
EUROSAIL-UK 2007-3BL PARENT LIMITED

Annual report and financial statements
for the year ended 30 November 2014

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EUROSAIL-UK 2007-3BL PARENT LIMITED

Company Information

Directors	M H Filer Wilmington Trust SP Services (London) Limited J Traynor
Company secretary	Wilmington Trust SP Services (London) Limited
Registered number	06240170
Registered office	c/o Wilmington Trust SP Services (London) Limited Third Floor, 1 King's Arms Yard London EC2R 7AF
Auditors	Ernst & Young LLP 25 Churchill Place London E14 5EY
Note trustee	BNYM Corporate Trustee Services Limited One Canada Square London E14 5AL

EUROSAIL-UK 2007-3BL PARENT LIMITED

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EUROSAIL-UK 2007-3BL PARENT LIMITED

Group strategic report for the year ended 30 November 2014

Introduction

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 by Acenden Limited an external party.

Business review

The results for the year ended 30 November 2014 are set out on page 9. The Group's business activities, together with the factors likely to affect its future development, financial performance and financial position are set out below.

The economic environment has improved due to the mortgage market performing better than in previous years. However, the Group has reported an operating loss for the year, after Financial Reporting Standard No. 26 adjustments, which include a re-measurement adjustment of amortised cost of the loan notes. The directors consider that the outlook presents significant challenges in meeting the obligation to the holders of the loan notes as and when the obligations fall due.

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 the Director's report.

On 22 September 2009, the Group filed un-liquidated 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. Subsequently the claims have been agreed at US\$178,000,000. Up to the year ended 30 November 2014 the Group had received distributions totalling US\$70,852,000 and after the year end a further US\$12,198,000 was received leaving an amount outstanding of US\$94,950,000. The Directors are unable to quantify how much more of the claim will be received.

The results for the year include the following adjustments as required by Financial Reporting Standard No.26.

	2014	2013
	£000	£000
Unrealised exchange gain/(loss) on loan notes	12,063	(8,019)
EIR adjustment	(1,133)	(1,194)
Re-measurement adjustment of amortised cost of loan notes	27,386	8,455
	<u>38,316</u>	<u>(758)</u>

At the year end the mortgage balance after the effective interest rate adjustment and specific provisions, was £308,629,000 (2013 – £331,092,000). At the December 2014 Interest Payment Date the Group held the following mortgage loans, excluding the effective interest rate adjustment:

	Principal balance £000	Number of Loans
First Mortgages	285,126	2,810
Second Mortgages	20,551	1,054
	<u>305,677</u>	<u>3,864</u>

EUROSAIL-UK 2007-3BL PARENT LIMITED

Group strategic report for the year ended 30 November 2014 (continued)

Business review (continued)

These mortgages provide security against loan notes in issue totalling £124,015,000, €307,225,000 and \$US42,419,000 as at the December 2014 Interest Payment date.

The mortgage loans exhibited the following quarterly arrears profile:

	Q1	Q2	Q3	Q4
Delinquencies days - (excluding repossessions)	%	%	%	%
Current	76.81	76.66	76.5	76.26
>30<=60	3.41	3.69	3.44	3.88
>60<=90	2.96	2.58	2.92	3.03
>90<=120	2.26	1.98	2.7	2.3
>120	14.56	15.09	14.44	14.53
Total	100.00	100.00	100.00	100.00

At the March 2015 Interest Payment Date following the year end, the mortgage loan balance was £299,061,000, 16.81% of the balance was greater than 3 months in arrears.

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

The performance of the mortgage loans during the year to 30 November 2014 enabled deferred consideration of £4,011,000 (2013 – £3,880,000) to be paid to the current holder of the rights to the residual cash flows of the securitisation.

Principal risks and uncertainties

(a) 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.

(b) 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 on-going credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) is closely monitored by the directors.

EUROSAIL-UK 2007-3BL PARENT LIMITED

Group strategic report for the year ended 30 November 2014 (continued)

Principal risks and uncertainties (continued)

(c) Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The 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 had used derivative financial instruments to mitigate any residual interest rate risk. However, the interest rate swap counterparty has filed for Chapter 11 bankruptcy, and has defaulted on the swaps. The swap agreements have not been replaced. The directors believe under current circumstances that it is not viable to replace the swap as there is no material interest rate risk exposure.


(d) 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 considers the use of 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 un-hedged foreign currency risk exposure.

(e) 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.

This report was approved by the board on 10th August 2015 and signed on its behalf by



Mignon Clarke for and behalf of Wilmington Trust SP Services (London) Limited.

EUROSAIL-UK 2007-3BL PARENT LIMITED

Directors' report for the year ended 30 November 2014

The directors present their report and the audited consolidated financial statements for the year ended 30 November 2014.

Results and dividends

The loss for the year, after taxation, amounted to £6,877,000 (2013 - profit £56,289,000).

The directors do not recommend the payment of a dividend for the year (2013 – £nil).

Directors

The directors who served during the year were:

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

Going concern

As described in the Strategic review, the Group has reported an operating loss for the year. The Group is also in a net liability position as at 30 November 2014.

It is the intention of the directors of the Company to continue operations until such a time as the amount due from mortgage loans have been fully realised. Forecasts indicate that the group will have adequate cash to enable it to meet its obligations within the next 12 months. Additionally, the group has performed as expected during the year and is expected to do the same over the next 12 months. 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.

Fair value

Note 18 discloses the fair values of the mortgage assets, and loan notes. The directors noted that as at 30 November 2014 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.

EUROSAIL-UK 2007-3BL PARENT LIMITED

Directors' report for the year ended 30 November 2014 (continued)

Future development

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

Corporate governance

The Directors are responsible for internal control in Eurosail-UK 2007-3 BL Parent Limited and for reviewing their 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 auditors

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

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

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



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

Date: 10th August 2015

EUROSAIL-UK 2007-3BL PARENT LIMITED

Directors' responsibilities statement for the year ended 30 November 2014

The directors are responsible for preparing the Group strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 the group and 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 accounting 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;
- 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 company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EUROSAIL-UK 2007-3BL PARENT LIMITED

Independent auditor's 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 2014, which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash flow Statement and the related notes 1 to 25, set out on pages 9 to 32. *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 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 auditor

As explained more fully in the Directors' Responsibilities Statement, set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on 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 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 Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 of the parent company's affairs as at 30 November 2014 and of the group's loss 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 strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

EUROSAIL-UK 2007-3BL PARENT LIMITED

Independent auditor's report to the members of Eurosail-UK 2007-3BL Parent Limited (continued)

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: 11 AUG 2015

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Consolidated profit and loss account
for the year ended 30 November 2014**

	Note	2014 £000	2013 £000
Interest receivable and similar income	2	10,992	11,734
Interest payable and similar charges	3	<u>(2,839)</u>	<u>(2,943)</u>
Net interest receivable		8,153	8,791
Operating expenses		(4,636)	(6,233)
Other operating income	4	<u>38</u>	<u>39</u>
		3,555	2,597
Re-measurement adjustment of amortised cost of loan notes		(27,386)	8,455
Other income	5	4,891	53,256
Unrealised exchange gain/(loss)		<u>12,063</u>	<u>(8,019)</u>
(Loss)/profit on ordinary activities before taxation	6	(6,877)	56,289
Tax on (loss)/profit on ordinary activities	7	<u>-</u>	<u>-</u>
(Loss)/profit for the financial year after taxation		<u>(6,877)</u>	<u>56,289</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 13 to 32 form part of these financial statements.

EUROSAIL-UK 2007-3BL PARENT LIMITED
Registered number: 06240170

**Consolidated balance sheet
as at 30 November 2014**

	Note	£000	2014 £000	£000	2013 £000
Current assets					
Debtors: amounts falling due after more than one year	12	301,843		324,155	
Debtors: amounts falling due within one year	12	7,150		14,811	
Cash at bank		<u>68,661</u>		<u>54,916</u>	
		377,654		393,882	
Creditors: amounts falling due within one year	13	<u>(5,405)</u>		<u>(6,352)</u>	
Net current assets			<u>372,249</u>		<u>387,530</u>
Total assets less current liabilities			372,249		387,530
Creditors: amounts falling due after more than one year	14		<u>(374,274)</u>		<u>(382,678)</u>
Net (liabilities)/assets			<u>(2,025)</u>		<u>4,852</u>
Capital and reserves					
Issued share capital	15		13		13
Profit and loss account	16		<u>(2,038)</u>		<u>4,839</u>
Shareholders' (deficit)/funds	17		<u>(2,025)</u>		<u>4,852</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



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

Date: 10th August 2015

The notes on pages 13 to 32 form part of these financial statements.

EUROSAIL-UK 2007-3BL PARENT LIMITED
Registered number: 06240170

Company balance sheet
as at 30 November 2014

	Note	2014 £000	2013 £000
Fixed assets			
Investments	9	<u>13</u>	<u>13</u>
Net assets		<u>13</u>	<u>13</u>
Capital and Reserves			
Issued share capital	15	<u>13</u>	<u>13</u>
Shareholders' funds	17	<u>13</u>	<u>13</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
10 AUGUST 2015



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

The notes on pages 13 to 32 form part of these financial statements.

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Consolidated cash flow statement
for the year ended 30 November 2014**

	Note	2014 £000	2013 £000
Net cash flow from operating activities	20	5,542	38,475
Returns on investments and servicing of finance	21	8,660	9,469
Capital expenditure and financial investment	21	23,424	20,830
Cash inflow before financing		37,626	68,774
Financing	21	(26,590)	(21,209)
Increase in cash in the year		11,036	47,565

**Reconciliation of net cash flow to movement in net funds/debt
for the year ended 30 November 2014**

	2014 £000	2013 £000
Increase in cash in the year	11,036	47,565
Cash outflow from decrease in debt	26,590	21,209
Change in net debt resulting from cash flows	37,626	68,774
Unrealised exchange gain/(loss) on net debt	12,068	(8,029)
Re-measurement adjustment of amortised cost of loan notes	(27,386)	8,455
Amortisation of capitalised issue costs	(159)	(160)
Movement in net debt in the year	22,149	69,040
Net debt at 1 December	(327,762)	(396,802)
Net debt at 30 November	(305,613)	(327,762)

The notes on pages 13 to 32 form part of these financial statements.

EUROSAIL-UK 2007-3BL PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2014

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:

1.1 Basis of preparation

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

1.2 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 2014. 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.

1.3 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.

1.4 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.

EUROSAIL-UK 2007-3BL PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2014 (continued)

1. Accounting policies (continued)

1.5 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).

1.6 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.

1.7 Premium paid on mortgage assets

A premium is recognised where mortgage assets are acquired at amounts in excess of their carrying values. The premium was capitalised by the Company and amortised over the expected repayment period of the mortgage assets with costs amortised in the year included in interest payable.

1.8 Discount on purchase of mortgage assets

Cash received from the originator 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.

1.9 Taxation

The charge or credit for taxation is based on the profit or loss 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 exception of deferred tax assets which 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.

EUROSAIL-UK 2007-3BL PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2014 (continued)

1. Accounting policies (continued)

1.10 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 exchange gains or losses on revaluation of foreign currency liabilities and any Financial Reporting Standard No. 26 adjustments which may include Effective Interest Rate adjustments, re-measurement 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.

1.11 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. The Company has not applied hedge accounting to any derivative 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 re-measured 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 re-measurement to fair value is recognised immediately in the profit and loss account. The fair value of the derivative financial instruments is the estimated amount that the Group would receive or pay to terminate them at the balance sheet date.

1.12 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 match the expected profile of the run-off of the non-Sterling denominated Loan Notes.

1.13 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.

EUROSAIL-UK 2007-3BL PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2014 (continued)

1. Accounting policies (continued)

1.14 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.

1.15 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.

1.16 Turnover

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

2. Interest receivable and similar income

	2014 £000	2013 £000
On mortgage loans	10,275	11,020
Other interest	22	19
Amortisation of start-up costs on the mortgage loans	<u>695</u>	<u>695</u>
	<u>10,992</u>	<u>11,734</u>

3. Interest payable and similar charges

	2014 £000	2013 £000
Loan notes	2,652	2,756
Amortisation of capitalised issue costs	159	160
Amortisation of premium paid to mortgage loan originators	<u>28</u>	<u>27</u>
	<u>2,839</u>	<u>2,943</u>

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

4. Other operating income

	2014	2013
	£000	£000
Redemption fees	<u>38</u>	<u>39</u>

5. Other income

Other income represents the distributions relating to the foreign currency swap claim, from LBSF and LBHI, as set out in note 18(c).

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

The operating (loss)/profit is stated after charging/(crediting):

	2014	2013
	£000	£000
Auditors' remuneration - audit services - Group	24	23
Other fees to auditors – taxation services - Group	-	10
Provision against mortgage loans	(3,452)	(2,358)
Bad debts incurred on mortgage loans	1,358	1,410
Deferred consideration	4,011	3,848
Auditors' remuneration - for audit services - Company	7	6
Other fees to auditors – taxation services - Company	<u>-</u>	<u>1</u>

Auditors other services includes £nil for corporation tax compliance work (2013 - £10,000).

Auditors' remuneration - audit services of £6,500 (2013 – £6,100) and other fees to auditors - corporation tax compliance services of £nil (2013 – £1,000) for the company, were borne by the subsidiary.

7. Taxation

	2014	2013
	£000	£000
UK corporation tax charge on (loss)/profit for the year	<u>-</u>	<u>-</u>

EUROSAIL-UK 2007-3BL PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2014 (continued)

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - *lower than*) the standard rate of corporation tax in the UK of 20% (2013 - 20%). The differences are explained below:

	2014 £000	2013 £000
(Loss)/profit on ordinary activities before tax	<u>(6,877)</u>	<u>56,289</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2013 - 20%)	(1,375)	11,258
Effects of:		
Application of Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006	<u>1,375</u>	<u>(11,258)</u>
Current tax charge for the year (see note above)	<u>-</u>	<u>-</u>

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 £285 (2013 – £304).

8. Information regarding directors and employees

The Group has no employees other than the directors, who did not receive any remuneration (2013 - *£nil*).

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

9. Investments

Company	2014 £000	2013 £000
Shares in group undertakings	<u>13</u>	<u>13</u>

The undertakings in which the Company's interest at 30 November 2014 is more than 20% are as follows:

Company name	Country	Percentage Shareholding	Description
Eurosail-UK 2007-3BL plc	United Kingdom	100%	Investment in residential loans

At 30 November 2014 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 2014:

	2014 £000	2013 £000
Aggregate (deficit)/surplus	<u>(2,026)</u>	<u>4,852</u>
(Loss)/profit for the year	<u>(6,878)</u>	<u>56,289</u>

10. Mortgage loans - net balances

	Mortgage £000	Mortgage loss provision £000	Total £000
At 1 December 2013	342,907	(11,815)	331,092
Net movement in the year	<u>(25,915)</u>	<u>3,452</u>	<u>(22,463)</u>
At 30 November 2014	<u>316,992</u>	<u>(8,363)</u>	<u>308,629</u>

The mortgage loans 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 1 to 329 months remaining with current interest rates ranging from 1.36% to 15% per annum.

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

11. Mortgage loans - unamortised premium

	2014	2013
	£000	£000
At 1 December	140	167
Amortisation in the year	(28)	(27)
At 30 November	<u>112</u>	<u>140</u>

12. Debtors

	2014	2013
	£000	£000
Due after more than one year		
Mortgage balances (note 10)	301,759	324,043
Premium paid on purchase of mortgage assets (note 11)	84	112
	<u>301,843</u>	<u>324,155</u>

	2014	2013
	£000	£000
Due within one year		
Mortgage balances (note 10)	6,870	7,049
Amount receivable from swap counterparty	-	7,454
Premium paid on purchase of mortgage assets (note 11)	28	28
Other debtors	248	276
Prepayments and accrued income	4	4
	<u>7,150</u>	<u>14,811</u>

13. Creditors: Amounts falling due within one year

	2014	2013
	£000	£000
Other creditors	109	116
Accruals and deferred income	5,296	6,236
	<u>5,405</u>	<u>6,352</u>

EUROSAIL-UK 2007-3BL PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2014 (continued)

14. Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
EUR Denominated Mortgage backed loan notes due 2045 - Class A2a	21,277	30,168
USD Denominated Mortgage backed loan notes due 2045 - Class A2b	26,968	34,902
GBP Denominated Mortgage backed loan notes due 2045 - Class A2c	20,990	30,592
EUR Denominated Mortgage backed loan notes due 2045 - Class A3a	171,166	178,465
GBP Denominated Mortgage backed loan notes due 2045 - Class A3c	64,500	64,500
EUR Denominated Mortgage backed loan notes due 2045 - Class B1a	11,942	12,451
GBP Denominated Mortgage backed loan notes due 2045 - Class B1c	23,000	23,000
EUR Denominated Mortgage backed loan notes due 2045 - Class C1a	19,903	20,752
GBP Denominated Mortgage backed loan notes due 2045 - Class C1c	10,000	10,000
EUR Denominated Mortgage backed loan notes due 2045 - Class D1a	20,301	21,166
GBP Denominated Mortgage backed loan notes due 2045 - Class E1c	5,525	5,525
	395,572	431,521
Less: Re-measurement adjustment to amortised cost	(20,659)	(48,045)
	374,913	383,476
Loan notes		
Less: Issue costs	(639)	(798)
	374,274	382,678

The mortgage backed floating rate notes due 2045 are secured over the 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.

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 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 June 2045.

The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments. The mortgage backed loan notes are repayable out of capital receipts from the mortgage 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.

EUROSAIL-UK 2007-3BL PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2014 (continued)

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

The loan notes issued by Eurosail-UK 2007-3BL plc are full recourse obligations of that Company. However they 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 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 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%

15. Issued share capital

	2014 £	2013 £
Allotted, called up and fully paid		
12,501- Ordinary 100% called and fully paid shares of £1 each	<u>12,501</u>	<u>12,501</u>

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

16. Profit and loss account

Group	£000
At 1 December 2013	4,839
Loss for the financial year	(6,877)
	<hr/>
At 30 November 2014	<u>(2,038)</u>

EUROSAIL-UK 2007-3BL PARENT LIMITED

Notes to the financial statements
for the year ended 30 November 2014 (continued)

17. Reconciliation of movement in shareholders' funds

Group	2014 £000	2013 £000
Opening shareholders' funds/(deficit)	4,852	(51,437)
(Loss)/profit for the financial year	(6,877)	56,289
Closing shareholders' (deficit)/funds	(2,025)	4,852

Company	2014 £000	2013 £000
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Shareholders' funds at 1 December 2013 and 30 November 2014 **13** **13**

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account.

The profit for the year dealt with in the accounts of the company was £nil (2013 - £nil).

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

18. Derivatives and other financial instruments

Nature and extent of risks arising from financial instruments

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

During the year, the Group recognised fair value gains of £12,062,000 (2013 – £8,019,000 loss) 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).

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 un-hedged 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 took 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. These swaps would otherwise have expired at the end of the mortgage loans fixed rate period which occurred prior to the year.

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

18. Derivatives and other financial instruments (continued)

(a) Credit risk

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

	2014	2013
	£000	£000
Mortgage loans	308,629	331,092
Cash at bank and in hand	<u>68,661</u>	<u>54,916</u>
	<u>377,290</u>	<u>386,008</u>

(b) Liquidity risk

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

At 30 November 2014

Financial liabilities	Less than 1 year £000	1-2 years £000	2-3 years £000	3-5 years £000	5+ years £000	Total £000
Loan notes	<u>15,068</u>	<u>10,771</u>	<u>10,460</u>	<u>282,902</u>	<u>-</u>	<u>319,201</u>

At 30 November 2013

Financial liabilities	Less than 1 year £000	1-2 years £000	2-3 years £000	3-5 years £000	5+ years £000	Total £000
Loan notes	<u>17,368</u>	<u>11,884</u>	<u>11,538</u>	<u>22,081</u>	<u>286,347</u>	<u>349,218</u>

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

The undiscounted cash flows have been estimated by applying a constant (per annum) prepayment rate to the principal balance of the mortgage loans underlying the loans to originators 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.

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

18. Derivatives and other financial instruments (continued)

(c) Foreign currency risk

With the exception of the Loan Notes and loan note interest, as shown below, all financial instruments are denominated in Sterling.

	2014 Euro £000	2014 US Dollar £000	2014 Total £000
Mortgage backed loan notes due 2045	(244,589)	(26,967)	(271,556)
Loan note interest	<u>(202)</u>	<u>(21)</u>	<u>(223)</u>
Financial liabilities	<u>(244,791)</u>	<u>(26,988)</u>	<u>(271,779)</u>
Cash at bank	<u>-</u>	<u>58,479</u>	<u>58,479</u>
Financial assets	<u>-</u>	<u>58,479</u>	<u>58,479</u>

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

18. Derivatives and other financial instruments (continued)

(c) Foreign currency risk (continued)

	2013 Euro £000	2013 US Dollar £000	2013 Total £000
Mortgage backed loan notes due 2045	(263,002)	(34,902)	(297,904)
Loan note interest	<u>(346)</u>	<u>(34)</u>	<u>(380)</u>
Financial liabilities	<u><u>(263,348)</u></u>	<u><u>(34,936)</u></u>	<u><u>(298,284)</u></u>
 Cash at bank	 <u>-</u>	 <u>43,424</u>	 <u>43,424</u>
Financial assets	<u><u>-</u></u>	<u><u>43,424</u></u>	<u><u>43,424</u></u>

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

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 2014, the notional value of the swaps held was £Nil (2013 – £Nil) and the recognised fair value of the Euro swap and US Dollar swap was £Nil (2013 – £Nil).

On 22 September 2009, the Group filed un-liquidated 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. Subsequently the claims have been agreed at US\$178,000,000. Up to the year ended 30 November 2014 the Group had received distributions totalling US\$70,852,000 and after the year end a further US\$12,198,000 was received leaving an amount outstanding of US\$94,950,000. The Directors are unable to quantify how much more of the claim will be received.

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

18. Derivatives and other 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 2014

	Total	Total non-interest bearing	Within 3 months
	£000	£000	£000
Financial assets			
Mortgage loans	308,629	-	308,629
Cash and deposits	<u>68,661</u>	<u>-</u>	<u>68,661</u>
Total assets	<u><u>377,290</u></u>	<u><u>-</u></u>	<u><u>377,290</u></u>
Financial liabilities			
Loan notes due 2045	395,572	-	395,572
Loan note re-measurement adjustment	<u>(20,659)</u>	<u>(20,659)</u>	<u>-</u>
Total liabilities	<u><u>374,913</u></u>	<u><u>(20,659)</u></u>	<u><u>395,572</u></u>

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EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

18. Derivatives and other financial instruments (continued)

(d) Interest rate risk (continued)

At 30 November 2013

	Total £000	Total non-interest bearing £000	Within 3 months £000
Financial assets			
Mortgage loans	331,092	-	331,092
Cash and deposits	<u>54,916</u>	<u>-</u>	<u>54,916</u>
Total assets	<u>386,008</u>	<u>-</u>	<u>386,008</u>
Financial liabilities			
Loan notes due 2045	431,521	-	431,521
Loan note re-measurement adjustment	<u>(48,045)</u>	<u>(48,045)</u>	<u>-</u>
Total liabilities	<u>383,476</u>	<u>(48,045)</u>	<u>431,521</u>

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 14.

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 2014, the notional value of the swaps held was £nil (2013 – £nil) and the recognised positive fair value was £nil (2013 – £nil). These swaps would otherwise have expired at the end of the mortgage loans fixed rate period which occurred prior to the year end.

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

18. Derivatives and other financial instruments (continued)

(e) Fair values

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

	2014 Book value	2014 Fair value	2014 1% increase in fair value	2013 Book value	2013 Fair value	2013 1% increase in fair value
	£000	£000	£000	£000	£000	£000
Financial assets						
Mortgage loans	308,629	207,611	2,076	331,092	208,275	2,083
Cash and deposits	<u>68,661</u>	<u>68,661</u>	<u>-</u>	<u>54,916</u>	<u>54,916</u>	<u>-</u>
	<u>377,290</u>	<u>276,272</u>	<u>2,076</u>	<u>386,008</u>	<u>263,191</u>	<u>2,083</u>
Financial liabilities						
Loan notes due 2045	<u>(374,913)</u>	<u>(209,578)</u>	<u>(2,096)</u>	<u>(383,476)</u>	<u>(210,745)</u>	<u>(2,107)</u>
	<u>(374,913)</u>	<u>(209,578)</u>	<u>(2,096)</u>	<u>(383,476)</u>	<u>(210,745)</u>	<u>(2,107)</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 reposessions, 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

	2014 £000	2013 £000
Interest receivable on mortgage loans	10,275	11,020
Interest expense on loan notes	<u>(2,652)</u>	<u>(2,756)</u>
Total	<u>7,623</u>	<u>8,264</u>

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

19. Deferred taxation

No deferred tax has been provided at 30 November 2014 (2013 – £nil) as the Group is taxed in accordance with Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006.

20. Net cash flow from operating activities

	2014	<i>Restated</i>
	£000	2013
		£000
Operating (loss)/profit	(6,877)	56,289
Decrease/(increase) in debtors	8,615	(6,247)
Interest receivable and similar income	(10,992)	(11,734)
Decrease/(increase) in creditors	138	(198)
Interest payable and similar charges	2,838	2,943
Provision for mortgage losses	(3,452)	(2,358)
Mortgage losses	1,358	1,410
Re-measurement adjustment of amortised cost of loan notes	27,386	(8,455)
Unrealised exchange gain/(loss) on loan liabilities	(12,063)	8,019
EIR adjustment	(1,133)	(1,194)
Net cash inflow from operating activities	5,542	38,475

The 2013 figures have been restated to ensure better presentation.

21. Analysis of cash flows for headings netted in cash flow statement

	2014	2013
	£000	£000
Returns on investments and servicing of finance		
Interest on mortgage loans	11,408	12,287
Other interest received	22	21
Interest on mortgage backed loan notes	(2,770)	(2,839)
Net cash inflow from returns on investments and servicing of finance	8,660	9,469
Capital expenditure and financial investment		
Proceeds from mortgage loans	23,424	20,830
Financing		
Repayment of mortgage backed loan notes	(26,590)	(21,209)

EUROSAIL-UK 2007-3BL PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2014 (continued)**

22. Analysis of changes in net debt

	1 December 2013 £000	Cash flow £000	Other non-cash changes £000	30 November 2014 £000
Cash at bank and in hand	54,916	11,036	2,709	68,661
Debt:				
Mortgage backed loan notes	<u>(382,678)</u>	<u>26,590</u>	<u>(18,186)</u>	<u>(374,274)</u>
Net debt	<u><u>(327,762)</u></u>	<u><u>37,626</u></u>	<u><u>(15,477)</u></u>	<u><u>(305,613)</u></u>

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:

	Amount charged 2014 £000	Amount outstanding 2014 £000	Amount charged 2013 £000	Amount outstanding 2013 £000
Wilmington Trust SP Services (London) Limited				
Corporate services fees	14	10	14	10
Company secretarial fees	<u>4</u>	<u>2</u>	<u>4</u>	<u>2</u>
	<u><u>18</u></u>	<u><u>12</u></u>	<u><u>18</u></u>	<u><u>12</u></u>

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.