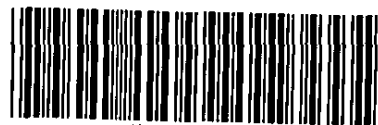


Company Registration Number: 05766459

ARRAN RESIDENTIAL MORTGAGES OPTION NO.1 LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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ARRAN RESIDENTIAL MORTGAGES OPTION NO.1 LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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ARRAN RESIDENTIAL MORTGAGES OPTION NO.1 LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

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

Company secretary

Wilmington Trust SP Services (London) Limited

Company number

05766459

Registered office

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



ARRAN RESIDENTIAL MORTGAGES OPTION NO.1 LIMITED

THE DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and the unaudited financial statements of the Company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company was established for the purpose of holding an option to purchase loan notes from Arran Residential Mortgages Funding No.1 Plc. This option may only be exercised by the Company in the event of a default in the payments of the loan notes and there is no reasonable likelihood of further realisations available to pay the outstanding notes issued by Arran Residential Mortgages Funding No.1 Plc. Apart from holding the option, the Company had no transactions during the current or prior year and consequently no profit and loss is presented within these financial statements.

RESULTS AND DIVIDENDS

The Company's financial position at the end of the year is shown in the attached financial statements. The directors have not recommended payment of a dividend (2007: £nil).

FUTURE DEVELOPMENTS

The directors expect that the present level of activity will be sustained in the near future.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the period together with their beneficial interests in the shares in the company are as follows:

Mr M H Filer	
Mr R G Baker	(Resigned 28 February 2008)
Mr J Traynor	(Appointed 28 February 2008)
Wilmington Trust SP Services (London) Limited	

Wilmington Trust SP Services (London) Limited hold 100% of the issued share capital of the Company, being one £1 share, under a Declaration of Trust for charitable purposes. Mr M H Filer is a director of Wilmington Trust SP Services (London) Limited and Mr J Traynor is an employee of Wilmington Trust SP Services (London) Limited.

According to the register of directors' interests, at the financial year end, none of the directors had any other interests required to be disclosed under Schedule 7, Section 2 of the Companies Act 1985. None of the directors had any significant interest in any contract of significance in relation to the business of the Company.

ARRAN RESIDENTIAL MORTGAGES OPTION NO.1 LIMITED

THE DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

DIRECTORS' RESPONSIBILITIES

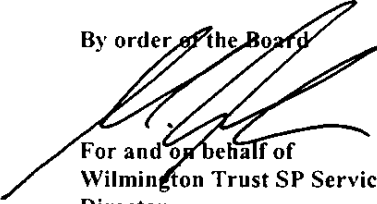
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

By order of the Board



For and on behalf of
Wilmington Trust SP Services (London) Limited
Director

Date: 6 May 2009

ARRAN RESIDENTIAL MORTGAGES OPTION NO.1 LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 £	2007 £
Current assets			
Cash at bank and in hand		<u>1</u>	<u>1</u>
Net assets		<u><u>1</u></u>	<u><u>1</u></u>
Capital and reserves			
Called up equity share capital	4	1	1
Profit and loss account		<u>-</u>	<u>-</u>
Equity shareholders' funds		<u><u>1</u></u>	<u><u>1</u></u>

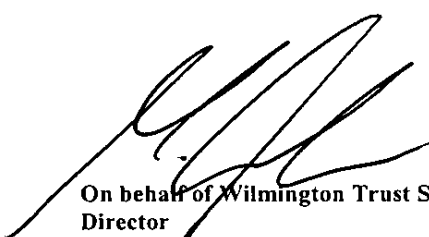
After the option was transferred to the Company at the date of incorporation, the Company had no transactions and has made neither profit nor loss, nor any other recognised gain or loss.

The Company received no income nor incurred any expenses during the current or prior year and so no profit and loss account has been presented.

These financial statements have not been audited because the company is entitled to the exemption provided by s249A(1) Companies Act 1985 and its members have not required the company to obtain an audit of these financial statements in accordance with s249B(2).

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records that comply with s221 Companies Act 1985. The directors also acknowledge their responsibilities for preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with s226 Companies Act 1985, and which otherwise comply with the requirements of that Act relating to financial statements, so far as applicable to the company.

The financial statements on pages 3 to 5 were approved by the directors on 6 May 2009 and are signed on their behalf by:



On behalf of Wilmington Trust SP Services (London) Limited
Director

The notes on page 5 are an integral part of these financial statements

ARRAN RESIDENTIAL MORTGAGES OPTION NO.1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom.

The Company was established for the purpose of holding an option to purchase loan notes from Arran Residential Mortgages Funding No.1 Plc. This option may only be exercised by the Company in the event of a default in the payments of the loan notes and there is no reasonable likelihood of further realisations available to pay the outstanding notes issued by Arran Residential Mortgages Funding No.1 Plc. Apart from holding the option, the Company had no transactions during the current or prior year and consequently no profit and loss is presented within these financial statements.

2. EMPLOYEES

The Company had no employees during the current or prior year.

3. DIRECTORS' EMOLUMENTS

No director received any emoluments from the Company during the current or prior year.

4. CALLED-UP SHARE CAPITAL

	2008	2007
Authorised	£	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and paid	£	£
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

5. ULTIMATE CONTROLLING PARTY

The shares in the Company are held by Wilmington Trust SP Services (London) Limited under a declaration of trust for charitable purposes. Day to day control of the company rests with the directors.