

Eurosail-UK 2007-3BL Parent Limited

Report and Financial Statements

30 November 2011

Registered No 06240170

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COMPANIES HOUSE

Directors

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

Secretary

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

Auditors

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

Note Trustee

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

Registered Office

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

Directors' report

The directors present their report and the audited financial statements for the year ended 30 November 2011

Principal activities

The principal activity of the Company is that of a holding company. The principal activity of the Group is the investment in mortgage loans secured by first and second charges over properties within the United Kingdom.

Business review

On 16 July 2007 the Group purchased £649,529,000 of mortgages from Southern Pacific Mortgage Limited and Preferred Mortgages Limited. Further consideration may be payable dependent on future performance of the mortgages. To facilitate the purchase, the Group issued a series of loan notes on 16 July 2007. These loan notes are listed on the Irish Stock Exchange.

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

The consolidated profit and loss account for the year ended 30 November 2011 is set out on page 10. The Group's business activities, together with the factors likely to affect its future development, financial performance and financial position are set out below.

The current economic environment is difficult but the Group has reported an operating profit for the year, after Financial Reporting Standard No. 26 adjustments which are required in order to recognise the interest income on mortgage loans on an Effective Interest Rate (EIR) basis and a remeasurement adjustment of amortised cost of the loan notes. However the directors consider that the outlook presents significant challenges in meeting the capital repayments and interest to the holders of the loan notes as and when they fall due.

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

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

As required by Financial Reporting Standard No. 26, the result for the year includes an unrealised exchange loss on restatement of foreign currency liabilities of £6,364,000 (2010 – £21,379,000 gain).

At the year end the mortgage balance after the effective interest rate adjustment, was £381,922,000 (2010 – £413,456,000). At the December 2011 Interest Payment Date the Group held the following mortgage loans, excluding the effective interest rate adjustment:

	<i>Principal balance £000</i>	<i>Number of loans</i>
First Mortgages	350,083	3,397
Second Mortgages	31,161	1,532
Total	<u>381,244</u>	<u>4,929</u>

Directors' report

Business review (continued)

These mortgages provide security against loan notes in issue totalling £150,146,000, €332,026,000 and US\$79,619,000 as at the December 2011 Interest Payment date

The mortgage loans exhibited the following quarterly arrears profile

	Q1 %	Q2 %	Q3 %	Q4 %
Delinquencies days – (excluding repossessions)				
Current	71.86	72.15	72.65	71.83
>30<=60	5.47	5.30	5.08	5.46
>60<=90	4.40	4.14	4.67	4.75
>90<=120	3.60	3.88	2.90	3.51
>120	14.67	14.53	14.70	14.45
Total	100.00	100.00	100.00	100.00

At the March 2012 Interest Payment Date following the year end, the mortgage loan balance was £374,425,000, 18.68% 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 year end

The performance of the mortgage loans during the year to 30 November 2011 enabled deferred consideration of £1,083,000 (2010 – £95,000) to be paid to the current holder of the rights to the residual cash flows of the securitisation

Future development

The directors of the company do not envisage any change to the principal activities of the Group in the future

Going concern

As described in the Business review, the Group has reported an operating profit for the year

However the Group is in a net liability position as at 30 November 2011 due to the impact of adverse interest rate and foreign currency movements on the value of the loan notes, which are no longer covered by interest rate swaps and foreign currency hedges, amortisation of the premium paid to the mortgage loan originators and the impairment of the mortgage loans. Should these adverse interest rate and currency movements and this impairment not reverse in forthcoming periods the Group may be unable to meet the 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 Group to continue operations until such a time as the amount due from mortgage loans have been fully realised. Ultimately, due to the non-recourse nature of the 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 19 discloses the fair values of the mortgage assets, and loan notes. The directors noted that as at 30 November 2011 the respective fair values of the mortgage assets and 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 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 pre-payment rates, arrears levels, house price movements, level of repossessions, losses and discount rates based on the most recent available information.

Dividend

The directors do not recommend the payment of a dividend for the year (2010 – £Nil).

Policy and practice on payment of creditors

The Group does not follow any stated code on payment practice. It is the Group's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with the suppliers at the outset. It is the policy of the Group to abide by the agreed terms of payment. There are no creditor days of suppliers' invoices outstanding at the year end (2010 – nil days).

Directors

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

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

Principal risks and uncertainties

Financial instrument risk

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

The Group also entered into derivative transactions where necessary (principally interest rate and currency swaps) to manage its interest rate risk and currency risk.

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

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

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 Group were required to adhere to specific lending criteria. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) is closely monitored by the directors.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Group minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Group has used derivative financial instruments to mitigate any residual interest rate risk. However, 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 Group will continue with an unhedged interest rate risk.

Foreign exchange risk

Foreign exchange risk exists where the loan notes are denominated in a currency which is different to the underlying Sterling mortgage loans. The Group minimises its exposure to foreign currency risk by ensuring that the currency characteristics of its assets and liabilities are similar. Where this is not possible the Group has used derivative financial instruments to mitigate any foreign exchange risk. However, the foreign currency swap counterparty has filed for Chapter 11 bankruptcy, and has defaulted on the swaps which have not been replaced. The directors believe under current circumstances that it is not viable to replace the swaps and until such time, the Group will continue with an unhedged foreign currency risk exposure.

Liquidity risk

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

Corporate governance

The Directors are responsible for internal control in Eurosail-UK 2007-3 BL Parent Limited and for reviewing the effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The procedures enable Eurosail-UK 2007-3 BL Parent Limited to comply with the relevant regulatory obligations.

Disclosure of information to the auditors

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

Directors' report

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


Mignon Clarke for **Wilmington Trust SP Services (London) Limited**
Director

Date - 5 JUL 2012

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Eurosail-UK 2007-3BL Parent Limited

We have audited the financial statements of Eurosail-UK 2007-3BL Parent Limited for the year ended 30 November 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 November 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Eurosail-UK 2007-3BL Parent Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



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

Date 5 JULY 2012

Consolidated profit and loss account

for the year ended 30 November 2011

	Notes	2011 £000	2010 £000
Interest receivable and similar income	2	14,971	20,054
Interest payable and similar charges	3	(7,583)	(6,197)
Net interest receivable		<u>7,388</u>	<u>13,857</u>
Other operating income	4	52	197
Remeasurement adjustment of amortised cost of loan notes		13,685	(1,411)
Unrealised exchange (loss)/gain on loan liabilities		(6,364)	21,379
Operating expenses		(7,423)	(7,474)
Profit on ordinary activities before taxation	5	<u>7,338</u>	<u>26,548</u>
Tax on profit on ordinary activities	6	–	–
Profit on ordinary activities after taxation	17	<u><u>7,338</u></u>	<u><u>26,548</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 14 to 31 form part of these financial statements

Consolidated balance sheet

at 30 November 2011

	Notes	2011 £000	2010 £000
Current assets			
Debtors			
Amounts falling due after one year	12	374,655	405,585
Amounts falling due within one year	13	7,894	9,076
Cash at bank and in hand		12,392	13,447
		<u>394,941</u>	<u>428,108</u>
Creditors amounts falling due within one year	14	(8,958)	(9,893)
Net current assets		<u>385,983</u>	<u>418,215</u>
Creditors amounts falling due after one year	15	(426,654)	(466,224)
Net liabilities		<u>(40,671)</u>	<u>(48,009)</u>
Capital and reserves			
Issued share capital	16	13	13
Profit and loss account	17	(40,684)	(48,022)
Shareholders' deficit	18	<u>(40,671)</u>	<u>(48,009)</u>

The notes on pages 14 to 31 form part of these financial statements

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


Mignon Clarke for Wilmington Trust SP Services (London) Limited
Director

Date - 5 JUL 2012

Company balance sheet

at 30 November 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Investments	8	13	13
Net assets		<u>13</u>	<u>13</u>
Capital and reserves			
Issued share capital	16	13	13
Profit and loss account	17	—	—
Shareholders' funds	18	<u>13</u>	<u>13</u>

The notes on pages 14 to 31 form part of these financial statements

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


Mignon Clarke for **Wilmington Trust SP Services (London) Limited**
Director

Date - 5 JUL 2012

Consolidated statement of cash flows

for the year ended 30 November 2011

	Notes	2011 £000	2010 £000
Net cash outflow from operating activities	20	(8,854)	(13,375)
Returns on investment and servicing of finance			
Interest on mortgage loans		15,406	17,242
Other interest received		44	41
Interest on loan notes		(6,321)	(5,088)
		9,129	12,195
Capital expenditure and financial investment			
Proceeds from mortgage loans		31,198	42,237
		31,198	42,237
Net cash inflow before management of liquid cash resources and financing		31,473	41,057
Financing			
Repayment of loan notes	21	(32,528)	(46,262)
		(32,528)	(46,262)
Decrease in cash in year		(1,055)	(5,205)
Reconciliation of movement in net cash flow to movement in net debt			
	Notes	2011 £000	2010 £000
Decrease in cash in year		(1,055)	(5,205)
Repayment of loan notes		32,528	46,262
Change in net debt resulting from cash flows	21	31,473	41,057
Fair value movements		7,321	19,968
Movement in capitalised issue costs		(279)	(279)
Movement in net debt		7,042	60,746
Net debt as at 1 December	21	(452,777)	(513,523)
Net debt as at 30 November	21	(414,262)	(452,777)

The notes on pages 14 to 31 form part of these financial statements

Notes to the financial statements

at 30 November 2011

1. Accounting policies

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

Basis of preparation

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

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and all its subsidiaries for the year ended 30 November 2011. All the subsidiaries are accounted for using acquisition accounting.

In accordance with section 408 (4) of the Companies Act 2006, Eurosail-UK 2007-3BL Parent Limited is exempt from the requirement to present its own profit and loss account. The result for the year of Eurosail-UK 2007-3BL Parent Limited is disclosed in note 17 to the financial statements.

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.

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

An adjustment to the expected cash flows of the mortgage loans would be recognised where there is a risk that the income on the loan will be significantly reduced. This could occur if the credit quality of the mortgage assets deteriorated significantly and is calculated in accordance with the provisions policy below.

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).

Fixed asset investment

The Company's investment in subsidiary companies is stated at cost less provision for diminution in value where the directors consider this necessary.

Notes to the financial statements

at 30 November 2011

1 Accounting policies (continued)

Premium paid to mortgage loan originator

Gross cash receipts received by the Group on the issue of revenue backed notes (Class ETc Notes mentioned in note 15) are paid to Southern Pacific Mortgage Limited and Preferred Mortgages Limited as a premium on acquisition of the mortgage assets. This premium is capitalised by the Group and amortised over the expected repayment period of the revenue backed notes. The amortised balance is shown in debtors, amounts falling due within one year with costs amortised in the year included in interest payable.

Discount on purchase of mortgage assets

Cash received from the originators on acquisition of the mortgage assets to cover start up costs is amortised over the expected life of the mortgage assets. The amortised balance is shown in creditors' amounts falling due within one year with the income for the year included in interest receivable.

Taxation

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

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

Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred consideration

Deferred consideration represents further amounts payable on the acquisition of mortgages from Southern Pacific Mortgage Limited and Preferred Mortgages Limited. The payment of these amounts is conditional on the performance of the mortgages.

Under the terms of the securitisation the Group earns a maximum annual profit in an amount equal to 0.01 per cent of the aggregate balance of the revenue ledger as described in the Cash Bond Administration agreement, before any Financial Reporting Standard No. 26 adjustments which include exchange gains or losses on revaluation of foreign currency liabilities, Effective Interest Rate adjustments, remeasurement adjustments to loan note liabilities and gains or losses on derivatives. Profits in excess of 0.01 per cent accrue to the current holder of the rights to the residual cash flows of the securitisation as deferred consideration, unless the Group has cumulative adjusted losses from prior years. Accordingly, amounts owing to the current holder of the rights to the residual cash flows of the securitisation are recognised as creditors in the balance sheet.

On a quarterly basis surplus income received from the mortgage assets is paid to the current holder of the rights to the residual cash flows and recorded as deferred consideration in the profit and loss account.

Derivatives

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

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 and caps, and currency swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date.

Notes to the financial statements

at 30 November 2011

1. Accounting policies (continued)

Interest rate caps

A series of amortising interest rate caps were entered into in order to manage the Group's interest rate risk in relation to fixed rate mortgage loans. The derivative contracts were designed to match the expected profile of the run-off of the fixed rate loans.

Currency swaps

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

Foreign currencies

Monetary assets and monetary 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 assets or 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.

Loan notes

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

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

Turnover

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

Notes to the financial statements

at 30 November 2011

2. Interest receivable and similar income

	2011	2010
	£000	£000
On mortgage loans	13,710	18,797
Other interest	45	41
Amortisation of discount on purchase of mortgage assets	1,216	1,216
	<u>14,971</u>	<u>20,054</u>

3. Interest payable and similar charges

	2011	2010
	£000	£000
Loan notes	6,752	5,122
Amortisation of premium paid to mortgage loan originator	552	796
Amortisation of capitalised issue costs	279	279
	<u>7,583</u>	<u>6,197</u>

4. Other operating income

	2011	2010
	£000	£000
Redemption fees	52	197

5. Profit on ordinary activities before taxation

This is stated after charging/(crediting)

	2011	2010
	£000	£000
Auditors' remuneration – for audit services – Group	15	14
– Company	6	5
Other fees to auditors – taxation services – Group	9	9
– Company	1	1
Provision of mortgage loans	(1,352)	(5,865)
Bad debts incurred on mortgage loans	3,487	8,408
Deferred consideration	1,083	95

Notes to the financial statements

at 30 November 2011

6 Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2011 £000	2010 £000
Current tax		
UK corporation tax on profit in the year	—	—
Total current tax (note 6(b))	—	—
Deferred tax		
Origination and reversal of timing differences	—	—
Total deferred tax charge (note 22)	—	—
Tax on profit on ordinary activities	—	—

(b) Factors affecting the tax charge in the year

The Group 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 actual retained profit for the year amounted to £306 (2010 – £254)

The tax rate assessed for the year is lower than the small companies rate of corporation tax in the UK of 20% (2010 – 21%). The factors affecting the tax credit are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	7,338	26,548
Profit on ordinary activities multiplied by the standard rate of corporation tax for small companies of 20% (2010 – 21%)	1,468	5,575
Effects of		
Application of Statutory Instrument No 3296 The Taxation of Securitisation Companies Regulations 2006	(1,468)	(5,575)
Tax for the year at the small companies rate of corporation tax of 20% (2010 – 21%) on the actual retained profit for the year	—	—
Current tax charge for the year (note 6(a))	—	—

7. Information regarding directors and employees

The Group has no employees (2010 – none). The directors received no remuneration from the Group during the year (2010 – £Nil)

Notes to the financial statements

at 30 November 2011

8 Investments

Company

*Shares in
group
undertakings
£000*

At 30 November 2011 and 2010 13

The undertakings in which the Company's interest at 30 November 2011 is more than 20% are as follows

<i>Company</i>	<i>Principal activity</i>	<i>Proportion held</i>
Eurosail-UK 2007-3BL plc	Investment in residential loans	100%

At 30 November 2011 the Company held 49,998 ordinary shares of £1 each in Eurosail-UK 2007-3BL plc, and has paid up 25p on each share. The Company also held one fully paid share of £1 in the same company. These holdings represent the entire issued share capital of that company except for one fully paid ordinary share of £1 held by Wilmington Trust SP Services (London) Limited on a discretionary basis.

Eurosail-UK 2007-3BL plc acts as an investment company, holding mortgages financed by Floating Rate Notes. The subsidiary is registered and operates in the United Kingdom. The following information is presented in respect of its financial statements for the year ended 30 November 2011.

	<i>2011 £000</i>	<i>2010 £000</i>
Aggregate capital and reserves	(40,671)	(48,009)
Profit for the year	7,338	26,548

9. Mortgage loans – net balances

Group

	<i>Mortgage £000</i>	<i>provision £000</i>	<i>Total £000</i>
At 1 December 2010	426,797	(13,341)	413,456
Net movement in the year	(32,886)	1,352	(31,534)
At 30 November 2011	393,911	(11,989)	381,922

Mortgage loans of £381,922,000 (2010 – £413,456,000) are held as security against the loan notes referred to in note 15.

The current mortgage loans in the pool have loan periods of between 1 to 365 months remaining with current interest rates ranging from 0.88% to 15.00% per annum.

Notes to the financial statements

at 30 November 2011

10. Premium paid to mortgage loan originator

Group

	2011 £000	2010 £000
At start of year	503	1,250
Amortisation in the year	(503)	(747)
At end of year	—	503

11. Mortgage loans - Unamortised premium

Group

	2011 £000	2010 £000
At start of year	244	293
Amortisation in the year	(49)	(49)
At end of year	195	244

12. Debtors amounts falling due after one year

Group

	2011 £000	2010 £000
Mortgage balances	374,509	405,390
Premium paid on purchase of mortgage assets	146	195
	374,655	405,585

13. Debtors amounts falling due within one year

Group

	2011 £000	2010 £000
Mortgage balances	7,413	8,066
Premium paid to mortgage loan originator	—	503
Premium paid on purchase of mortgage assets	49	49
Prepayments and accrued income	90	97
Other debtors	342	361
	7,894	9,076

Notes to the financial statements

at 30 November 2011

14. Creditors amounts falling due within one year

Group

	2011	2010
	£000	£000
Accruals and deferred income	8,718	9,663
Other creditors	240	230
	<u>8,958</u>	<u>9,893</u>

15 Creditors: amounts falling due after one year

Group

	2011	2010
	£000	£000
USD Denominated Mortgage backed loan notes due 2027 - Class A1b	–	312
GBP Denominated Mortgage backed loan notes due 2027 - Class A1c	–	177
EUR Denominated Mortgage backed loan notes due 2045 - Class A2a	46,478	53,891
USD Denominated Mortgage backed loan notes due 2045 - Class A2b	53,410	64,237
GBP Denominated Mortgage backed loan notes due 2045 - Class A2c	50,391	63,000
EUR Denominated Mortgage backed loan notes due 2045 - Class A3a	183,989	179,637
GBP Denominated Mortgage backed loan notes due 2045 - Class A3c	64,500	64,500
EUR Denominated Mortgage backed loan notes due 2045 - Class B1a	12,836	12,533
GBP Denominated Mortgage backed loan notes due 2045 - Class B1c	23,000	23,000
EUR Denominated Mortgage backed loan notes due 2045 - Class C1a	21,394	20,888
GBP Denominated Mortgage backed loan notes due 2045 - Class C1c	10,000	10,000
EUR Denominated Mortgage backed loan notes due 2045 - Class D1a	21,822	21,306
GBP Denominated Mortgage backed loan notes due 2045 - Class E1c	5,525	5,525
GBP Denominated Revenue backed loan notes due 2045 - Class Etc	–	503
	<u>493,345</u>	<u>519,509</u>
Less Issue costs	(1,118)	(1,397)
Less Remeasurement adjustment to amortised cost	(65,573)	(51,888)
	<u>426,654</u>	<u>466,224</u>

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

The mortgage backed floating rate notes due 2027 and 2045 are secured over a portfolio of mortgage loans secured by first and second charges over residential properties in the United Kingdom

The mortgages are administered by Acenden Limited on behalf of Eurosail-UK 2007-3BL plc

Notes to the financial statements

at 30 November 2011

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

The loan notes are repaid as the underlying portfolio redeems. The terms and conditions of the loan notes provide that the loan note holders will receive interest and principal only to the extent that sufficient funds are generated from the mortgage loans. The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments.

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 mortgage loans. 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 2027 or June 2045.

The loan notes issued by Eurosail-UK 2007-3BL plc are full recourse obligations of that Company and are issued subject to an option of Eurosail Options Limited, a related party, to acquire the notes for nominal consideration, the post enforcement call option, should any of the notes remain outstanding following enforcement of their rights and realisation of the assets of the Company. The Post-Enforcement Call Option may be exercised by Eurosail Options Limited on the date following the enforcement by the Note Trustee of the Issuer Security on which the Note Trustee determines that there are no further assets available to pay amounts due and owing to the Noteholders. Noteholders will be bound by the terms of the Post-Enforcement Call Option granted to Eurosail Options Limited and the Noteholders will not be paid more than a nominal amount for that transfer.

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

The revenue backed loan notes are repayable out of interest receipts from the mortgages underlying the mortgage loan receivables.

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

Class A1b	USD LIBOR + 0.07%
Class A1c	Sterling LIBOR + 0.08%
Class A2a	EUR LIBOR + 0.13%
Class A2b	USD LIBOR + 0.13%
Class A2c	Sterling LIBOR + 0.13%
Class A3a	EURIBOR + 0.17%
Class A3c	Sterling LIBOR + 0.17%
Class B1a	EURIBOR + 0.30%
Class B1c	Sterling LIBOR + 0.30%
Class C1a	EURIBOR + 0.55%
Class C1c	Sterling LIBOR + 0.55%
Class D1a	EURIBOR + 1.35%
Class E1c	Sterling LIBOR + 4.00%
Class Etc	Sterling LIBOR + 4.00%

16 Issued share capital

	2011	2010
	£000	£000
<i>Allotted and called up</i>		
12,501 shares 100% called and fully paid	13	13

Share capital of £1 was issued on incorporation on 8 May 2007. Share Capital of £12,500 was issued on 2 July 2007.

Notes to the financial statements

at 30 November 2011

17. Profit and loss account

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2011</i>	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Retained loss brought forward	(48,022)	–	(74,570)	–
Profit for the year	7,338	–	26,548	–
Retained loss carried forward	(40,684)	–	(48,022)	–

18. Reconciliation of movement in shareholders' funds

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2011</i>	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Opening shareholders' deficit	(48,009)	13	(74,557)	13
Profit for the year	7,338	–	26,548	–
Closing shareholders' deficit	(40,671)	13	(48,009)	13

19. Derivatives and other financial instruments

Nature and extent of risks arising from financial instruments

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

During the year, the Group recognised fair value losses of £6,364,000 (2010 – £21,379,000 gain) due to exchange rate movements on the loan notes.

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

Credit risk

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

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

Notes to the financial statements

at 30 November 2011

19. Derivatives and other financial instruments (continued)

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

Liquidity risk

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

Foreign exchange risk

Certain loan notes are issued in Euro and US dollar denominations and repayments of principal and payments of interest are made in Euro and US dollars. The Group takes out derivative instruments to manage movements in foreign currency exchange rates. However, the foreign currency swap counterparty has filed for Chapter 11 bankruptcy, and has defaulted on the swap. The swap agreement was terminated and was not replaced. The directors believe under the current circumstances that it is not viable to replace the swap and until such time the Group will continue with an unhedged foreign exchange risk exposure.

Interest rate risk

The Group is exposed to interest rate risk where assets and liabilities have interest rates set under different bases or which reset at different times. The Group minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Group takes out derivative financial instruments to manage interest rate mismatches. However, the interest rate swap counterparty has filed for Chapter 11 bankruptcy, and has defaulted on the swap which has not been replaced. The directors believe under the current circumstances that it is not viable to replace the swap and until such time the Group will continue with an unhedged interest rate risk exposure.

(a) Credit risk

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

	2011 £000	2010 £000
Mortgage loans	381,922	413,456
Cash at bank and in hand	12,392	13,447
	<u>394,314</u>	<u>426,903</u>

Notes to the financial statements

at 30 November 2011

19 Derivatives and other financial instruments (continued)

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

(b) Liquidity risk

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

At 30 November 2011

<i>Financial liabilities</i>	<i>Less than 1 year £000</i>	<i>1-2 years £000</i>	<i>2-3 years £000</i>	<i>3-4 years £000</i>	<i>4-5 years £000</i>	<i>5+ years £000</i>	<i>Total £000</i>
Loan notes	29,138	23,284	22,121	21,017	19,969	401,230	516,759

At 30 November 2010

<i>Financial liabilities</i>	<i>Less than 1 year £000</i>	<i>1-2 years £000</i>	<i>2-3 years £000</i>	<i>3-4 years £000</i>	<i>4-5 years £000</i>	<i>5+ years £000</i>	<i>Total £000</i>
Loan notes	36,746	29,059	27,336	25,720	24,203	404,438	547,502

There is no contractual obligation to pay down the loan notes other than as set out in note 15

The undiscounted cash flows have been estimated by 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 balance sheet date. However, it is not expected that the loans will repay at a constant rate until maturity, that all of the loans will prepay at the same rate or that there will be no defaults or delinquencies on the loans, therefore the amounts disclosed above are only estimates of the possible future cash outflows on the loan notes

(c) Foreign exchange risk

The Group used foreign currency swaps in certain circumstances to hedge against any currency exposure risks. Following the default of the swap counterparty at 30 November 2011, the notional value of the swaps held was £Nil (2010 – £Nil) and the recognised fair value of the Euro swap and US Dollar swap was £Nil (2010 – £Nil). The directors believe under current circumstances that it is not viable to replace the swaps.

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

Notes to the financial statements

at 30 November 2011

19. Derivatives and other financial instruments (continued)

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

(c) Foreign exchange risk (continued)

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

At 30 November 2011

	<i>Euro</i> <i>£000</i>	<i>USD</i> <i>£000</i>	<i>Total</i> <i>£000</i>
<i>Financial liabilities</i>			
EUR Denominated Mortgage backed loan notes due 2045			
- Class A2a	46,478	—	46,478
USD Denominated Mortgage backed loan notes due 2045			
- Class A2b	—	53,410	53,410
EUR Denominated Mortgage backed loan notes due 2045			
- Class A3a	183,989	—	183,989
EUR Denominated Mortgage backed loan notes due 2045			
- Class B1a	12,836	—	12,836
EUR Denominated Mortgage backed loan notes due 2045			
- Class C1a	21,394	—	21,394
EUR Denominated Mortgage backed loan notes due 2045			
- Class D1a	21,822	—	21,822
	<u>286,519</u>	<u>53,410</u>	<u>339,929</u>

At 30 November 2010

	<i>Euro</i> <i>£000</i>	<i>USD</i> <i>£000</i>	<i>Total</i> <i>£000</i>
<i>Financial liabilities</i>			
USD Denominated Mortgage backed loan notes due 2027			
- Class A1b	—	312	312
EUR Denominated Mortgage backed loan notes due 2045			
- Class A2a	53,891	—	53,891
USD Denominated Mortgage backed loan notes due 2045			
- Class A2b	—	64,237	64,237
EUR Denominated Mortgage backed loan notes due 2045			
- Class A3a	179,637	—	179,637
EUR Denominated Mortgage backed loan notes due 2045			
- Class B1a	12,533	—	12,533
EUR Denominated Mortgage backed loan notes due 2045			
- Class C1a	20,888	—	20,888
EUR Denominated Mortgage backed loan notes due 2045			
- Class D1a	21,306	—	21,306
	<u>288,255</u>	<u>64,549</u>	<u>352,804</u>

There were no financial assets that were denominated in foreign currencies

Notes to the financial statements

at 30 November 2011

19 Derivatives and other financial instruments (continued)

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

(d) Interest rate risk

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

At 30 November 2011

	<i>Total</i>		<i>After</i>		<i>After</i>	<i>After</i>	<i>Weighted</i>	<i>Weighted</i>
	<i>non-interest</i>		<i>3 months</i>		<i>6 months</i>	<i>1 year</i>	<i>average</i>	<i>average</i>
	<i>Total</i>	<i>bearing</i>	<i>Within</i>	<i>but within</i>	<i>but within</i>	<i>but within</i>	<i>fixed</i>	<i>time for</i>
	<i>£000</i>	<i>£000</i>	<i>3 months</i>	<i>6 months</i>	<i>1 year</i>	<i>5 years</i>	<i>interest</i>	<i>is fixed</i>
			<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>rate</i>	<i>is fixed</i>
							<i>%</i>	<i>Years</i>
Financial assets								
Mortgage loans	381,922	—	381,788	—	134	—	5.99	0.50
Cash and deposits	12,392	—	12,392	—	—	—		
Total assets	394,314	—	394,180	—	134	—		
Financial liabilities								
Loan notes due 2045	493,345	—	493,345	—	—	—		
Loan note remeasurement adjustment	(65,573)	—	(65,573)	—	—	—		
Total liabilities	427,772	—	427,772	—	—	—		

Notes to the financial statements

at 30 November 2011

19 Derivatives and other financial instruments (continued)

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

(d) Interest rate risk (continued)

At 30 November 2010 (Restated)

	<i>Total</i>		<i>After</i>		<i>After</i>	<i>After</i>	<i>Weighted</i>	<i>Weighted</i>
	<i>non-interest</i>		<i>3 months</i>		<i>6 months</i>	<i>1 year</i>	<i>average</i>	<i>average</i>
	<i>Total</i>	<i>bearing</i>	<i>Within</i>	<i>but within</i>	<i>but within</i>	<i>but within</i>	<i>fixed</i>	<i>time for</i>
	<i>£000</i>	<i>£000</i>	<i>3 months</i>	<i>6 months</i>	<i>1 year</i>	<i>5 years</i>	<i>interest</i>	<i>is fixed</i>
			<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>rate</i>	<i>which rate</i>
							<i>%</i>	<i>Years</i>
Financial assets								
Mortgage loans	413,456	–	412,075	870	374	137	5.35	0.64
Cash and deposits	13,447	–	13,447	–	–	–		
Total assets	426,903	–	425,522	870	374	137		
Financial liabilities								
Loan notes due								
2027 and 2045	519,509	–	519,509	–	–	–		
Loan note								
remeasurement								
adjustment	(51,888)	–	(51,888)	–	–	–		
Total liabilities	467,621	–	467,621	–	–	–		

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year

The rates of interest receivable and payable on variable rate financial instruments, with the exception of the loan notes, are set with reference to the London Interbank Offered Rate. The rates of interest payable on the loan notes are set as detailed in note 15.

The Group used interest rate caps in certain circumstances to hedge against movements in interest rates. Following the default of the cap counterparty at 30 November 2011, the notional value of these caps was £Nil (2010 – £Nil) and the recognised positive fair value was £Nil (2010 – £Nil). The directors believe under current circumstances that it is not viable to replace the caps.

The Group used interest rate swaps in certain circumstances to hedge against interest rate fluctuations when mortgage loans have fixed interest rates while the mortgage backed loan notes have variable rates. Following the default of the swap counterparty at 30 November 2011, the notional value of the swaps held was £Nil (2010 – £Nil) and the recognised positive fair value was £Nil (2010 – £Nil). The directors believe under current circumstances that it is not viable to replace the swaps.

Notes to the financial statements

at 30 November 2011

19. Derivatives and other financial instruments (continued)

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

(e) Fair values

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

	At 30 November 2011			At 30 November 2010		
	Book value	Fair value	If fair values increased by 1%	Book value	Fair value	If fair values increased by 1%
	£000	£000	£000	£000	£000	£000
<i>Financial assets</i>						
Mortgage loans	381,922	234,188	2,342	413,456	244,725	2,447
Cash and deposits	12,392	12,392	124	13,447	13,447	134
	<u>394,314</u>	<u>246,580</u>	<u>2,466</u>	<u>426,903</u>	<u>258,172</u>	<u>2,581</u>
<i>Financial liabilities</i>						
Loan notes due 2027 and 2045	(427,772)	(239,220)	(2,392)	(467,621)	(249,924)	(2,499)
	<u>(427,772)</u>	<u>(239,220)</u>	<u>(2,392)</u>	<u>(467,621)</u>	<u>(249,924)</u>	<u>(2,499)</u>

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

As no liquid market exists for either the mortgage loans 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.

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

	2011 £000	2010 £000
Interest receivable on mortgage loans	13,710	18,797
Interest expense on loan notes	(6,752)	(5,122)
	<u>6,958</u>	<u>13,675</u>

Notes to the financial statements

at 30 November 2011

20. Reconciliation of operating profit to net cash outflow from operating activities

	2011	2010
	£000	£000
Operating profit	7,338	26,548
Interest payable on loan notes	6,752	5,122
Other interest receivable	(45)	(41)
Amortisation of discount on purchase of mortgage assets	(1,216)	(1,216)
Amortisation of premium paid to mortgage loan originator	552	796
Amortisation of capitalised issue costs	279	279
Interest receivable on mortgage loans	(13,710)	(18,797)
Effective interest rate adjustment	(1,688)	2,348
Fair value movements	(7,321)	(19,968)
Change in other debtors	2,259	(1,319)
Change in other creditors	(702)	(1,262)
Movement in provision for mortgage losses	(1,352)	(5,865)
Net cash outflow from operating activities	(8,854)	(13,375)

21. Analysis of net debt

	At 1 December 2010 £000	Cash flow £000	Non-cash movement £000	At 30 November 2011 £000
Cash in hand and at bank	13,447	(1,055)	–	12,392
Loan notes	(467,621)	32,528	7,321	(427,772)
Issue costs	1,397	–	(279)	1,118
Net debt	(452,777)	31,473	7,042	(414,262)

22. Deferred taxation

No deferred tax has been provided at 30 November 2011 (2010 – £Nil) as the Group is taxed in accordance with Statutory Instrument No 3296 The Taxation of Securitisation Companies Regulations 2006

23 Related party transactions

During the year, Eurosail-UK 2007-3BL plc has paid the following amounts to Wilmington Trust SP Services (London) Limited and the amounts outstanding at the end of the year were

Eurosail-UK 2007-3BL plc

	Amount charged 2011 £000	Amount outstanding 2011 £000	Amount charged 2010 £000	Amount outstanding 2010 £000
Wilmington Trust SP Services (London) Limited				
Corporate services fees	18	–	22	–
Company secretarial fees	4	–	4	–

Notes to the financial statements

at 30 November 2011

24 Capital structure

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

25. Parent undertaking and control

The entire issued share capital of Eurosail-UK 2007-3BL Parent Limited is held by a Trustee under a declaration of trust for charitable purposes.