

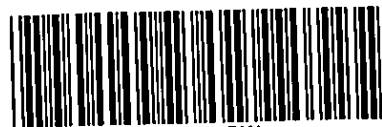
Southern Pacific Financing 06-A Plc

Report and Financial Statements

30 November 2007

Registered No 05578381

MONDAY



LJYPD1SX

LD4

28/07/2008

9

COMPANIES HOUSE

Southern Pacific Financing 06-A plc

Registered No 05578381

Directors

J G Vickers
Capita Trust Corporate Limited
Capita Trust Corporate Services Limited

Secretary

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

Auditors

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

Bankers

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

Solicitors

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

Registered Office

7th Floor
Phoenix House
18 King William Street
London
EC4N 7HE

Directors' report

The directors present their report and the audited financial statements for the year ended 30 November 2007

Principal activities

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

Business review

The profit and loss account for the year ended 30 November 2007 is set out on page 8. Both the level of business during the year and the financial position of the Company at the year end were satisfactory.

As required by Financial Reporting Standard No. 26, the result for the year includes a fair value gain on derivative financial instruments of £864,130 (2006: £1,962,124).

At the year end the mortgage balance was £297,606,639. At the December 2007 interest payment date, the company held the following mortgage loans:

| | <i>Principal balance £</i> | <i>Number of loans</i> |
|-----------------|------------------------------------|----------------------------|
| First mortgages | 289,178,049 | 3,033 |
| Total | 289,178,049 | 3,033 |

These mortgages provide security against loan notes in issue totalling £297,708,934 as at the December 2007 interest payment date. The directors consider the mortgage loans to be adequate collateral against the loan notes in issue.

The mortgage loans generated a weighted average margin over funding costs of 1.06% during the year. The weighted average cost of funds for the year was 5.93%. The directors consider there to be adequate arrangements in place to hedge against future movements in cost of funds.

The mortgage loans exhibited the following quarterly arrears profile:

| | <i>Q1 %</i> | <i>Q2 %</i> | <i>Q3 %</i> | <i>Q4 %</i> |
|---|-----------------|-----------------|-----------------|-----------------|
| Delinquencies days – (excluding repossessions) | | | | |
| Current | 85.53 | 84.18 | 82.83 | 79.13 |
| > 30 <= 60 | 5.45 | 5.67 | 6.05 | 7.72 |
| > 60 <= 90 | 3.27 | 3.39 | 3.66 | 4.58 |
| > 90 <= 120 | 1.94 | 1.84 | 2.28 | 2.31 |
| > 120 | 3.80 | 4.94 | 5.18 | 6.26 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 |

At the March 2008 Interest Payment Date following year end, the Company held £236,085,821 of mortgage loans, 12.23% of the balance was greater than 9 months in arrears. At the June 2008 Interest Payment Date, the Company held £211,468,534 of mortgage loans, 14.62% was greater than 9 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 year end.

Directors' report

Business review (continued)

The performance of the mortgage loans during the year to 30 November 2007 enabled deferred consideration of £Nil (2006 £Nil) to be paid to the holders of residual certificates

Fair value

Note 18 discloses the fair values of the Company's mortgage asset receivables and non recourse loan notes. The directors note that as at 30 November 2007 the respective fair values of the mortgage asset receivables 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 US sub prime mortgage sector and the decline in market demand for mortgage backed securities.

The fair values are indicative of the amount, based on calibrations to observed secondary traded UK prime mortgage assets, for which the mortgage assets might be sold, or the loan notes settled, between willing parties in an arm's length transaction although in reality no liquid secondary market exists for either the mortgage asset receivable or the non recourse loan notes.

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 or non recourse loan notes.

Dividend

The directors do not recommend the payment of a dividend for the year (2006 Nil).

Policy and practice on payment of creditors

The Company does not follow any stated code on payment practice. It is the Company's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with the suppliers at the outset. It is the policy of the Company to abide by the agreed terms of payment. There are no creditor days of suppliers' invoices outstanding at the year end (2006 Nil).

Directors

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

Capita Trust Corporate Services Limited
Capita Trust Corporate Limited
J G Vickers

Principal risks and uncertainties

Financial instrument risks

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

The Company enters into derivative transactions where necessary (principally interest rate swaps) to manage its exposure to interest rate 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 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 purchased by the Company during the year were required to adhere to specific lending criteria. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) is closely monitored by the directors.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar.

Liquidity risks

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

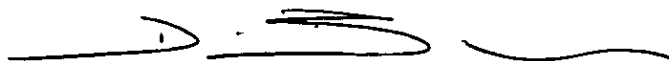
Disclosure of information to the auditors

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 group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

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



Capita Trust Corporate Services Limited

Director (Director)

Date

25 JUL 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and 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 judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

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 Southern Pacific Financing 06-A plc

We have audited the company's financial statements for the year ended 30 November 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. 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 judgements 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 Southern Pacific Financing 06-A 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 2007 and of its profit for the year 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 *25 July 2008*

Profit and loss account

for the year ended 30 November 2007

| | | <i>Year ended 30 November 2007 £000</i> | <i>Period ended 30 November 2006 £000</i> |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| Interest receivable and similar income | 2 | 25,845 | 22,219 |
| Interest payable and similar charges | 3 | (19,773) | (20,120) |
| Net interest receivable | | <u>6,072</u> | <u>2,099</u> |
| Net fair value gain on derivatives | | 864 | 1,962 |
| Other operating income | 4 | 1,075 | 1,272 |
| Total operating income | | <u>8,011</u> | <u>5,333</u> |
| Operating expenses | | (6,449) | (517) |
| Profit on ordinary activities before taxation | 5 | <u>1,562</u> | <u>4,816</u> |
| Tax on profit on ordinary activities | 6 | (360) | (915) |
| Profit on ordinary activities after taxation | 16 | <u><u>1,202</u></u> | <u><u>3,901</u></u> |

The profit for the year was derived from continuing operations

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

The notes on pages 10 to 19 form part of these financial statements

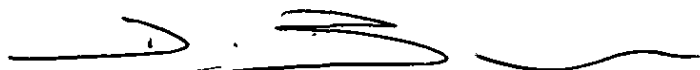
Balance sheet

at 30 November 2007

| | Notes | 2007 £000 | 2006 £000 |
|--|-------|----------------|----------------|
| Current assets | | | |
| Debtors | | | |
| Amounts falling due after one year | 11 | 291,659 | 392,395 |
| Amounts falling due within one year | 12 | 9,883 | 11,259 |
| Cash at bank and in hand | | 35,246 | 22,598 |
| | | <u>336,788</u> | <u>426,252</u> |
| Creditors amounts falling due within one year | 13 | (7,836) | (6,849) |
| Net current assets | | <u>328,952</u> | <u>419,403</u> |
| Creditors amounts falling due after one year | 14 | (323,836) | (415,489) |
| Net assets | | <u>5,116</u> | <u>3,914</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 13 | 13 |
| Profit and loss account | 16 | 5,103 | 3,901 |
| Shareholders' funds | 17 | <u>5,116</u> | <u>3,914</u> |

The notes on pages 10 to 19 form part of these financial statements

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



Director **Capita Trust Corporate Services Limited**
(Director)

Date

25 JUL 2008

Notes to the financial statements

at 30 November 2007

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 accounting standards and under the historical cost convention. The financial statements have been prepared on a going concern basis. Certain balances in the 2006 comparatives have been reclassified to be consistent with current year presentation.

Income recognition

Interest income on mortgage loan assets 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.

Mortgage loans

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

Provisions

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

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

Turbo notes

Gross cash receipts received by the Company on the issue of Turbo Notes are funded to Southern Pacific Mortgage Limited. The cost of this funding is capitalised by the Company and amortised over the expected repayment period of the Class DTC Notes mentioned in Note 14.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date 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.

Notes to the financial statements

at 30 November 2007

1. Accounting policies (continued)

Derivatives

The Company use 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 is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date.

Interest rate caps

Interest rate caps have been entered into, in order to manage the company's interest rate risk in relation to fixed rate mortgage loans. The derivative contracts match the expected profile of the run-off of the fixed rate loans.

Deferred consideration

Deferred consideration represents further amounts payable to the holders of the residual certificates on the acquisition of mortgages from Southern Pacific Mortgage Limited. The payment of these amounts is conditional on the performance of the acquired mortgages.

Under the terms of the securitisation the Company earns an annual profit in an amount equal to 0.01 per cent of the aggregate balances of the loans in the mortgage pool. This is reflected in the profit and loss before any movements on fair value gains and losses on derivatives and Effective Interest Rate adjustments, as deferred consideration expense or income.

Profits in excess of 0.01 per cent accrue to the holder of the residual certificates. Accordingly a creditor for amounts payable to the holder of the residual certificates for this residual interest has been recognised at year end, however where a debtor and income has been recognised, it is expected that the Company will recoup the losses towards the end of the deal.

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.

Related party transactions

The Company has taken advantage of the exemption conferred by paragraph 3 (d) of Financial Reporting Standard No. 8, not to disclose transactions with related parties since the Company is 100% owned by Southern Pacific Financing 06-A Parent Limited and is included in its consolidated financial statements which 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.

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.

Notes to the financial statements

at 30 November 2007

2 Interest receivable and similar income

| | <i>Year ended</i> <i>30 November</i> | <i>Period ended</i> <i>30 November</i> |
|-------------------|---|---|
| | <i>2007</i> | <i>2006</i> |
| | <i>£000</i> | <i>£000</i> |
| On mortgage loans | 23,646 | 21,750 |
| Other interest | 2,199 | 469 |
| | <u>25,845</u> | <u>22,219</u> |

3 Interest payable and similar charges

| | <i>Year ended</i> <i>30 November</i> | <i>Period ended</i> <i>30 November</i> |
|---|---|---|
| | <i>2007</i> | <i>2006</i> |
| | <i>£000</i> | <i>£000</i> |
| Mortgage backed loan notes | 19,301 | 16,771 |
| Amortisation of capitalised issue costs | 472 | 3,349 |
| | <u>19,773</u> | <u>20,120</u> |

4 Other operating income

| | <i>Year ended</i> <i>30 November</i> | <i>Period ended</i> <i>30 November</i> |
|--------------------------------|---|---|
| | <i>2007</i> | <i>2006</i> |
| | <i>£000</i> | <i>£000</i> |
| Redemption administration fees | 180 | 1,191 |
| Sundry fee income | 454 | 81 |
| Other operating income | 441 | - |
| | <u>1,075</u> | <u>1,272</u> |

5 Profit on ordinary activities before taxation

| | <i>Year ended</i> <i>30 November</i> | <i>Period ended</i> <i>30 November</i> |
|---|---|---|
| | <i>2007</i> | <i>2006</i> |
| | <i>£000</i> | <i>£000</i> |
| This is stated after charging/(crediting) | | |
| Auditors' remuneration – for audit services | 8 | 8 |
| Provision for mortgage losses | 1,071 | 1,721 |
| Deferred consideration | 1,419 | (1,646) |
| Amortisation – turbo notes | 967 | 2,895 |
| Amortisation premium | 125 | 121 |
| Bad debts incurred on mortgage loans | 871 | - |
| | <u></u> | <u></u> |

Notes to the financial statements

at 30 November 2007

6. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

| | <i>Year ended 30 November 2007 £000</i> | <i>Period ended 30 November 2006 £000</i> |
|--|---|---|
| <i>Current tax</i> | | |
| UK corporation tax on profits in the year | 7 | 6 |
| Total current tax (note 6(b)) | <u>7</u> | <u>6</u> |
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences | 305 | 909 |
| Effect of rate charge on opening liability | 48 | — |
| Total deferred tax charge (note 19) | <u>353</u> | <u>909</u> |
| Tax on profit on ordinary activities | <u>360</u> | <u>915</u> |

(b) Factors affecting the tax charge in the year

The tax assessed for the year is higher than the standard rate for current corporation tax applicable to small companies in the UK of 20% (2006 19%). The differences are explained below

| | <i>Year ended 30 November 2007 £000</i> | <i>Period ended 30 November 2006 £000</i> |
|--|---|---|
| Profit on ordinary activities before tax | 1,562 | 4,816 |
| Profit on ordinary activities multiplied by the UK small companies rate of 20% (2006 19%) | 312 | 915 |
| Effects of Short-term timing differences (note 19) | (305) | (909) |
| Total current tax (note 6(a)) | <u>7</u> | <u>6</u> |

7. Information regarding directors and employees

The Company has no employees (2006 None) The directors received no remuneration from the Company during the year (2006 £Nil)

Notes to the financial statements

at 30 November 2007

8 Mortgage loans – net balances

| | <i>Mortgage</i> | <i>provision</i> | <i>Total</i> |
|--------------------------|-----------------|------------------|----------------|
| | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| At 1 December 2006 | 397,600 | (1,721) | 395,879 |
| Net movement in the year | (99,994) | (1,071) | (101,065) |
| At 30 November 2007 | <u>297,606</u> | <u>(2,792)</u> | <u>294,814</u> |

Mortgage loans of £294,814,000 (2006 £395,879,000) are held as security against the loan notes referred to in note 14

The current mortgage loans in the pool have loan periods of between 33 to 397 months remaining with current interest rates ranging from 3.87% to 8.74% per annum

9 Mortgage loans - unamortised premium

| | <i>2007</i> | <i>2006</i> |
|--------------------------|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| Premium on acquisition | 472 | 593 |
| Amortisation in the year | (125) | (121) |
| At end of year | <u>347</u> | <u>472</u> |

10. Turbo notes

| | <i>2007</i> | <i>2006</i> |
|--------------------------|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| At beginning of the year | 967 | 3,862 |
| Amortisation in the year | (967) | (2,895) |
| At end of the year | <u>–</u> | <u>967</u> |

11 Debtors amounts falling due after one year

| | <i>2007</i> | <i>2006</i> |
|--|----------------|----------------|
| | <i>£000</i> | <i>£000</i> |
| Mortgage loans | | |
| Net balances (note 8) | 288,622 | 390,083 |
| Unamortised acquisition premium (note 9) | 211 | 350 |
| Derivative financial instruments | 2,826 | 1,962 |
| | <u>291,659</u> | <u>392,395</u> |

Notes to the financial statements

at 30 November 2007

12. Debtors: amounts falling due within one year

| | 2007 | 2006 |
|--------------------------------|--------------|---------------|
| | £000 | £000 |
| Mortgage loans | | |
| Net balances (note 8) | 6,192 | 5,796 |
| Unamortised premium (note 9) | 136 | 122 |
| Turbo notes (note 10) | – | 967 |
| Prepayments and accrued income | 3,306 | 2,148 |
| Other debtors | 22 | 580 |
| Deferred consideration | 227 | 1,646 |
| | <u>9,883</u> | <u>11,259</u> |

13. Creditors: amounts falling due within one year

| | 2007 | 2006 |
|---------------------------------|--------------|--------------|
| | £000 | £000 |
| Corporate tax | 13 | 6 |
| Amounts owed to related parties | 1,154 | 650 |
| Accruals and deferred income | 5,405 | 5,284 |
| Deferred tax (note 19) | 1,262 | 909 |
| Other creditors | 2 | – |
| | <u>7,836</u> | <u>6,849</u> |

14. Creditors: amounts falling due after one year

| | 2007 | 2006 |
|--|----------------|----------------|
| | £000 | £000 |
| Class A Mortgage backed floating rate notes due 2044 | 269,553 | 359,653 |
| Class B Mortgage backed floating rate notes due 2044 | 14,700 | 14,700 |
| Class C Mortgage backed floating rate notes due 2044 | 19,110 | 19,110 |
| Class D1 Mortgage backed floating rate notes due 2044 | 9,450 | 9,450 |
| Class DTc Mortgage backed floating rate notes due 2044 | – | 2,140 |
| Class E Mortgage backed floating rate notes due 2044 | 3,780 | 3,780 |
| Class F Mortgage backed floating rate notes due 2044 | 8,534 | 8,438 |
| | <u>325,127</u> | <u>417,271</u> |
| Less Issue costs | (1,291) | (1,782) |
| | <u>323,836</u> | <u>415,489</u> |

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

With the exception of mortgage backed loan notes due 2044 Class DTc £Nil (2006 £2 14m), the remaining mortgage backed floating rate notes due 2044 are secured over a portfolio of mortgage loans secured by first and second charges over residential properties in the United Kingdom

The mortgages were purchased from Southern Pacific Mortgage Limited. The mortgages are administered by Capstone Mortgage Services Limited on behalf of Southern Pacific Financing 06-A plc

Notes to the financial statements

at 30 November 2007

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

The mortgage backed floating rate notes are subject to mandatory redemption in part at each interest payment date in an amount equal to the principal received or recovered in respect of the mortgages. If not otherwise redeemed or purchased and cancelled, the notes will be redeemed at their principal amount outstanding on the interest payment date falling in December 2044.

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

| | |
|-----------------|------------------------|
| Class A notes | Sterling LIBOR + 0.16% |
| Class B notes | Sterling LIBOR + 0.26% |
| Class C notes | Sterling LIBOR + 0.45% |
| Class D1 notes | Sterling LIBOR + 0.85% |
| Class DTc notes | Sterling LIBOR + 0.75% |
| Class E notes | Sterling LIBOR + 3.30% |
| Class F notes | Sterling LIBOR + 0.00% |

15 Called up share capital

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| Authorised | | |
| Ordinary shares of £1 each | 50,000 | 50,000 |
| Allotted and called up | | |
| 2 shares 100% called and fully paid | 2 | 2 |
| 49,998 shares 25% called and partially paid | 12,500 | 12,500 |
| | 12,502 | 12,502 |

£2 of share capital was issued on incorporation on 29 September 2005 and settled for cash on 29 September 2005.

16. Profit and loss account

| | 2007 £000 | 2006 £000 |
|---------------------------------|--------------|--------------|
| Retained profit brought forward | 3,901 | — |
| Profit for the year | 1,202 | 3,901 |
| Retained profit carried forward | 5,103 | 3,901 |

17 Reconciliation of movement in shareholders' funds

| | 2007 £000 | 2006 £000 |
|---------------------------------|--------------|--------------|
| Opening shareholders' funds | 3,914 | — |
| Issue of ordinary share capital | — | 13 |
| Retained profit for the year | 1,202 | 3,901 |
| Closing shareholders' funds | 5,116 | 3,914 |

Notes to the financial statements

at 30 November 2007

18 Derivatives and other financial instruments

As explained on page 3 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>2007</i> | | | | |
| Interest rate profile | 325,127 | 325,127 | — | — |

2006

| | | | | |
|-----------------------|---------|---------|---|---|
| Interest rate profile | 417,271 | 417,271 | — | — |
|-----------------------|---------|---------|---|---|

All financial liabilities are denominated in pounds sterling

(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>2007</i> | | | | |
| Interest rate profile | 335,678 | 111,854 | 223,824 | 6.15 |

2006

| | | | | |
|-----------------------|---------|---------|---------|------|
| Interest rate profile | 424,367 | 148,013 | 276,354 | 6.14 |
|-----------------------|---------|---------|---------|------|

All financial assets are denominated in pounds sterling

The Company also has certain financial instruments included with debtors (note 11 and 12) and creditors (note 13 and 14) 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 Offer Rate. The rates of interest payable on the mortgage backed loan notes are set as detailed in note 14.

Notes to the financial statements

at 30 November 2007

18 Derivatives and other financial instruments (continued)

(c) Fair value of financial instruments

| | <i>Book value</i> | <i>Fair value</i> | <i>Book value</i> | <i>Fair value</i> |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | <i>2007</i> | <i>2007</i> | <i>2006</i> | <i>2006</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| On balance sheet | | | | |
| Mortgage loans | 297,607 | 284,702 | 397,600 | 397,600 |
| Cash and deposits | 35,246 | 35,246 | 22,598 | 22,598 |
| Mortgage backed loan notes | (325,127) | (317,729) | (417,271) | (417,271) |
| Derivative financial instruments | 2,826 | 2,826 | 1,962 | 1,962 |

The directors have considered the fair values of the Company's main financial instruments which are mortgage loan receivables and non recourse loan notes

As no liquid secondary market exists for either the mortgage loan receivables or non recourse loan notes, the directors have ascribed an approximate fair value based on an internal model that is used to value non-securitised mortgage loan receivables

In previous years the directors have considered that the carrying amount of the mortgage loan receivables measured at amortised cost using the effective interest rate less any impairment, and limited recourse loan notes approximate to their fair values

The Company uses interest rate caps in certain circumstances to hedge against movement in interest rates. At 30 November 2007 the notional value of the caps held was £333,692,769 (2006 £340,698,608) and the positive fair value was £2,826,254 (2006 £1,962,124)

19. Deferred taxation

| | <i>2007</i> | <i>2006</i> |
|--|----------------|--------------|
| | <i>£000</i> | <i>£000</i> |
| Liability at start of year | (909) | - |
| Deferred tax charge during the year (note 6) | (353) | (909) |
| Liability at the end of the year | <u>(1,262)</u> | <u>(909)</u> |

Full provision is made for deferred tax liabilities arising as a result of Financial Reporting Standard No 26 adjustments

Deferred taxation has been recognised at 20% being the UK small companies corporation tax rate at the balance sheet date

Notes to the financial statements

at 30 November 2007

19. Deferred taxation (continued)

As of 1 April 2008 the UK corporation tax rate increased to 21%. The impact of the rate change on the deferred tax liability expected to reverse in greater than one year would be an increase of £63,130

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| Effect of Financial Reporting Standard No 26 adjustment for EIR | (697) | (536) |
| Effect of Financial Reporting Standard No 26 adjustment for Derivatives | (565) | (373) |
| Total deferred tax liability recognised at 19% | — | (909) |
| Total deferred tax liability recognised at 20% | (1,262) | — |
| Total deferred tax liability recognised at 21% | (1,326) | (957) |
| Difference | (64) | (48) |

20. Parent undertaking and control

The Company is controlled by its parent undertaking, Southern Pacific Financing 06-A Parent Limited, which is registered and operates in the United Kingdom

The entire issued share capital of Southern Pacific 06-A Financing Parent Limited is held by a Trustee under the terms of a trust primarily for the benefit of the creditors of the Company or, if none, for the benefit of the holders of notes issued by Southern Pacific Financing 06-A plc, and ultimately for charitable purposes