL

Eurosail Prime-UK 2007-A plc

Strategic report
for the year ended 30 November 2019

The directors present their strategic report on Eurosail Prime-UK 2007-A plc (the "Company" or "Issuer") for the year ended 30 November 2019.

Principal activities

The Company, a public company limited by shares was incorporated on 13 September 2007 in England, United Kingdom and is registered in England and Wales under the Companies Act 2006. The Company is a special purpose vehicle which acts as an issuer in a residential mortgage backed securitisation transaction. The principal activity of the Company is the investment in mortgage loans secured by first charges over properties within the United Kingdom.

On 13 November 2007, the Company purchased £224,805,000 of mortgage assets from Southern Pacific Mortgage Limited. Further consideration in the form of deferred consideration may be payable to the beneficial owners of the mortgages dependent on their future performance. The acquisition of these mortgage assets has been accounted for as detailed in note 2.5 of the financial statements. To facilitate the purchase, the Company issued a series of loan notes on 13 November 2007. These loan notes are issued on Euronext Dublin and are due in 2045.

During the year the mortgage servicing, cash bond administration and accounting services were transferred from Acenden Limited to Kensington Mortgage Company Limited, an external party.

Business review

The results for the year ended 30 November 2019 are set out on page 16. Both the level of business during the year and the financial position of the Company at the end of the year were satisfactory given the nature of the Company and its limited recourse liability.

During the year, the Company identified that in previous periods it had not been calculating the mortgage assets and the accounting treatment of the deferred consideration on an EIR basis.

The mortgage assets are recognised using the original EIR and the deferred consideration represents the present value of future expected residual cash flows discounted at the original EIR.

The Company has also changed the presentation of deferred consideration in the financial statements. From 1 December 2018, changes in the carrying value of the deferred consideration are presented within interest payable and similar expenses. Previously changes in the carrying value were presented in operating expenses.

This change has resulted in a restatement of the 2018 comparatives in the statement of comprehensive income, statement of financial position and statement of changes in equity. Further details on the restatements are set out in note 4.

At the year end, the mortgage assets balance after the effective interest rate adjustment, specific provisions and unamortised discount and premium on acquisition was £87,106,000 (2018 restated: £97,206,000) on 640 mortgages. The estimated weighted average remaining life of the mortgage assets is 6.7 years (2018: 6.5 years).

After considering property values, anticipated future losses and future income associated with the mortgage assets, over and above the principal figure shown above, the directors consider the mortgage assets together with the other related assets of the Company such as cash, to be adequate collateral against the mortgage backed loan notes in issue. The weighted average funding costs are 0.60% (2018: 0.60%) above LIBOR and the weighted average interest on mortgage assets is 2.88% (2018: 2.88%).

Strategic report
for the year ended 30 November 2019

At year end the Company held the following principal balances of mortgage assets.

	2019 Principal balance £'000	2019 Number of loans	2018 Principal balance £'000	2018 Number of loans
First charge mortgages	85,971	640	95,761	704
	85,971	640	95,761	704

These mortgages provide security against loan notes in issue totalling £89,181,000 (2018: £101,665,000) as at the year end excluding accrued interest.

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

Key performance indicators

The key performance indicator of the Company is the quarterly arrears profile of the mortgage assets:

Delinquencies days	Mar-19 %	Jun-19 %	Sep-19 %	Dec-19 %	Mar-20 %
Current	98.25	98.01	98.62	98.61	98.17
>30<=60	0.50	0.78	0.13	0.46	0.30
>60<=90	0.06	0.00	0.11	0.00	0.36
>90<=120	0.41	0.10	0.00	0.00	0.00
>120	0.78	1.11	1.14	0.93	1.17
Total	100.00	100.00	100.00	100.00	100.00

The value of mortgages in repossession at the year end is £110,000 (2018: £87,000).

Cash flow calculations are prepared to determine the extent to which deferred consideration will be payable and a creditor is recognised classified at amortised cost. Interest payable on this creditor is recognised on an effective interest rate basis. Under the terms of the waterfall payments, any deferred consideration would only be paid when there are sufficient revenue funds available and all other liabilities in the waterfall have been satisfied. Based on these calculations, the directors have determined that £2,976,000 (2018 restated: £3,317,000) consideration was payable at the year end.

Principal risks and uncertainties

Financial instrument risk

The financial instruments held by the Company comprise mortgage assets, borrowings, cash and various other items (such as other debtors and other creditors) that arise directly from its operations.

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

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

Strategic report
for the year ended 30 November 2019

(a) Credit risk

Credit risk is the risk that borrowers will not be able to meet their obligations as they fall due. All mortgage assets 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 through an assessment of each customer and the prevailing macroeconomic environment. Probability of default of the customer and the loss given default is calculated and impairment provisions raised where necessary. The mortgage portfolio is recognised as collateralised non-recourse mortgage loans as explained in note 2.

The directors continue to closely monitor the economic landscape to ensure the Company is best placed to respond to any pressures that may impact portfolio performance and proactively consider strategies to mitigate any adverse portfolio impact should these pressures occur.

(b) Liquidity risk

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

(c) 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 Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar.

(d) Operational risk

Operational risk is defined as any instance where there is potential or actual impact to the Company resulting from inadequate or failed internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

The Company operates under a controls and governance framework provided by the servicer of the mortgage assets. This includes regulatory and compliance functions and internal audit. The business is covered by the servicer's business continuity management capability.

Future business developments and strategy

The directors expect the business will continue in its principal activities described above for the foreseeable future and will ensure that customers continue to be serviced on a business as usual basis.

The business is subject to a number of risks under the principal risks and uncertainties section, which could adversely affect the business in future years, and the directors will continue to monitor and manage those risks.

The UK financial markets and economy have seen significant reduction in volatility post UK election results and Brexit finally happening in January 2020; despite the optimism economic growth is expected to be subdued and uncertainty around EU deal still remains. This could lead to a change in the behavioural characteristics of the mortgage assets including default expectations and the unwind period of the Effective Interest Rate ("EIR") adjustments. To the extent that the impact of this situation can be predicted, changes in these behavioural characteristics have been reflected in the cash flow models which underpin the expected default and EIR adjustments as at 30 November 2019.

However, due to the limited recourse nature of the loan notes issued by the Company, any impact of this uncertainty on the results of the Company will not impact on its ability to continue to operate as a going concern.

Subsequent to the reporting date, extensions to lockdown periods have been announced following the COVID-19 crisis, and the UK Government introduced 'Payment holiday scheme' in March 2020, in an attempt to mitigate the economic impact of COVID-19.

As of 24 September 2020, 11 loans have taken up the payment holiday scheme which represents 1.88% of the total loans and 1.45% of the total balance.

There are no other significant events occurring after the statement of financial position date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 30 November 2019.

This report was approved by the Board on15 October 2020 and signed on its behalf by:

Ioannis Kyriakopoulos, an Authorised Signatory on behalf of
Wilmington Trust SP Services (London) Limited
Date: 15 October 2020

Eurosail Prime-UK 2007-A plc

Directors' report
for the year ended 30 November 2019

The directors present their report together with the audited financial statements of the Company for the year ended 30 November 2019.

Results and dividends

The profit for the year, after taxation, amounted to £4,000 (2018 restated: profit of £4,000).

The directors do not recommend the payment of a dividend (2018: nil).

Future developments

An assessment of the Company's future developments is described in the strategic report under the future business developments and strategy section.

Financial instruments

An assessment of the Company's financial instruments is described in the strategic report under the principal risks and uncertainties section.

Directors

The directors who held office during the year and up to the date of the approval of the financial statements, except as noted, are given below:

Wilmington Trust SP Services (London) Limited
D J Wynne
R Sutton (Resigned 26 March 2019)
E M Hughes (Appointed 26 March 2019 and resigned 30 September 2019)
C J Duffy (Appointed 30 September 2019)

None of the above directors have any interest in the shares of the Company. There are no directors' interests requiring disclosure under the Companies Act 2006.

Company secretary

Wilmington Trust SP Services (London) Limited continued to act as company secretary for the year ended 30 November 2019 and up to the date of signing the financial statements.

Going concern

The Company has reported a profit before taxation for the current year and is in a net asset position as at 30 November 2019.

The financial statements have been prepared on the going concern basis, as defined in IAS 1 – 'Presentation of Financial Statements'. In order to prepare financial statements on this basis the directors must conclude that management does not intend to liquidate the Company or cease trading, and that the Company has the ability to continue to trade and will be able to satisfy its liabilities as they fall due.

A call option exists over the loan notes issued by the Company which may be exercised at the sole discretion of the Issuer once the outstanding mortgage backed loan notes reach 10% of the original issued amount. At this point, the call option permits the Issuer, at any interest payment date, to repay all of the outstanding external borrowings at their carrying value at the time.

In order for the call option to be exercised the directors must certify to the Trustee of the loan notes that the Issuer will be able to repay all amounts due and payable on the interest payment date on which the option would take effect.

The exercise of the call option would result in the effective cessation of the Company's trade, followed by the orderly settlement of any remaining assets and liabilities and ultimately the dissolution of the Company.

It is not anticipated that the call option will become exercisable for the foreseeable future.

The repayment of the principal liabilities of the Company, the floating rate notes, are limited to available principal cash received on the Company's loan portfolio until the final repayment date. Should the total cash flows be insufficient, the Company may default on loan note payments due. In such circumstances, the Trustee may choose to dispose of the Company's assets, and, potentially wind up the Company.

The cash currently held by the Company, together with other structural features of the borrowing arrangements, gives the Company the ability to pay any interest actually due in cash over the next 12 months. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in existence and satisfy any liabilities as they fall due for at least the next 12 months.

On this basis, the directors have concluded that it is appropriate to continue to adopt the going concern basis in the preparation of these financial statements.

Post statement of financial position date events

Subsequent to the reporting date, extensions to lockdown periods have been announced following the COVID-19 crisis, and the UK Government introduced 'Payment holiday scheme' in March 2020, in an attempt to mitigate the economic impact of COVID-19.

As of 24 September 2020, 11 loans have taken up the payment holiday scheme which represents 1.88% of the total loans and 1.45% of the total balance.

There are no other significant events occurring after the statement of financial position date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 30 November 2019.

Principal risks and uncertainties

The business is subject to a number of risks, described in the strategic report under the principal risks and uncertainties section, which could adversely affect the business in future years and the directors will continue to monitor and manage those risks.

Fair value

Note 17 discloses the fair values of the mortgage assets and loan notes. The directors noted that as at 30 November 2019 the respective fair values of the mortgage assets were higher than and loan notes were lower than the carrying values recorded in the statement of financial position.

As no liquid market exists for either the mortgage assets 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.

Directors' report
for the year ended 30 November 2019

Corporate governance

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the Company. The governance structure of the Company is such that the key policies have been predetermined at the time of the transaction documents issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that 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, whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued on Euronext Dublin, the directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is largely exempt from the requirements of the Irish Corporate Governance Annex and the provisions of the UK Corporate Governance Code do not apply to the Company.

Employees

The Company does not have any employees (2018: none).

Issued capital and capital contribution

Details of the share capital are set out in note 18 to the financial statements. The issued share capital consists of £12,502 comprising 50,000 ordinary shares of £1 each with 2 ordinary shares being fully paid and 49,998 ordinary shares being quarter paid up.

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions for the benefit of the directors, in accordance with section 234 of the Companies Act 2006, were in force during the year under review and remain force as at the date of approval of the strategic report, directors' report and financial statements.

Disclosure of information to the auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Auditor

The auditor, KPMG LLP, has indicated its willingness to continue in office and pursuant to section 489 of the Companies Act 2006, a resolution concerning its re-appointment will be considered at the next board meeting.

This report was approved by the Board on 15 October 2020 and signed on its behalf by:

Ioannis Kyriakopoulos, an Authorised Signatory on behalf of
Wilmington Trust SP Services (London) Limited
Date: 15 October 2020

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 Company and of the profit or loss of the company for that period. In preparing the 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the member of Eurosail Prime-UK 2007-A plc

1 Our opinion is unmodified

We have audited the financial statements of Eurosail Prime-UK 2007-A Plc ("the Company") for the year ended 30 November 2019 which comprise the:

- Statement of comprehensive income
- Statement of financial position
- Statement of changes in equity
- Related notes, including the accounting policies in note 2.

In our opinion:
- the financial statements give a true and fair view of the state of the Company's affairs as at 30 November 2019 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to Those Charged with Governance.

We were first appointed as auditor by the shareholders on 9 March 2018. The period of total uninterrupted engagement is for the three financial years ended 30 November 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Other key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Risk vs 2018: ▲ *Refer to the Strategic Report* ***Unprecedented levels of uncertainty*** All audits assess and challenge the reasonableness of estimates, in particular as described in impairment of mortgage assets	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: — Our Brexit knowledge: We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.

and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Company's future prospects and performance. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	— Sensitivity analysis: When addressing impairment of mortgage assets, and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. — Assessing transparency: As well as assessing individual disclosures as part of our procedures on impairment of mortgage assets on our audit we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under impairment of mortgage assets, we found the resulting estimates and related disclosures of impairment of mortgage assets, and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Impairment of mortgage assets Risk vs 2018: ◄► (£31,000, 2018: £29,000) *Refer to the accounting policy note 2.5, 3.2 and note 10 (financial disclosures).* ***Subjective estimate*** The impairment provision relating to the Company's mortgage assets requires the directors to make significant judgements and estimates in order to determine incurred losses on those assets. The impairment provision is derived from a model that uses observable data relating to the mortgage assets such as adverse changes in payment status of the borrower, or economic conditions that correlate with defaults in the mortgage assets. The model also incorporates historical data on similar types of mortgage assets. As the probability of default ('PD') and loss given default ('LGD') are calculated at an individual loan level, the directors assess all impairment provisions on an individual basis. There is a risk that the impairment provision is not reflective of the incurred losses at the end	Our audit procedures included: — Controls testing: We performed end to end process walk-throughs to identify the key systems, applications and controls used in the loan impairment process. We tested the relevant general IT and application controls over key systems used in the loan impairment process. — Test of details: Key aspects of our testing involved - Developing a point estimate based on the historical credit performance of the Company to evaluate the directors' impairment of mortgage asset estimate. - For a sample of specific loans identified based on risk characteristics of current or historical arrears, indexed loan to value and loan type, we evaluated whether they had been adequately provided for. — Sensitivity analysis: We performed sensitivity analysis over the Company's PDs and LGDs to help us assess the reasonableness of the assumptions used.

of the period due to the time that it takes for incurred losses to emerge, changes in customer credit quality or other market factors not sufficiently incorporated into the judgement, such as house prices.	— Assessing transparency: We evaluated whether the disclosures appropriately reflect and address the uncertainty which exists when determining the impairment of mortgage assets. As part of this, we assessed the sensitivity analysis that is disclosed. In addition, we challenged whether the disclosure of the key judgements and assumptions made was sufficiently clear. **Our results** The results of our testing were satisfactory and we considered the impairment charge, provision recognised and the related disclosures to be acceptable.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Company financial statements as a whole was set at £0.70 million (2018: £0.71 million), determined with reference to a benchmark of Company total assets (of which it represents 0.76% (2018: 0.68%)).

We agreed to report to Those Charged with Governance any corrected or uncorrected identified misstatements exceeding £0.35 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above.

4 We have nothing to report on the Strategic Report and the Directors' Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

5 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

We have nothing to report in these respects.

Independent auditor's report to the member of Eurosail Prime-UK 2007-A plc

6 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company's regulatory correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation, distributable profits legislation and taxation legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the member of Eurosail Prime-UK 2007-A plc

7 The purpose of our audit work and to whom we owe our responsibilities

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.

K. G. Pountney

Karl Pountney (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign St
Leeds
LS1 4DA
15 October 2020

Eurosail Prime-UK 2007-A plc

Statement of comprehensive income for the year ended 30 November 2019

	Note	2019 £'000	2018 restated £'000
Interest receivable and similar income	5	2,526	2,331
Interest payable and similar expenses	6	(1,908)	(1,852)
Net interest receivable		618	479
Operating expenses		(613)	(474)
Profit before taxation	7	5	5
Tax expense on profit	8	(1)	(1)
Profit and total comprehensive income for the financial year		4	4

Further details on the restatements are set out in note 4.

All amounts relate to continuing operations.

There were no items of other comprehensive income for 2019 or 2018 and therefore no separate statement of other comprehensive income has been presented.

The notes on pages 20 to 41 are an integral part of these financial statements.

Registered number: 06370654

Eurosail Prime-UK 2007-A plc

Statement of financial position as at 30 November 2019

	Note	2019 £'000	2018 restated £'000
Non-current assets			
Debtors: amounts falling due after more than one year	11	79,242	87,704
Current assets			
Debtors: amounts falling due within one year	12	7,902	9,530
Cash and cash equivalents	14	5,121	7,857
Total current assets		13,023	17,387
Current liabilities			
Creditors: amounts falling due within one year	15	(3,389)	(3,801)
Total assets less current liabilities		88,876	101,290
Non-current liabilities			
Creditors: amounts falling due after more than one year	16	(88,819)	(101,237)
Net assets		57	53
Capital and reserves			
Called up share capital	18	13	13
Retained earnings		44	40
Total equity		57	53

Further details on the restatements are set out in note 4.

These financial statements were approved and authorised for issue by the Board on 15 October 2020 and were signed on its behalf by:

Ioannis Kyriakopoulos, an Authorised Signatory on behalf of
Wilmington Trust SP Services (London) Limited
Date: 15 October 2020

The notes on pages 20 to 41 are an integral part of these financial statements.

Eurosail Prime-UK 2007-A plc

Statement of changes in equity
for the year ended 30 November 2019

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 December 2017 (original)	13	1,822	1,835
Prior years' restatement	-	(1,786)	(1,786)
Balance at 1 December 2017 (restated)	13	36	49
Profit for the financial year (restated)	-	4	4
Balance at 30 November 2018 (restated)	13	40	53
Balance at 1 December 2018	13	40	53
Profit for the financial year	-	4	4
Balance at 30 November 2019	13	44	57

Further details on the restatements are set out in note 4.

The notes on pages 20 to 41 are an integral part of these financial statements.

Eurosail Prime-UK 2007-A plc

Statement of cash flows
for the year ended 30 November 2019

	2019	2018
	£'000	£'000
Net cash flow from operating activities		
Profit before taxation	5	5
Interest income on mortgage assets	(2,589)	(2,776)
Interest expense	1,887	1,702
Adjustments for:		
Interest received on mortgage assets	2,589	2,776
Repayment of mortgage assets	9,991	13,648
Taxation paid	(1)	(1)
EIR adjustments and amortisation of premium/discount	79	453
Impairment charge on mortgage assets	2	29
Amounts written off/(credited) in relation to mortgage assets	28	(1)
Amortisation of discount and issue costs on loan notes	66	66
Increase in debtors	(10)	(15)
Decrease in creditors	(412)	(535)
Net cash generated from operating activities	11,635	15,351
Cash flow from financing activities		
Interest paid on	(1,887)	(1,702)
Repayment of mortgage backed loan notes	(12,484)	(12,712)
Net cash used in financing activities	(14,371)	(14,414)
Net (decrease)/increase in cash and cash equivalents	(2,736)	937
Cash and cash equivalents at the beginning of the year	7,857	6,920
Cash and cash equivalents at the end of the year	5,121	7,857

The notes on pages 20 to 41 are an integral part of these financial statements.

Eurosail Prime-UK 2007-A plc

Notes to the financial statements for the year ended 30 November 2019

1 General information

The principal activity of the Company is the investment in mortgage loans secured by first charges over properties within the United Kingdom.

The Company is a public limited company and was incorporated on 13 September 2007 and is domiciled in England, United Kingdom. Its principal place of business is its registered office located at Third Floor, 1 King's Arms Yard, London, EC2R 7AF.

2 Significant accounting policies

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

2.1. Basis of preparation and statement of compliance with FRS 102

The financial statements have been prepared under FRS 102 'The Financial Reporting Standard applicable in the UK' in conjunction with IAS 39 'Financial Instruments: Recognition and measurement' (via the option in FRS 102 para 11.2(b)). The amendments to FRS 102 issued in July 2015 have been applied.

The preparation of financial statements in conformity with FRS 102 requires the use of certain significant accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.1.1 Going concern

The financial statements have been prepared on the going concern basis, as defined in IAS 1 – 'Presentation of Financial Statements'. In order to prepare financial statements on this basis the directors must conclude that management does not intend to liquidate the Company or cease trading, and that the Company has the ability to continue to trade and will be able to satisfy its liabilities as they fall due.

A call option exists over the loan notes issued by the Company which may be exercised at the sole discretion of the Issuer once the outstanding mortgage backed loan notes reach 10% of the original issued amount. At this point, the call option permits the Issuer, at any interest payment date, to repay all of the outstanding external borrowings at their carrying value at the time.

In order for the call option to be exercised the directors must certify to the Trustee of the loan notes that the Issuer will be able to repay all amounts due and payable on the interest payment date on which the option would take effect.

The exercise of the call option would result in the effective cessation of the Company's trade, followed by the orderly settlement of any remaining assets and liabilities and ultimately the dissolution of the Company.

It is not anticipated that the call option will become exercisable for the foreseeable future.

The repayment of the principal liabilities of the Company, the floating rate notes, are limited to available principal cash received on the Company's loan portfolio until the final repayment date. Should the total cash flows be insufficient, the Company may default on loan note payments due. In such circumstances, the Trustee may choose to dispose of the Company's assets, and, potentially wind up the Company.

The cash currently held by the Company, together with other structural features of the borrowing arrangements, gives the Company the ability to pay any interest actually due in cash over the next 12 months. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in existence and satisfy any liabilities as they fall due for at least the next 12 months.

On this basis, the directors have concluded that it is appropriate to continue to adopt the going concern basis in the preparation of these financial statements.

2.2. Interest recognition

Interest income on mortgage assets, together with the interest expense on the loan notes, is recognised in the statement of comprehensive income on an EIR basis. The EIR basis recognises revenue and expenses equivalent to the rate that effectively discounts estimated future cash flows throughout the expected life to the net carrying value of the mortgage assets or loan notes.

2.3. Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in total equity. In this case the tax is also recognised in other comprehensive income or directly in total equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns in respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on deductible temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.4. Foreign currencies

The financial statements are presented in pounds Sterling (£), which is the functional and presentation currency of the Company. All amounts in these financial statements have been rounded to the nearest thousand, unless otherwise indicated.

Transactions in foreign currency are initially converted to Sterling at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange prevailing at the reporting date. All differences on exchange are taken to the statement of comprehensive income.

2.5. Financial instruments

Initial recognition

The Company recognises financial assets and liabilities when it becomes a party to the terms of the contract.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Company commits to purchase or sell the asset.

Classification and measurement

Financial assets and liabilities are initially classified as financial assets or liabilities at fair value through profit or loss, loans and receivables and available for sale financial assets.

All financial assets are recognised initially at fair value plus directly attributable costs for those not at fair value through profit and loss.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings payables, net of directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance revenue or finance expense in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on lending and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the statement of comprehensive income. Losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Derecognition

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, and retained control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Notes to the financial statements for the year ended 30 November 2019

Financial assets

Debtors

Debtors including amounts owed by group undertakings and other debtors, with no stated interest rate and receivable within one year are recorded at transaction price less provisions made for doubtful debts.

Provisions are made specifically where there is evidence of a risk of non-payment, taking into account ageing, previous losses experienced and general economic conditions.

Mortgage assets

The mortgage assets are classified within debtors. The initial measurement is at fair value plus transaction costs that are directly attributable to the acquisition of the mortgage assets, with subsequent measurement being amortised cost using the EIR method. The effective interest on the mortgage assets is calculated with reference to the interest earned on the mortgage assets.

The mortgage assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable and similar income in the statement of comprehensive income.

Impairment of mortgage assets

The Company assesses at each statement of financial position date whether there is evidence that a mortgage assets or a portfolio of financial assets is impaired. Impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset ("a loss event"), and that loss event or events has had an impact on the estimated future cash flows of the portfolio of financial assets or mortgage assets that can be reliably estimated.

The Company assesses whether objective evidence of impairment exists for mortgage assets on an individual loan basis. Those evaluations are based on the individual loan risk characteristics, taking into account: asset type; borrower; loan scores; geographical location; collateral type; past-due status; and other relevant factors. These characteristics are relevant to the estimation of future cash flows by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the loan.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised in the statement of comprehensive income.

Any impairment in the mortgage assets will be reflected in the Company's accounts by adjusting the carrying amount of the mortgage assets in the statement of financial position.

Financial liabilities

Trade and other creditors

Creditors including amounts owed to group undertakings, other creditors and accruals, with no stated interest rate and due within one year, are recorded at transaction price.

Loan notes

All loan notes were initially recognised at fair value, which was their transaction price at the date of issue less directly attributable transaction costs. All loan notes are subsequently re-measured at amortised cost taking into account repayments at interest payment dates where applicable.

Interest payable is recognised using the EIR method with the directly attributable transaction costs being amortised over the expected average life of the facility in line with IAS 39. Any unamortised issue costs are disclosed in note 16.

Interest payable on the notes during the year and any associated EIR adjustments are included in interest payable and similar expenses.

The repayment of the loan notes is dependent on principal and interest collections on the mortgage loans.

Deferred consideration

Deferred consideration is initially recognised at fair value and is then subsequently measured at amortised cost under the effective interest rate method.

Under the terms of the securitisation the Company earns a maximum annual profit for the year ended 30 November 2019 in an amount equal to £3,800 per annum. Profits in excess of this amount accrue to the current holder of the rights to the residual cash flows of the securitisation as deferred consideration, unless the Company has cumulative adjusted losses from prior years. Accordingly, the amounts owing to the current holder of the rights to the residual cash flows of the securitisation are recognised as creditors in the statement of financial position.

The Company has changed the presentation of deferred consideration in the financial statements. From 1 December 2018, changes in the carrying value of deferred consideration are presented within interest payable and similar expenses. Previously carrying value changes were presented in operating expenses.

Offsetting of financial assets and liabilities

In accordance with IAS 32 Financial Instruments: Presentation, the presentation of financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

Notes to the financial statements for the year ended 30 November 2019

Where applicable, the following methods are used to estimate the fair values of the financial instruments:

i. cash, trade receivables and payables - the carrying value is a good approximation of the fair value;

ii. fixed and variable rate borrowings - valued as detailed in note 17; and

iii. mortgage assets - valued as detailed in note 17.

The Company, where appropriate, classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs. A transfer is made between the hierarchy when the inputs have changed or there has been a change in the valuation method.

These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used.

The different levels are identified as follows:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.6. Discount on purchase of mortgage assets

Where cash has been received on acquisition of the mortgage assets to cover start-up costs, it is amortised over the expected life of those mortgage assets. The amortised balance is deducted from the mortgage assets with the income for the year included in interest receivable and similar income. Details of any unamortised discounts on acquisition of the mortgage assets are disclosed in note 13.

2.7. Segmental analysis

The Company's income and trade are wholly within the United Kingdom and within a single market sector and therefore no segmental analysis has been presented.

2.8. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

2.9. Share capital and capital contributions

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds.

3 Significant accounting estimates and judgements

The preparation of financial statements in accordance with FRS 102 requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Notes to the financial statements for the year ended 30 November 2019

3.1. Significant accounting judgements

Derecognition of mortgage assets

The Company has made a significant accounting judgement in the assessment of the mortgage assets. The Company performed an assessment of the risks and rewards associated with the financial assets acquired, and concluded that the financial assets qualify for derecognition for the originator. In making this assessment the Company considered the retained risks of the seller, 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. This follows the accounting treatment adopted in the sellers' financial statements.

3.2. Significant accounting estimates and assumptions

The Company has identified the following significant accounting policies that involve significant accounting estimates and assumptions:

Impairment of mortgage assets

Impairment losses on mortgage assets are calculated based on statistical models which calculate the Probability of Default and the Loss Given Default and apply this to every mortgage. The key assumptions relate to estimates of future cash flows from customers' accounts, their timing and, for secured accounts, the expected proceeds from the realisation of the property. These key assumptions are based on observed data from historical patterns and are updated regularly based on new data as it becomes available.

In addition the directors consider how appropriate past trends and patterns might be in the current economic situation and make any adjustments they believe are necessary to reflect current conditions.

The accuracy of the impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes. In particular, if the impact of economic factors such as employment levels on customers is worse than is implicit in the model then the number of accounts requiring provision might be greater than suggested by the model, while falls in house prices, over and above any assumed by the model might increase the provision required in respect of accounts currently provided.

A decrease in the House Price Index of 10% spread over the next 2 years increases the mortgage asset impairment provision by £17,000.

Effective Interest Rate ("EIR")

The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The cash flows used to calculate the EIR in this analysis include directly attributable transaction costs, premiums, discounts and the impact of changes from introductory to reversionary interest rates. Further details are disclosed in note 5.

The book value of the mortgage assets is measured at amortised cost using the EIR method, with a provision made for impairment. The current model used to estimate future cash flows in the EIR is sensitive to certain key assumptions, the most important of which is the constant prepayment rate ("CPR").

An increase of 1% in the CPR assumed would result in a debit of £101,000 to the statement of comprehensive income.

4 Prior year restatements

During the year, the Company identified that in previous periods it had not been calculating the mortgage assets and the accounting treatment of the deferred consideration on an EIR basis.

The mortgage assets are recognised using the original EIR and the deferred consideration represents the present value of future expected residual cash flows discounted at the original EIR.

The Company has also changed the presentation of deferred consideration in the financial statements. From 1 December 2018, changes in the carrying value of the deferred consideration are presented within interest payable and similar expenses. Previously changes in the carrying value were presented in operating expenses.

These changes have resulted in a restatement of the 2018 comparatives in the statement of comprehensive income, statement of financial position and statement of changes in equity. The changes in the 2018 comparatives are set out below.

These changes have been presented as a single adjustment as it would not be practical to separate them.

Statement of comprehensive income

	Note	2018 Previously reported £'000	Adjustment £'000	2018 Restated £'000
Interest receivable and similar income	5	4,754	(2,423)	2,331
Interest payable and similar expenses	6	(1,366)	(486)	(1,852)
Net interest receivable		3,388	(2,909)	479
Operating expenses		(1,769)	1,295	(474)
Profit before taxation	7	1,619	(1,614)	5
Tax expense on profit	8	(1)	-	(1)
Profit and total comprehensive income for the financial year		1,618	(1,614)	4

Notes to the financial statements for the year ended 30 November 2019

Statement of financial position

	Note	2018 Previously reported £'000	Adjustment £'000	2018 Restated £'000
Non-current assets				
Debtors: amounts falling due after more than one year	11	89,225	(1,521)	87,704
Current assets				
Debtors: amounts falling due within one year	12	9,530	-	9,530
Cash and cash equivalents	14	7,857	-	7,857
Total current assets		17,387	-	17,387
Current liabilities				
Creditors: amounts falling due within one year	15	(1,922)	(1,879)	(3,801)
Total assets less current liabilities		104,690	(3,400)	101,290
Non-current liabilities				
Creditors: amounts falling due after more than one year	16	(101,237)	-	(101,237)
Net assets		3,453	(3,400)	53
Capital and reserves				
Called up share capital	18	13	-	13
Retained earnings		3,440	(3,400)	40
Total equity		3,453	(3,400)	53

Notes to the financial statements for the year ended 30 November 2019

Statement of changes in equity

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 December 2017 (original)	13	1,822	1,835
Prior years' restatement	-	(1,786)	(1,786)
Balance at 1 December 2017 (restated)	13	36	49
Profit for the financial year (restated)	-	4	4
Balance at 30 November 2018 (restated)	13	40	53

5 Interest receivable and similar income

	2019 **£'000**	2018 restated £'000
Interest receivable on mortgage assets	2,154	1,967
Amortisation of discount on mortgage assets	356	356
Other interest	16	8
	2,526	2,331

The estimated weighted average life of the mortgage assets is 6.7 years (2018: 6.5 years). During the year the impact of the change in the estimated weighted average life on the effective interest rate calculation resulted in a loss of £435,000 (2018 restated: loss of £809,000).

Interest has accrued for the year in relation to impaired financial assets at 2.92% (2018: 2.89%) of the principal balance.

6 Interest payable and similar expenses

	2019 **£'000**	2018 restated £'000
Interest expense	1,842	1,786
Amortisation of capitalised issue costs	66	66
	1,908	1,852

Eurosail Prime-UK 2007-A plc

Notes to the financial statements for the year ended 30 November 2019

7 Profit before taxation

	2019 £'000	2018 restated £'000
Profit before taxation is stated after charging/(crediting):		
Auditor's remuneration for statutory audit	12	11
Impairment charge on mortgage assets	2	29
Mortgage administration fees	242	142

8 Taxation

	2019 £'000	2018 £'000
Analysis of tax expense for the year		
Current tax		
UK corporation tax expense on profit for the year	1	1
Total current tax	1	1

Factors affecting taxation

The tax assessed for the year is the same as (2018: same as) the standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.00%).

	2019 £'000	2018 restated £'000
Profit before tax	5	5
Profit multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1	1
Effects of:		
Application of Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006	-	-
Tax expense for the year	1	1

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the statement of financial position date, its effects are not included in these financial statements.

The Company is taxed in accordance with Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006 which requires that tax is charged on the profits 'retained by the Issuer'. The Issuer required profit for the year amounted to £3,800 (2018: £3,800).

9 Directors and employees

The Company does not have any employees other than the directors (2018: none). The directors' did not receive any remuneration in the year (2018: nil).

10 Mortgage assets

	Mortgage assets £'000	Impairment £'000	Mortgage assets, net of impairment £'000
At 1 December 2017 (restated)	111,335	-	111,335
Movement in the year (restated)	(14,100)	(29)	(14,129)
At 30 November 2018 (restated)	97,235	(29)	97,206
Movement in the year	(10,098)	(2)	(10,100)
At 30 November 2019	87,137	(31)	87,106

The mortgage assets are denominated in Sterling and bear interest at a variable rate. They are secured on the beneficial interest in the portfolio of residential mortgage loans.

The current mortgage loans in the pool have contractual loan periods of between 1 to 272 (2018: 1 to 284) months remaining with current interest rates ranging from 2.74% to 3.91% (2018: 2.74% to 3.95%) per annum.

The book value of the mortgage assets are measured at amortised cost using the EIR method, with a provision made for impairment. The impairment provision is a specific provision of £31,000 (2018: £29,000). The impairment model used to estimate future cash flows in the impairment calculation is sensitive to certain key assumptions being the expected probability of default, the expected time to move through the arrears/repossession cycle and expected recovery rates on losses incurred.

11 Debtors: amounts falling due after more than one year

	2019 £'000	2018 restated £'000
Mortgage assets net of impairment (note 10)	79,242	87,704
	79,242	87,704

Notes to the financial statements for the year ended 30 November 2019

12 Debtors: amounts falling due within one year

	2019	2018
	£'000	£'000
Mortgage assets net of impairment (note 10)	7,864	9,502
Prepayments and accrued income	-	3
Other debtors	38	25
	7,902	9,530

Mortgage assets, net of impairment represent the portion of the mortgage book contractually receivable over the next 12 months.

13 Discount on mortgage assets

	2019	2018
	£'000	£'000
Discount on mortgage assets		
At the beginning of the year	(2,317)	(2,673)
Amortisation in the year	356	356
At the end of the year year	(1,961)	(2,317)

The discount on mortgage assets is amortised in line with the amortisation profile of the mortgage assets. The amortisation charges are recognised within interest receivable in the statement of comprehensive income.

14 Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash at bank and in hand	5,121	7,857
	5,121	7,857

Cash at bank earns interest at the rates specified in note 17.

15 Creditors: amounts falling due within one year

	2019	2018 restated
	£'000	£'000
Accruals and deferred income	403	451
Other creditors	10	33
Deferred consideration	2,976	3,317
	3,389	3,801

Notes to the financial statements for the year ended 30 November 2019

Cash flow calculations are prepared to determine the extent to which deferred consideration will be payable and a creditor is recognised classified at amortised cost. Interest payable on this creditor is recognised on an effective interest rate basis. Under the terms of the waterfall payments, any deferred consideration would only be paid when there are sufficient revenue funds available and all other liabilities in the waterfall have been satisfied. Based on these calculations, the directors have determined that £2,976,000 (2018 restated: £3,317,000) consideration was payable at the year end.

16 Creditors: amounts falling due after more than one year

	2019 **£'000**	2018 £'000
GBP Denominated mortgage backed loan notes due 2045 -Class A1	61,050	69,656
GBP Denominated mortgage backed loan notes due 2045 -Class A2	10,365	11,801
GBP Denominated mortgage backed loan notes due 2045 -Class M	5,317	6,054
GBP Denominated mortgage backed loan notes due 2045 -Class B	5,214	5,937
GBP Denominated mortgage backed loan notes due 2045 -Class C	6,777	7,717
GBP Denominated mortgage backed loan notes due 2045 -Class CR Note	458	500
Total loan notes	89,181	101,665
Less unamortised issue costs	(362)	(428)
	88,819	101,237

The loan notes due in 2045 are secured over the portfolio of mortgage assets secured by first charges over residential properties in the United Kingdom.

The mortgage assets are administered by Kensington Mortgage Company Limited on behalf of the Company.

The mortgage backed loan notes are repaid as the underlying portfolio redeems. The terms and conditions of the mortgage backed 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 assets.

None (2018: none) of the mortgage backed loan notes are owed to a related party.

Whilst the mortgage backed loan 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 mortgage assets, the mortgage backed loan notes are classified and presented as amounts falling due after one year in accordance with the contractual maturity dates due to the uncertainty in the expected principal repayments or recoveries of the mortgages. If not otherwise redeemed or purchased and cancelled, the mortgage backed loan notes will be redeemed at their principal amount outstanding on the Interest Payment Date falling in 2045.

The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments. The mortgage backed loan notes are repayable out of capital receipts from the mortgage assets, with the Class A Notes ranking in priority to the Class M Notes, which rank in priority to the Class B Notes, which rank in priority to the Class C Notes.

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

Class A1	Sterling LIBOR + 0.40%
Class A2	Sterling LIBOR + 0.40%
Class M	Sterling LIBOR + 1.46%
Class B	Sterling LIBOR + 1.46%
Class C	Sterling LIBOR + 1.46%
Class CR Note	Sterling LIBOR + 0.00%

The CR Note has no fixed interest rate but receives two thirds of the reserve fund surplus if any.

A call option exists over the loan notes issued by the Company which may be exercised at the sole discretion of the Issuer once the outstanding mortgage backed loan notes reach 10% of the original issued amount. At this point, the call option permits the Issuer, at any interest payment date, to repay all of the outstanding external borrowings at their carrying value at the time.

In order for the call option to be exercised the directors must certify to the Trustee of the loan notes that the Issuer will be able to repay all amounts due and payable on the interest payment date on which the option would take effect.

17 Financial instruments and risk management

Nature and extent of risks arising from financial statements

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and operational risk as explained in the strategic report.

a) Credit risk

Credit risk is the risk that borrowers of the mortgage assets will not be able to meet their obligations as they fall due. All mortgage assets are required to adhere to specific lending criteria. The payments in respect of the financial instruments are dependent upon the performance of the mortgage assets. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) is closely monitored by the directors.

The level of arrears in the mortgage portfolio has largely stabilised, which the directors consider is consistent with the improvement in the market conditions experienced in the past few years in the United Kingdom mortgage market. Arrears management and recovery processes are performed with the aim of maximising customer rehabilitation. Whilst there has been strong arrears performance, the directors acknowledge that market conditions, resulting in a benign interest rate environment, has partly contributed to the strong portfolio performance. With this in mind, the directors continue to closely monitor the economic landscape to ensure the Company is best placed to respond to any pressures that may impact portfolio performance and proactively consider strategies to mitigate any adverse portfolio impact should these pressures occur.

Credit quality of the mortgage assets is assessed by an assessment of each customer and the prevailing macroeconomic environment. Probability of default of the customer and the loss given default is calculated and impairment provisions raised where necessary.

Notes to the financial statements for the year ended 30 November 2019

Before taking account of any collateral, the maximum exposure to credit risk as at 30 November 2019 was:

	2019 £'000	2018 restated £'000
Mortgage assets	87,137	97,235
Cash and cash equivalents	5,121	7,857
	92,258	105,092

Mortgage assets and asset credit quality

All mortgage assets are categorised, as either 'neither past due nor impaired', 'past due but not impaired', or 'past due and impaired'. A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract.

As at 30 November 2019, the ageing analysis of mortgage assets is as follows:

	2019 £'000	2018 restated £'000
Neither past due nor impaired	83,069	92,237
Past due but not impaired – less than 30 days	571	825
Past due but not impaired – between 30 and 60 days	102	227
Past due but not impaired – between 61 and 90 days	104	-
Past due but not impaired – more than 120 days	-	390
Impaired	3,291	3,556
Total	87,137	97,235

The mortgage assets have the following loan to value ("LTV") profile based on indexed valuations of the underlying properties, giving an indication of their credit quality:

	2019 £'000	2018 restated £'000
0-50%	27,674	34,479
50.01% -70%	39,274	39,538
70.01% - 90%	19,609	22,122
90.01% - 100%	580	994
Over 100%	-	102
Total	87,137	97,235

The portfolio of mortgage assets is well diversified geographically with the highest exposure being in London at 28.78% (2018: London at 29.29%).

Notes to the financial statements for the year ended 30 November 2019

b) Liquidity risk

The undiscounted estimated cash flows associated with financial liabilities were as follows:

As at 30 November 2019 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	10,378	9,792	12,550	6,002	6,252	58,937	103,911

As at 30 November 2018 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	12,373	11,769	10,509	12,554	7,447	65,493	120,145

There is no contractual obligation to pay down the loan notes other than as set out in note 16.

The estimated future cash flows are sensitive to certain key assumptions being the expected probability of default, the expected time to move through the arrears/repossession cycle and expected recovery rates on losses incurred. Future cash flows have been estimated using a combination of macro environmental factors, including market observable data, and individual borrower data. 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.

In addition, the Company holds a minimum cash balance to manage short term liquidity requirements which can be used in certain circumstances. The undiscounted cash flows have been estimated by previously applying a constant (per annum) prepayment rate to the principal balance of the mortgage loans and using the weighted average interest rate prevailing at the statement of financial position date.

The loan notes in the above table will not agree to the liability in statement of financial position as the table incorporates both principal and interest payments on an undiscounted basis (see note 16 for maturity dates). For the current and the prior year, all loan notes are due in more than 5 years, and all other non-derivative creditors are repayable on demand.

The Company's policy is to manage liquidity risk by matching cash payments due on the loan notes to cash receipts from the mortgage assets.

Notes to the financial statements for the year ended 30 November 2019

c) Interest rate risk

Interest rate risk profile of financial assets

	Total £'000	Total variable rate £'000	Total fixed rate £'000	Weighted average interest rate* %	Weighted average time for which rate is fixed Years
2019					
Mortgage assets	87,137	87,137	-	2.88	-
Cash and cash equivalents	5,121	-	5,121	0.33	0.25
2018					
Mortgage assets (restated)	97,235	97,235	-	2.88	-
Cash and cash equivalents	7,857	-	7,857	0.16	0.25

* This is the weighted average spread above LIBOR.

Interest rate sensitivity analysis on financial assets

	Increase in basis points	Effect on equity £'000	Effect on result before tax £'000
2019			
Mortgage assets	25	218	218
Cash and cash equivalents	25	13	13
2018			
Mortgage assets (restated)	25	243	243
Cash and cash equivalents	25	20	20

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market conditions. In assessing the effect on financial assets of interest rate sensitivity, management have used a benchmark of 25 bps.

Notes to the financial statements for the year ended 30 November 2019

Interest rate risk profile of financial liabilities

	Total	Total variable rate	Weighted average Interest rate
	£'000	£'000	%
2019			
Loan notes	89,181	89,181	0.60
2018			
Loan notes	101,665	101,665	0.60

Interest payable on the loan notes and receivable on the mortgage assets are both based on LIBOR. The Company thus has limited exposure to interest rate risk.

The interest rate risk profile of the mortgage backed loan notes in issue can be found in note 16. The Company's approach to managing interest rate risk is included in the principal risks and uncertainties section of the strategic report.

Interest rate sensitivity analysis on financial liabilities

	Increase in basis points	Effect on equity	Effect on result before tax
		£'000	£'000
2019			
GBP loan notes	25	(223)	(223)
2018			
GBP loan notes	25	(254)	(254)

In assessing the effect on financial liabilities of interest rate sensitivity, management have used a benchmark of 25 bps.

The Company also has certain financial instruments included within debtors (note 12) and creditors (note 15) which are not subject to interest rate risk as they bear no interest.

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

	2019	2018 restated
	£'000	£'000
Interest receivable on mortgage assets	2,154	1,967
Interest expense	(1,842)	(1,786)
	312	181

d) Operational risk

Operational risk is defined as any instance where there is potential or actual impact to the Company resulting from inadequate or failed internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

The Company operates under a controls and governance framework provided by the servicer of the mortgage assets. This includes regulatory and compliance functions and internal audit. The business is covered by the servicer's business continuity management capability.

e) Fair values of financial assets and liabilities

	2019 Book value £'000	2019 Fair value £'000	2018 restated Book value £'000	2018 restated Fair value £'000
Financial assets				
Mortgage assets	87,106	87,630	97,206	98,513
Cash and cash equivalents				
Reserve and contingency funds	2,320	963	2,578	784
Other cash balances	2,801	2,801	5,279	5,279
	5,121	3,764	7,857	6,063
	92,227	91,394	105,063	104,576
Financial liabilities				
Mortgage backed loan notes	89,181	85,810	101,665	101,822
Deferred consideration	2,976	2,976	3,317	3,317
	92,157	88,786	104,982	105,139

All financial assets and liabilities are held at amortised cost. There were no transfers between categories in both periods. Management have assessed all other assets and liabilities and consider book value to be equal to fair value.

Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents. There are no material differences between their book values and fair values.

The directors have considered the fair values of the Company's main financial instruments which are mortgage assets, loan notes and cash.

The fair value of the mortgage backed loan notes has been based upon their quoted prices; where available, or prices interpolated using latest available market data. The fair value of the mortgage assets has been based upon the fair value of the mortgages underlying the loan notes, and expected residual cash flows. It is the opinion of the directors that this methodology is appropriate as the market is more liquid than in prior years.

Notes to the financial statements for the year ended 30 November 2019

As part of the process of assessing fair value, management have refined the assumptions used. This has been achieved using a combination of macro environmental factors including market observable data and individual borrower data resulting in a more accurate reflection of the estimated cash flows used for computing fair value.

Loan notes and mortgage assets are classified as level 2 and level 3 respectively.

18 Share capital

	2019	2018
	£	£
Allotted, issued and fully paid:		
2 ordinary 100% issued and fully paid shares of £1 each	2	2
Allotted, issued and partly paid:		
49,998 ordinary 25% issued and paid shares of £1 each	12,500	12,500

19 Related party transactions

The transactions and outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing. None of the outstanding balances have been impaired.

	Amount expensed 2019 £'000	Amount outstanding 2019 £'000	Amount expensed 2018 restated £'000	Amount outstanding 2018 restated £'000
Southern Pacific Mortgage Limited				
Deferred consideration	(425)	(2,976)	(486)	(3,317)
Wilmington Trust SP Services (London) Limited				
Corporate services fees	(10)	-	(8)	-
	(435)	(2,976)	(494)	(3,317)

20 Parent undertaking and control

The Company's immediate parent undertaking is Eurosail Prime-UK 2007-A Parent Limited which is registered in England, United Kingdom and has its registered office located at Third Floor, 1 King's Arms Yard, London, EC2R 7AF. The entire issued share capital of Eurosail Prime-UK 2007-A Parent Limited is held by a trustee under a declaration of trust for charitable purposes.

Eurosail Prime-UK 2007-A Parent Limited, does not prepare consolidated accounts as it does not meet the criteria for consolidation under FRS102.

21 Capital management

The Company is not subject to any externally proposed capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

The Company's capital consists of share capital contributed by investors. Due to the structural features of the securitisation process, where cash paid out to noteholders cannot exceed cash received, and where the holder of the deferred consideration certificate is entitled to any excess deferred consideration, the amount of share capital is not expected to fluctuate over time. Accordingly, the objective of capital management is to hold constant the amount of share capital, and this objective is achieved by the structural features of the securitisation transaction documented in the offering circular and other legal documentation.

22 Post statement of financial position date events

Subsequent to the reporting date, extensions to lockdown periods have been announced following the COVID-19 crisis, and the UK Government introduced 'Payment holiday scheme' in March 2020, in an attempt to mitigate the economic impact of COVID-19.

As of 24 September 2020, 11 loans have taken up the payment holiday scheme which represents 1.88% of the total loans and 1.45% of the total balance.

There are no other significant events occurring after the statement of financial position date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 30 November 2019.