

Eurosail UK 2007-6 NP plc

Report and Financial Statements

Period from 8 October 2007 to 30 November 2008

Registered No: 06391795

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COMPANIES HOUSE

Registered No: 06391795

Directors

M H Filer
Wilmington Trust SP Services (London) Limited
J Traynor
S Masson

Secretary

Wilmington Trust SP Services (London) Limited
Fifth Floor
6 Broad Street Place
London EC2M 7JH

Auditors

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

Bankers

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

Solicitors

Clifford Chance
10 Upper Bank Street
London E14 5JJ

Registered Office

c/o Wilmington Trust SP Services (London) Limited
Fifth Floor
6 Broad Street Place
London EC2M 7JH

Directors' report

The directors present their report and the audited financial statements for the period ended 30 November 2008.

Principal activities

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

Business review

The company was incorporated on 8 October 2007 as Knightorbit Public Limited Company and commenced its activities on 27 November 2007. On 24 October 2007 the Company changed its name to Eurosail UK 2007-6 NP plc. On 27 November 2007 the Company purchased £364,999,595 of mortgages from Southern Pacific Mortgage Limited and Preferred Mortgages Limited. Further consideration may be payable to Southern Pacific Mortgage Limited and Preferred Mortgages Limited dependent on future performance of the mortgages. The acquisition of these mortgage assets has been accounted for as loans to originators as detailed in Note 1 of the financial statements. To facilitate the purchase, the Company issued a series of mortgage-backed loans on 27 November 2007. These loan notes are listed on the Irish Stock Exchange.

The profit and loss account for the period ended 30 November 2008 is set out on page 10. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out below.

The current economic environment is difficult and the Company has reported an operating loss for the period. The directors consider that the outlook presents significant challenges in meeting the obligation to the holders of the loan notes as and when the obligations fall due.

Furthermore, on 3 October 2008, the interest rate swap, interest rate cap and currency swap counterparty, Lehman Brothers Special Financing Inc filed for Chapter 11 bankruptcy. This has had an impact on the results of the company for the period, and its ability to manage its significant risks and uncertainties, and the cash available to pay interest, and repay capital, owing to Mortgage Backed Loan Note Holders.

The swaps were in default at the period end and were terminated on 3 March 2009. Future amounts due to the Company under the swaps will not be paid. It is anticipated that the Company is likely to continue to make losses as a result of not having swaps in place to manage its interest and exchange rate risks, however it is not possible to quantify the amount of these losses.

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 this report.

As required by Financial Reporting Standard No. 26, the result for the period includes an unrealised exchange loss on restatement of loan liabilities of £54,811,729.

At period end the loans to originators balance after the Effective Interest Rate Adjustment, was £332,094,622. At December 2008 Interest Payment Date the originators held the following mortgage loans underlying the loans to originators, excluding the Effective Interest Rate Adjustment:

	<i>Principal balance £000</i>	<i>Number of loans</i>
First Mortgages	348,943	3,226
Total	<u>348,943</u>	<u>3,226</u>

Directors' report

Business review (continued)

These mortgages provide security against loan notes in issue totalling £350,059,402 as at the December 2008 Interest Payment date.

The mortgage loans generated a weighted average margin over funding costs of 1.06% during the period, before considering the adjustment for Financial Reporting Standard No. 26. The weighted average cost of funds for the year was 6.00%.

The mortgage loans exhibited the following quarterly arrears profile:

	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>
	%	%	%	%
<i>Delinquencies days – (excluding reposessions)</i>				
Current	81.08	74.72	68.31	64.99
>30<=60	8.93	9.25	9.98	10.80
>60<=90	6.00	6.89	7.89	7.40
>90<=120	2.42	3.32	4.73	5.45
>120	1.57	5.82	9.09	11.36
Total	100.00	100.00	100.00	100.00

At the March 2009 Interest Payment Date following the period end, the mortgage assets underlying the loans to originators balance, was £342,691,567, 20.81% of the balance was greater than 3 months in arrears.

The directors consider the level of arrears to be within expectations and have not made any adjustment to the provisions recorded as at the period end.

The performance of the mortgage loans during the period ended 30 November 2008 enabled deferred consideration of £nil to be paid to the current holder of the rights to the residual cash flows of the securitisation.

Going concern

As described in the Business Review, the Company has reported an operating loss for the period.

The Company is in a net liability position as at 30 November 2008 due to the impact of adverse interest rate and foreign currency movements on the value of the mortgage backed loan notes, which are no longer covered by interest rate swaps and foreign currency hedges and the impairment of the underlying mortgage loans. Should these adverse interest rate and currency movements and this impairment not reverse in forthcoming periods the Company may be unable to meet capital repayments and interest due to the holders of the loan notes as and when they fall due.

It is the intention of the Directors of the Company to continue operations until such a time as the amount due from mortgage loans underlying the loans to originators have been fully realised. Ultimately, due to the non – recourse nature of the mortgage backed loan notes, any shortfall in the proceeds from the mortgage assets will be a risk to the holders of those notes and accordingly the financial statements have been prepared on a going concern basis.

Directors' report

Fair value

Note 16 discloses the fair values of the mortgage assets, underlying the loans to originators, and non recourse loan notes. The directors noted that as at 30 November 2008 the respective fair values of the mortgage assets underlying the loans to originators, and non recourse loan notes are less than the carrying values recorded in the balance sheet.

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 loans to originators or non recourse 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 reposessions, losses and discount rates based on the most recent available information.

The fair values disclosed do not necessarily represent the directors' view of the current value of the predicted future cash flows on either the mortgage asset receivables underlying the loans to originators or non recourse loan notes.

Dividend

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

Policy and practice on payment of creditors

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

Directors

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

M H Filer (appointed 8 October 2007)
Wilmington Trust SP Services (London) Limited (appointed 8 October 2007)
J Traynor (appointed 28 February 2008)
R G Baker (appointed 8 October 2007, resigned 28 February 2008)
S Masson (appointed 8 October 2007)

Principal risks and uncertainties

Financial instrument risk

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

The Company 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 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, interest rate risk, currency risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Directors' report

Principal risks and uncertainties (continued)

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 loans to originators 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 originators as explained in note 1.

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. Where this is not possible the Company had used derivative financial instruments to mitigate any residual interest rate risk. However, as stated on page 2, the interest rate cap and swap counterparty has filed for Chapter 11 bankruptcy, and has defaulted on the swaps and caps. The swap and cap agreements have not been replaced. The directors believe under current circumstances that it is not viable to replace the swaps and caps and until such time, the Company 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 Company minimises its exposure to foreign currency risk by ensuring that the currency characteristics of its assets and liabilities are similar. Where this is not possible the Company considers the use of derivative financial instruments to mitigate any foreign exchange risk. However, as stated on page 2, the foreign currency swap counterparty has filed for Chapter 11 bankruptcy, and has defaulted on the swaps. The swaps have not been replaced. The directors believe under current circumstances that it is not viable to replace the swaps and until such time, the Company will continue with an unhedged foreign currency risk exposure.

Liquidity risk

The Company's policy is to manage liquidity risk by matching the timing of the cash receipts from mortgage assets underlying the loans to originators 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.

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 Company'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

Ernst & Young LLP were appointed as auditors of the Company on 19 October 2007.

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Directors' report

Responsibility statements under the Disclosure and Transparency Rules

The directors confirm that, to the best of each person's knowledge:

- the financial statements in this report, which have been prepared in accordance with UK GAAP and the Companies Act 1985, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that they face.

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



Director:

Date:

6 AUGUST 2009

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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). The financial statements are required by law to 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 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 Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Eurosail UK 2007-6 NP plc

We have audited the company's financial statements for the period ended 30 November 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Eurosail UK 2007-6 NP plc (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 November 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

Date

6 Aug 2009

Profit and loss account

for the period ended 30 November 2008

	Notes	Period ended 30 November 2008 £000
Interest receivable and similar income	2	33,081
Interest payable and similar charges	3	(26,135)
Net interest receivable		<u>6,946</u>
Other operating income	4	983
Unrealised exchange loss on restatement of loan liabilities		(54,812)
Total operating loss		<u>(46,883)</u>
Operating expenses		(9,826)
Loss on ordinary activities before taxation	5	<u>(56,709)</u>
Tax on loss on ordinary activities	6	—
Loss on ordinary activities after taxation	15	<u><u>(56,709)</u></u>

The loss for the period was derived from continuing operations.

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

The notes on pages 12 to 22 form part of these financial statements.

Balance sheet

at 30 November 2008

	Notes	2008 £000
Fixed assets		
Loans to originators	8	332,095
Current assets		
Debtors:		
Amounts falling due after one year		—
Amounts falling due within one year	10	2,068
Cash at bank and in hand		24,975
		<u>27,043</u>
Creditors: amounts falling due within one year	11	<u>(6,526)</u>
Net current assets		<u>20,517</u>
Creditors: amounts falling due after one year	12	<u>(409,308)</u>
Net liabilities		<u>(56,696)</u>
Capital and reserves		
Called up share capital	13	13
Profit and loss account	14	(56,709)
Shareholders' deficit	15	<u>(56,696)</u>

The notes on pages 12 to 22 form part of these financial statements.

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

Director

Date

6 AUGUST 2009

Notes to the financial statements

at 30 November 2008

1. 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:

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 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.

Income recognition

Interest income on mortgage loan assets underlying the loans to originators 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.

Loans to originators

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 portfolios transferred to the Company, derecognition is considered to be inappropriate for the portfolio seller's or originators' (Southern Pacific Mortgage Limited and Preferred Mortgages Limited) own financial statements as the originators have 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 Company's financial statements are therefore prepared on the basis that its acquisitions of beneficial interests in mortgage portfolios are recognised as collateralised non-recourse loans to the originators.

The loans to originators are classified within "loans and receivables", the initial measurement is at fair value with subsequent measurement being amortised cost using the effective interest rate method. The effective interest on the loans to the originators are 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 flow of the securitisation.

The Company 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 loans to the originators balance would be recognised where there is a risk that the income on the loan will be significantly higher. This could occur if the credit quality of the mortgage assets that are pledged as collateral for the loan deteriorated significantly and is calculated in accordance with the provision policy below.

Provisions

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

Notes to the financial statements

at 30 November 2008

1. Accounting policies (continued)

Premium paid to mortgage assets underlying the loans to originators

A premium is recognised where mortgage assets which underlie the loans to originators are acquired at amounts in excess of their carrying values. This premium is capitalised by the Company and amortised over the expected repayment period of the mortgage assets. The amortised balance is added to the loans to originators balance with the costs amortised in the period included in operating expenses.

Discount on purchase of mortgage assets underlying the loans to originators

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

Taxation

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

Deferred 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 and Preferred Mortgages Limited. The payment of these amounts is conditional on the performance of the mortgages underlying the loans to originators.

Under the terms of the securitisation the Company earns an annual profit of £3,800. 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 £3,800 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 its balance sheet.

Derivatives

The Company uses derivative financial instruments to hedge its exposure to interest rate and currency risk arising from operational, financing and investment activities. The Company 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.

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 Company would receive or pay to terminate the swap at the balance sheet date.

Notes to the financial statements

at 30 November 2008

1. Accounting policies (continued)

Interest rate caps

A series of amortising interest rate caps were entered into in order to manage the Company's interest rate risk in relation to fixed rate mortgage loans underlying the loans to originators. The derivative contracts 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 Company's currency rate exposure in relation to non-sterling denominated Loan Notes. The derivative contracts matched 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 loan notes amortised cost carrying value 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

The Company has taken advantage of the exemption conferred by paragraph 3(c) of Financial Reporting Standard No. 8, not to disclose transactions with related parties since the Company is 100% owned by Eurosail 2007-6 NP Parent Limited and is included in its consolidated financial statements which are publicly available.

Financial Instrument Disclosure

The Company has taken advantage of the exemption conferred by paragraph 2(d) of Financial Reporting Standard No. 29, not to disclose Financial Instrument disclosures since the Company is 100% owned by Eurosail UK 2007-6 NP Parent Limited and is included in its consolidated financial statements which complies with these disclosure requirements and are publicly available.

Cash flow statement

Under Financial Reporting Standard No.1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Notes to the financial statements

at 30 November 2008

1. Accounting policies (continued)

Turnover

The Company'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

	<i>Period ended 30 November 2008 £000</i>
On loans to originators	29,484
Other interest	1,294
Amortisation of start up costs contributed by the mortgage loan originators	2,303
	<u>33,081</u>

3. Interest payable and similar charges

	<i>Period ended 30 November 2008 £000</i>
Mortgage backed loan notes	26,051
Amortisation of capitalised interest costs	84
	<u>26,135</u>

4. Other operating income

	<i>Period ended 30 November 2008 £000</i>
Redemption fees	416
Sundry fee income	567
	<u>983</u>

Notes to the financial statements

at 30 November 2008

5. Loss on ordinary activities before taxation

This is stated after charging:

	<i>Period ended 30 November 2008 £000</i>
Auditors' remuneration – For audit services	13
Adjustment to the expected cash flows of the loans to originators arising from the impairment of the underlying mortgages	7,190
Adjustment to the expected cash flows of the loans to originators arising from bad debts incurred on the underlying mortgages	53
	<hr/>

6. Tax on loss on ordinary activities

(a) Analysis of tax charge in the period

	<i>Period ended 30 November 2008 £000</i>
Current tax:	
UK corporation tax on loss in the period	-
	<hr/>
Total current tax (note 6(b))	-
Deferred tax:	
Origination and reversal of timing differences	-
	<hr/>
Total deferred tax charge (note 17)	-
	<hr/>
Tax on loss on ordinary activities	-
	<hr/>

Notes to the financial statements

at 30 November 2008

6. Tax on loss on ordinary activities (continued)

(b) Factors affecting the tax charge in the period

The tax assessed for the period is higher than the small companies rate of corporation tax in the UK of 21%. The factors affecting the tax charge are explained below:

	<i>Period ended 30 November 2008 £000</i>
Loss on ordinary activities before tax	(56,709)
Loss on ordinary activities multiplied by the standard rate of corporation tax for small companies of 21%	(11,722)
Effects of:	
Tax losses not recognised in the period	11,722
Current tax charge for the period (note 6(a))	—

7. Information regarding directors and employees

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

8. Loans to originators – net balances

	<i>2008 £000</i>
Acquisition of mortgage loans underlying the loans to originators	344,275
Amortisation of discount on acquisition of mortgage loans underlying the loans to originators	2,303
Net movement in the period	(7,240)
Adjustment to the expected cash flows of the loans to originators arising from the impairment of the underlying mortgages	(7,190)
Adjustment to the expected cash flows of the loans to originators arising from bad debts incurred on the underlying mortgages	(53)
At 30 November	332,095

The Company purchased portfolios of mortgage loans from Southern Pacific Mortgage Limited and Preferred Mortgages Limited. However, as the principal economic risk and rewards associated with these mortgage loans remain with Southern Pacific Mortgage Limited and Preferred Mortgages Limited, these loans are not deemed for accounting purposes to have been transferred to the Company. Accordingly, the Company accounts for the transaction as loans to Southern Pacific Mortgage Limited and Preferred Mortgages Limited, as the originators of the loans. The repayment of the loans to originators is linked to the repayment of the loan notes referred to in note 12.

The loans to Southern Pacific Mortgage Limited and Preferred Mortgages Limited are denominated in Sterling and bear interest at a variable rate. They are secured on the beneficial interest in a portfolio of residential mortgage loans.

Notes to the financial statements

at 30 November 2008

8. Loans to originators – net balances (continued)

The current mortgage loans in the pool have loan periods of between 24 to 417 months remaining with current interest rates ranging from 5.44% to 12.94% per annum.

The mortgage loans are held as security against the loan notes referred to in note 12.

9. Premium on mortgages underlying the loans to originators

	<i>2008</i> <i>£000</i>
Premium paid to originators	15
Amortisation in the period	(2)
At 30 November	<u>13</u>

10. Debtors: amounts falling due within one year

	<i>2008</i> <i>£000</i>
Amounts owed by group undertakings	705
Other debtors	16
Prepayments and accrued income	1,347
	<u>2,068</u>

11. Creditors: amounts falling due within one year

	<i>2008</i> <i>£000</i>
Amounts owed to group undertakings	240
Accruals and deferred income	5,669
Other creditors	617
	<u>6,526</u>

Notes to the financial statements

at 30 November 2008

12. Creditors: amounts falling due after one year

	2008 £000
EUR Denominated Mortgage backed loan notes due 2045 - Class A1a	119,265
EUR Denominated Mortgage backed loan notes due 2045 - Class A2a	91,851
EUR Denominated Mortgage backed loan notes due 2045 - Class A3a	140,933
EUR Denominated Mortgage backed loan notes due 2045 - Class B1a	25,066
EUR Denominated Mortgage backed loan notes due 2045 - Class C1a	17,909
EUR Denominated Mortgage backed loan notes due 2045 - Class D1a	14,959
	<hr/> 409,983
Less: Issue costs	(675)
	<hr/> 409,308

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

The mortgage backed floating rate notes due 2045 are secured over a portfolio of mortgage loans secured by first charges over residential properties in the United Kingdom.

The mortgages underlying the loans to originators are administered by Capstone Mortgage Services Limited on behalf of Eurosail UK 2007-6 NP 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 mortgages underlying the loans to originators. 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 Eurosail UK 2007-6 NP 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 underlying the loans to originators. If not otherwise redeemed or purchased and cancelled, the notes will be redeemed at their principal amount outstanding on the interest payment date falling in September 2045.

The loan notes are repayable out of capital receipts from the mortgages underlying the loans to originators, 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.

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

Class A1a	EURIBOR + 0.70%
Class A2a	EURIBOR + 0.70%
Class A3a	EURIBOR + 0.70%
Class B1a	EURIBOR + 1.35%
Class C1a	EURIBOR + 2.00%
Class D1a	EURIBOR + 3.60%

Notes to the financial statements

at 30 November 2008

13. Called up share capital

	2008 £000	2007 £000
Authorised		
Ordinary shares of £1 each	50	50
Allotted and called up		
2 shares 100% called and fully paid	—	—
49,998 shares 25% called and fully paid	13	13
	<u>13</u>	<u>13</u>

Share capital of £2 was issued on incorporation on 8 October 2007. Share capital of 49,998 shares were issued on 19 October 2007.

14. Profit and loss account

	Period ended 30 November 2008 £000
Loss for the period	(56,709)
Retained loss carried forward	<u>(56,709)</u>

15. Reconciliation of movement in shareholders' funds

	2008 £000
Issue of ordinary share capital	13
Loss for the period	<u>(56,709)</u>
Closing shareholders' deficit	<u>(56,696)</u>

Notes to the financial statements

at 30 November 2008

16. Derivatives and other financial instruments

As explained on page 4 the Company uses financial instruments in its normal course of business. The following analysis gives an indication of the significance of these instruments to the Company.

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

	<i>Total</i>	<i>Total</i>	<i>Weighted</i>	<i>Weighted</i>
	<i>Total</i>	<i>Variable</i>	<i>fixed</i>	<i>average</i>
	<i>rate</i>	<i>rate</i>	<i>interest</i>	<i>time for</i>
	<i>£000</i>	<i>£000</i>	<i>rate</i>	<i>which rate</i>
			<i>%</i>	<i>is fixed</i>
				<i>Years</i>
<i>2008</i>				
Interest rate profile	409,983	409,983	—	—

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

	<i>Total</i>	<i>Total</i>	<i>Weighted</i>	<i>Weighted</i>
	<i>Total</i>	<i>Variable</i>	<i>fixed</i>	<i>average</i>
	<i>rate</i>	<i>rate</i>	<i>interest</i>	<i>time for</i>
	<i>£000</i>	<i>£000</i>	<i>rate</i>	<i>which rate</i>
			<i>%</i>	<i>is fixed</i>
				<i>Years</i>
<i>2008</i>				
Interest rate profile	357,070	38,139	318,931	6.84
				0.69

The company also has certain financial instruments included within debtors (note 10) and creditors (note 11) which are not subject to interest rate risk as they bear no interest.

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 12.

(c) Foreign currency risk

With the exception of the Mortgage Backed Loan Notes, all financial instruments are denominated in sterling. The Mortgage Backed Loan Notes were issued in the following tranches:

EUR Denominated Mortgage backed loan notes due 2029 - Class A1a	(Notional EUR 158,040,000)
EUR Denominated Mortgage backed loan notes due 2045 - Class A2a	(Notional GBP 111,140,000)
EUR Denominated Mortgage backed loan notes due 2045 - Class A3a	(Notional GBP 170,530,000)
EUR Denominated Mortgage backed loan notes due 2045 - Class B1a	(Notional GBP 30,330,000)
EUR Denominated Mortgage backed loan notes due 2045 - Class C1a	(Notional GBP 21,670,000)
EUR Denominated Mortgage backed loan notes due 2045 - Class D1a	(Notional GBP 18,100,000)

A series of currency swaps were entered into, in order to manage the Company's currency rate exposure in relation to non-sterling denominated Loan Notes.

Notes to the financial statements

at 30 November 2008

16. Derivatives and other financial instruments (continued)

(d) Fair value of financial instruments

	<i>Book value 2008 £000</i>	<i>Fair value 2008 £000</i>
On balance sheet:		
Loans to originators	332,095	195,997
Cash and deposits	24,975	24,975
Mortgage backed loan notes due 2029 and 2045	(409,983)	(200,528)

The directors have considered the fair values of the Company's main financial instruments, which are mortgage loan receivables underlying the loans to originators and non recourse loan notes.

As no liquid market exists for either the mortgage loans underlying the loans to originators or non recourse 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, level of reposessions, losses and discount rates based on the most recent available information.

The Company used interest rate caps in certain circumstances to hedge against movements in interest rates. Following the default of the cap counterparty at 30 November 2008 the notional value of these caps was £nil and the recognised fair value was £nil.

The Company used foreign currency swaps in certain circumstances to hedge against any currency exposure risks. Following the default of the swap counterparty at 30 November 2008 the notional value of the swaps held was £nil and the recognised fair value of the Euro swaps was £nil.

The Company 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 2008, the notional value of its swaps held was £nil and the recognised fair value was £nil.

17. Deferred taxation

Losses of £56,708,558 resulting in a deferred tax asset of £11,908,797 (at 21% being the UK small companies' corporation tax rate at the balance sheet date) have not been recognised. The deferred tax asset has not been recognised due to uncertainty surrounding the Company's future profitability.

18. Parent undertaking and control

The Company is controlled by its parent undertaking, Eurosail UK 2007-6 NP Parent Limited, which is registered and operates in the United Kingdom.

The entire issued share capital of Eurosail UK 2007-6 NP Parent Limited is held by a Trustee under a declaration of trust for charitable purposes.

The smallest group in which the results of the Company are consolidated is that headed by Eurosail UK 2007-6 NP Parent Limited, registered in England and Wales. At the largest group level, the Company's results get consolidated on a Linked Presentation basis in Southern Pacific Mortgage Limited. The financial statements of these groups are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.