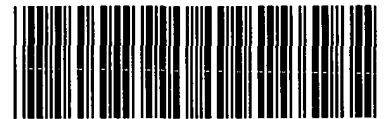

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

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PREFERRED RESIDENTIAL SECURITIES 8 PLC

Company Information

Directors	M H Filer Wilmington Trust SP Services (London) Limited M Clarke (appointed 31 July 2014)
Company secretary	Wilmington Trust SP Services (London) Limited
Registered number	05109183
Registered office	c/o 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

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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PREFERRED RESIDENTIAL SECURITIES 8 PLC

Strategic report for the year ended 30 November 2014

Introduction

On 13 August 2004, 15 November 2004 and 17 January 2005, the Company purchased £212,884,000, £124,457,000 and £122,284,000 of mortgages respectively from Preferred Mortgages Limited. Further consideration may be payable to Preferred Mortgages Limited dependent on future performance of the mortgages. The acquisition of these mortgage assets has been accounted for as a loan to originator as detailed in note 1 of the financial statements. To facilitate the purchase, the Company issued a series of loan notes on 13 August 2004. These loan notes are listed on the London 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 Company'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 which led to a fall in the number of repossessions and in the number of mortgages in arrears. The Company has reported an operating loss for the year after Financial Reporting Standard No. 26 adjustments, which include the recognition of interest income on mortgage loan assets underlying the loan to originator on an Effective Interest Rate (EIR) basis. However the directors consider that the outlook presents significant challenges in meeting the capital repayments and interest due to the holders of the loan notes as and when they fall due.

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

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

	2014 £000	2013 £000
Unrealised exchange gain on loan liabilities	278	32
EIR adjustment	(11)	(13)
Net fair value loss on derivatives	(295)	(31)
	<u>(28)</u>	<u>(12)</u>

At the year end the loan to originator balance after the Effective Interest Rate Adjustment and specific provisions, was £41,813,000 (2013 – £44,824,000). At the December 2014 Interest Payment Date the originator held the following mortgage loans underlying the loan to originator, excluding the Effective Interest Rate Adjustment:

	Principal balance £000	Number of Loans
First Mortgages	<u>40,434</u>	<u>667</u>

These mortgages provide security against loan notes in issue totalling £30,537,000, €11,740,000 and US\$5,056,000 as at the December 2014 Interest Payment date.

PREFERRED RESIDENTIAL SECURITIES 8 PLC

Strategic report (continued)

Business review (continued)

The mortgage loans exhibited the following quarterly arrears profile:

	Q1 %	Q2 %	Q3 %	Q4 %
Delinquencies days - (excluding reposessions)				
Current	71.11	73.13	73.98	71.88
>30<=60	6.66	4.49	3.10	3.52
>60<=90	2.50	2.30	2.63	4.22
>90<=120	2.53	2.94	2.42	3.51
>120	17.20	17.14	17.87	16.87
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

At the March 2015 Interest Payment Date following year end, the mortgage assets underlying the loan to originator balance, was £39,422,000, 20.23% 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 expected cash flows of the loan to originator.

The performance of the mortgage loans during the year to 30 November 2014 enabled deferred consideration of £148,000 (2013 – £594,000) 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 Company comprise mortgage assets, underlying the loan to originator, borrowings, cash and various other items (such as other debtors, other creditors etc.) that arise directly from its operations.

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

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

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, 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 underlying the loan to originator were required to adhere to specific lending criteria. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) is closely monitored by the directors. The mortgage portfolio is recognised as a collateralised non-recourse loan to the originator as explained in note 1. In addition there is credit risk associated with the ability of the swap counterparty to meet its obligations under the swap agreement. This has been mitigated by the payment of cash collateral to the Company.

PREFERRED RESIDENTIAL SECURITIES 8 PLC

Strategic report (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 Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Company has used derivative financial instruments to mitigate any residual interest rate risk.

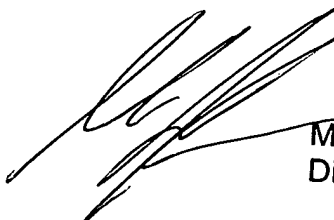
(d) Foreign exchange risk

Foreign exchange risk exists where the loan notes are denominated in a currency which is different to the underlying Sterling mortgage loans. The Company minimises its exposure to foreign currency risk by ensuring that the currency characteristics of its assets and liabilities are similar. Where this is not possible the Company has used derivative financial instruments to mitigate any foreign exchange risk.

(e) Liquidity risk

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

This report was approved by the board on 27 MAY 2015 and signed on its behalf.



Mark Filer
Director

PREFERRED RESIDENTIAL SECURITIES 8 PLC

Directors' report for the year ended 30 November 2014

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

Results and dividends

The loss for the year, after taxation, amounted to £145,000 (2013 - loss £7,000).

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
D R Fisher (resigned 31 July 2014)
M Clarke (appointed 31 July 2014)

Going concern

As described in the strategic review, the Company has reported an operating loss for the year. However the Company is in a net asset 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 underlying the loan to originator have been fully realised. Forecasts indicate that the Company will have adequate cash to enable it to meet its obligations within the next 12 months. Additionally, the Company 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 mortgage backed loan notes, any shortfall in the proceeds from the mortgage assets will be a risk to the holders of those notes and accordingly the financial statements have been prepared on a going concern basis.

Fair value

Note 15 discloses the fair values of the mortgage assets underlying the loan to originator, and loan notes. The directors noted that as at 30 November 2014 the respective fair values of the mortgage assets underlying the loan to originator, 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 underlying the loan to originator 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.

Future developments

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

PREFERRED RESIDENTIAL SECURITIES 8 PLC

Directors' report for the year ended 30 November 2014

Corporate governance

The Directors are responsible for internal control in Preferred Residential Securities 8 plc and for reviewing its 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 Preferred Residential Securities 8 plc to comply with the relevant regulatory obligations.

Responsibility statements under the Disclosure and Transparency rules

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

- the financial statements in this report, which have been prepared in accordance with UK GAAP and the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that they face.

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'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's auditors are aware of that information.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

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



Director

Mark Filer

Date: 27 MAY 2015

PREFERRED RESIDENTIAL SECURITIES 8 PLC

Directors' responsibilities statement for the year ended 30 November 2014

The directors are responsible for preparing the 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 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 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

PREFERRED RESIDENTIAL SECURITIES 8 PLC

Independent auditors' report to the members of Preferred Residential Securities 8 PLC

We have audited the financial statements of Preferred Residential Securities 8 PLC for the year ended 30 November 2014, which comprise the Profit and Loss Account, the Balance Sheet and related notes 1 to 17 set out on pages 9 to 23. 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 auditors

As explained more fully in the Statement of directors' responsibilities, 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 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 company's affairs as at 30 November 2014 and of its 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.

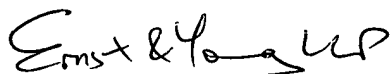
PREFERRED RESIDENTIAL SECURITIES 8 PLC

Independent auditors' report to the members of Preferred Residential Securities 8 PLC

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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: 28 MAY 2015

PREFERRED RESIDENTIAL SECURITIES 8 PLC

**Profit and loss account
for the year ended 30 November 2014**

	Note	2014 £000	2013 £000
Interest receivable and similar income	2	1,823	1,977
Interest payable and similar charges	3	(742)	(800)
		<hr/>	<hr/>
Net interest receivable		1,081	1,177
Operating expenses		(1,413)	(1,364)
Other operating income	4	168	178
		<hr/>	<hr/>
		(164)	(9)
Net fair value loss on derivatives		(295)	(31)
Unrealised exchange gain on loan liabilities		278	32
		<hr/>	<hr/>
Loss on ordinary activities before taxation	5	(181)	(8)
Tax on loss on ordinary activities	6	36	1
		<hr/>	<hr/>
Loss for the financial year		(145)	(7)
		<hr/> <hr/>	<hr/> <hr/>

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 11 to 23 form part of these financial statements.

PREFERRED RESIDENTIAL SECURITIES 8 PLC
Registered number: 05109183

Balance sheet
as at 30 November 2014

	Note	£000	2014 £000	2013 £000
Fixed assets				
Loan to originator - net	8		41,813	44,824
Current assets				
Debtors: amounts falling due after more than one year	9	2,037		2,490
Debtors: amounts falling due within one year	9	65		72
Cash at bank		10,816		42,814
		<u>12,918</u>		<u>45,376</u>
Creditors: amounts falling due within one year	10	<u>(11,564)</u>		<u>(42,680)</u>
Net current assets			<u>1,354</u>	<u>2,696</u>
Total assets less current liabilities			<u>43,167</u>	<u>47,520</u>
Creditors: amounts falling due after more than one year	11		<u>(43,118)</u>	<u>(47,307)</u>
Provisions for liabilities				
Deferred tax	16		-	(19)
Net assets			<u>49</u>	<u>194</u>
Capital and reserves				
Issued share capital	12		13	13
Profit and loss account	13		36	181
Shareholders' funds	14		<u>49</u>	<u>194</u>

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

Director

Mark Filer

Date: 27 MAY 2015

The notes on pages 11 to 23 form part of these financial statements.

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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 Company's financial statements:

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards 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 Income recognition

Interest income on mortgage loan assets underlying the loan to originator 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.

1.3 Loan to originator

Where a transfer of a financial asset does not qualify for derecognition, the transferee does not recognise the transferred asset for financial reporting purposes, as its asset. The transferee derecognises the cash or other consideration paid and recognises a receivable from the transferor. In relation to the mortgage portfolio transferred to the Company, derecognition is considered to be inappropriate for the portfolio seller's or originator's (Preferred Mortgages Limited) own financial statements as the originator has retained significant risks, in the form of credit enhancement paid in, and rewards, in the form of deferred purchase consideration to be paid out, of that financial asset. The Company's financial statements are therefore prepared on the basis that its acquisitions of beneficial interests in mortgage portfolios are recognised as a collateralised non-recourse loan to the originator.

The loan to originator is classified within "loans and receivables", the initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest rate method. The effective interest on the loan to the originator is calculated with reference to the interest earned on the beneficial interest in the mortgage portfolio less the residual interest due to the current holder of the rights to the residual cash flows of the securitisation.

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

An adjustment to the expected cash flows of the loan to originator balance 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 that are pledged as collateral for the loan deteriorated significantly and is calculated using the methodology below.

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

1. Accounting policies (continued)

Loan to originator (continued)

Specific provisions for losses on loans and advances to customers which underlie the loan to originator 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).

1.4 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.

1.5 Deferred consideration

Deferred consideration represents further amounts payable on the acquisition of mortgages from Preferred Mortgages Limited. The payment of these amounts is conditional on the performance of the mortgages underlying the loan to originator.

Under the terms of the securitisation the Company earns a maximum annual profit in an amount equal to 0.01 per cent of the aggregate balances of the loans in the mortgage pool 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, 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 Company 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.

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

1. Accounting policies (continued)

1.6 Derivatives

The Company uses derivative financial instruments to hedge its exposure to interest rate and currency risk arising from operational, financing and investment activities. The Company does not hold or issue derivative financial instruments for trading purposes. 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 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 derivative financial instruments is the estimated amount that the Company would receive or pay to terminate them at the balance sheet date.

1.7 Currency swaps

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

1.8 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.

1.9 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.

1.10 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.

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

1. Accounting policies (continued)

1.11 Related party transactions

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

1.12 Financial instruments disclosure

The Company has taken advantage of the exemption conferred by paragraph 2(d) of Financial Reporting Standard No. 29, not to disclose financial instruments disclosures since the Company is wholly owned by Preferred Residential Securities 8 Parent Limited and is included in its consolidated financial statements which complies with these disclosure requirements and are publicly available.

1.13 Statement of cash flows

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

1.14 Turnover

The Company'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 loan to originator	1,767	1,909
Other interest	56	68
	<u>1,823</u>	<u>1,977</u>

3. Interest payable and similar charges

	2014 £000	2013 £000
Loan notes	487	537
Other interest	255	263
	<u>742</u>	<u>800</u>

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

4. Other operating income

	2014	2013
	£000	£000
Redemption fees	8	6
Sundry fee income	160	172
	<u>168</u>	<u>178</u>

5. Loss on ordinary activities before taxation

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

	2014	2013
	£000	£000
Auditors' remuneration - audit services	17	17
Other fees to auditors – taxation services	-	10
Adjustment to the expected cash flows of the loan to originator arising from the impairment of the underlying mortgages	(314)	(174)
Adjustment to the expected cash flows of the loan to originator arising from bad debts incurred on the underlying mortgages	434	370
Deferred consideration	<u>1,031</u>	<u>867</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 parent company, Preferred Residential Securities 8 Parent Limited were borne by the Company.

6. Taxation

	2014	2013
	£000	£000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	1	2
Deferred tax (see note 16)		
Origination and reversal of timing differences	(37)	(3)
Tax on loss on ordinary activities	<u>(36)</u>	<u>(1)</u>

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

6. 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 on ordinary activities before tax	(181)	(8)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2013 - 20%)	(36)	(2)
Effects of:		
Short term timing difference leading to an increase in taxation	37	3
Other timing differences leading to an increase (decrease) in taxation	-	1
Current tax charge for the year (see note above)	1	2

7. Information regarding directors and employees

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

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

8. Loan to originator - net balances

	2014 £000	2013 £000
At 1 December	44,824	48,140
Principal repayments, mortgage redemptions and other movements	(2,891)	(3,120)
Adjustment to the expected cash flows of the loan to originator arising from the impairment of the underlying mortgages	314	174
Adjustment to the expected cash flows of the loan to originator arising from bad debts incurred on the underlying mortgages	(434)	(370)
At 30 November	<u>41,813</u>	<u>44,824</u>

The Company purchased a portfolio of mortgage loans from Preferred Mortgages Limited. However, as the principal economic risk and rewards associated with these mortgage loans remain with Preferred Mortgages Limited, these loans are not deemed for accounting purposes to have been transferred to the Company. Accordingly, the Company accounts for the transaction as a loan to Preferred Mortgages Limited, as the originator of the loans. The repayment of the loan to originator is linked to the repayment of the loan notes referred to in note 11.

The loan to Preferred Mortgages Limited is denominated in Sterling and bears interest at a variable rate. It is secured on the beneficial interest in the portfolio of residential mortgage loans.

The current mortgage loans in the pool have loan periods of between 1 to 297 months remaining with current interest rates ranging from 2.31% to 8.56% per annum.

The mortgage loans are held as security against the loan notes referred to in note 11.

9. Debtors

	2014 £000	2013 £000
Due after more than one year		
Derivative financial instruments	<u>2,037</u>	<u>2,490</u>
Due within one year		
Prepayments and accrued income	7	14
Other debtors	39	58
Deferred tax asset (see note 16)	19	-
	<u>65</u>	<u>72</u>

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

10. Creditors: Amounts falling due within one year

	2014 £000	2013 £000
Deferred consideration	6,255	5,372
Amounts owed to group undertakings	2,118	2,118
Corporation tax	1	1
Other creditors	3,015	34,961
Accruals and deferred income	175	228
	11,564	42,680

Other creditors include £Nil (2013 – £31,050,000) owing to the liquidity facility provider and cash collateral of £2,990,000 (2013 – £3,890,000) owing to the foreign currency swap counterparty. This arises from the drawdown of the facility due to the increased counterparty default risk of the provider and from the payment of collateral by the swap counterparty, under the currency swap agreement, following the downgrade in their credit rating. The cash drawings of £Nil (2013 – £31,050,000) and cash collateral of £2,990,000 (2013 – £3,890,000) are included in Cash at bank and in hand. The liquidity facility was repaid during the year.

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

	2014 £000	2013 £000
GBP denominated mortgage backed loan notes due 2042–Class A1a1	9,151	10,827
GBP denominated mortgage backed loan notes due 2042–Class A1a2	5,056	5,982
USD denominated mortgage backed loan notes due 2042 – Class A1b	3,235	3,655
EUR denominated mortgage backed loan notes due 2042 – Class A1c	4,025	4,966
GBP denominated mortgage backed loan notes due 2042 – Class B1a	6,684	6,684
EUR denominated mortgage backed loan notes due 2042 – Class B1c	2,445	2,549
GBP denominated mortgage backed loan notes due 2042 – Class C1a	2,131	2,131
EUR denominated mortgage backed loan notes due 2042 – Class C1c	1,438	1,499
GBP denominated mortgage backed loan notes due 2042 – Class D1a	5,853	5,853
EUR denominated mortgage backed loan notes due 2042 – Class D1c	1,438	1,499
GBP denominated mortgage backed loan notes due 2042 – Class E	1,662	1,662
	43,118	47,307

All loan notes fall due after five years.

The mortgage backed floating rate notes due 2042 are secured over the portfolio of mortgage loans secured by first charges over residential properties in the United Kingdom.

The mortgages underlying the loan to originator are administered by Acenden Limited on behalf of Preferred Residential Securities 8 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.

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

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

The mortgage backed floating rate notes are subject to mandatory redemption in part at each interest payment date in an amount equal to the principal received or recovered in respect of the mortgages underlying the loan to originator. If not otherwise redeemed or purchased and cancelled, the notes will be redeemed at their principal amount outstanding on the interest payment date falling in December 2042.

The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments. 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 loan notes issued by the Company are full recourse obligations of the 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.

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

Class A1a1	LIBOR + 0.24% pa
Class A1a2	LIBOR + 0.24% pa
Class A1b	LIBOR + 0.24% pa
Class A1c	EURIBOR + 0.23% pa
Class B1a	LIBOR + 0.48% pa
Class B1c	EURIBOR + 0.42% pa
Class C1a	LIBOR + 0.75% pa
Class C1c	EURIBOR + 0.68% pa
Class D1a	LIBOR + 1.55% pa
Class D1c	EURIBOR + 1.45% pa
Class E	LIBOR + 3.00% pa

12. Issued share capital

	2014 £	2013 £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2
Allotted, called up and partly paid		
49,998 Ordinary shares of £1 each, 25% called and paid up	12,500	12,500

Share capital of £2 was issued on incorporation on 10 January 2005. 49,998 shares were issued on 2 March 2005.

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

13. Profit and loss account

	£000
At 1 December 2013	181
Loss for the financial year	(145)
	<hr/>
At 30 November 2014	36
	<hr/>

14. Reconciliation of movement in shareholders' funds

	2014	2013
	£000	£000
Opening shareholders' funds	194	201
Loss for the financial year	(145)	(7)
	<hr/>	<hr/>
Closing shareholders' funds	49	194
	<hr/>	<hr/>

15. Derivatives and other financial instruments

As explained on page 2 the Company uses financial instruments in its normal course of business. The following analysis gives an indication of the significance of these instruments to the Company.

(a) Interest rate risk

	2014	2013
	£000	£000
Financial assets	54,666	90,128
Financial liabilities	(46,108)	(82,247)
	<hr/>	<hr/>

All financial assets and liabilities are subject to variable interest rates.

The company also has certain financial instruments included within debtors (note 9) and creditors (note 10) which are not subject to interest rate risk as they bear no interest.

The rates of interest receivable and payable on variable rate financial instruments, with the exception of the 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 11.

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

15. Derivatives and other financial instruments (continued)

(b) 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 2042	(9,346)	(3,235)	(12,581)
Loan note interest	(12)	(3)	(15)
	<u>(9,358)</u>	<u>(3,238)</u>	<u>(12,596)</u>
Financial liabilities	<u>(9,358)</u>	<u>(3,238)</u>	<u>(12,596)</u>

	2013 Euro £000	2013 US Dollar £000	2013 Total £000
Mortgage backed loan notes due 2042	(10,513)	(3,655)	(14,168)
Loan note interest	(16)	(4)	(20)
	<u>(10,529)</u>	<u>(3,659)</u>	<u>(14,188)</u>
Financial liabilities	<u>(10,529)</u>	<u>(3,659)</u>	<u>(14,188)</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. For further details of the currency swap refer to Note 15(c).

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

15. Derivatives and other financial instruments (continued)

(c) Fair value of financial instruments

	Book Value 2014 £000	Fair Value 2014 £000	Book Value 2013 £000	Fair Value 2013 £000
Financial assets				
Loan to originator	41,813	37,156	44,824	36,906
Cash and deposits	10,816	10,816	42,814	42,814
Derivative financial instruments	2,037	2,037	2,490	2,490
	<u>54,666</u>	<u>50,009</u>	<u>90,128</u>	<u>82,210</u>
Financial liabilities				
Loan notes	(43,118)	(37,407)	(47,307)	(37,060)
Liquidity facility provider creditor	-	-	(31,050)	(31,050)
Currency swap counterparty creditor	(2,990)	(2,990)	(3,890)	(3,890)
	<u>(46,108)</u>	<u>(40,397)</u>	<u>(82,247)</u>	<u>(72,000)</u>

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

The fair value of receivables and payables other than those mentioned above approximate to carrying value as they have short term maturity.

As no liquid market exists for either the mortgage loans underlying the loan to originator 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, house price movements, level of reposessions, losses and discount rates based on the most recent available information.

The Company uses foreign currency swaps in certain circumstances to hedge against any currency exposure risks. At 30 November 2014, the notional value of the swaps held was £10,618,000 (2013 – £11,742,000) and the recognised positive fair value of the swaps was £2,037,000 (2013 – £2,490,000 positive).

16. Deferred taxation

	2014 £000	2013 £000
At beginning of year	(19)	(21)
Released during year (P&L)	38	2
At end of year	<u>19</u>	<u>(19)</u>

PREFERRED RESIDENTIAL SECURITIES 8 PLC

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

16. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2014 £000	2013 £000
Effect of EIR adjustment	(2)	(5)
Effect of adjustment for Derivatives	(408)	(498)
Effect of adjustment for FX revaluation	429	484
	<u>19</u>	<u>(19)</u>

Full provision has been made for deferred tax arising as a result of Financial Reporting Standard No. 26 adjustments.

Deferred taxation has been recognised at 20% (2013 – 20%) being the UK small companies' corporation tax rate at the balance sheet date.

17. Parent undertaking and control

The Company is controlled by its parent undertaking, Preferred Residential Securities 8 Parent Limited, which is registered and operates in the United Kingdom.

The entire issued share capital of Preferred Residential Securities 8 Parent Limited is held by a Trustee under a declaration of trust for charitable purposes.

The smallest group in which the results of the Company are consolidated is that headed by Preferred Residential Securities 8 Parent Limited, registered in England and Wales. At the largest group level, the Company's results are consolidated on a Linked Presentation basis in Preferred Mortgages Limited. The financial statements of these groups are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.