
PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Directors' report and financial statements
for the year ended 30 November 2012

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PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Company Information

Directors	M H Filer Wilmington Trust SP Services (London) Limited D R Fisher (appointed 15 May 2012)
Company secretary	Wilmington Trust SP Services (London) Limited
Company number	05348016
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 05-1 PARENT LIMITED

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PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Directors' report for the year ended 30 November 2012

The directors present their report and the audited consolidated financial statements for the year ended 30 November 2012

Principal activities

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

Business review

On 27 April 2005 the Group purchased £399,965,000 of mortgages 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 Group issued a series of loan notes on 27 April 2005. These loan notes are listed on the London Stock Exchange.

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

The consolidated results for the year ended 30 November 2012 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 current economic environment is difficult and the Group has reported an operating loss for the year after Financial Reporting Standard No 26 adjustments, which are required in order to recognise the interest income on mortgage loan assets underlying the loan to originator on an Effective Interest Rate (EIR) basis. 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 Group will continue as a going concern and set out the basis for this conclusion in the Going concern section of this report.

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

	2012 £000	2011 £000
Net fair value (loss)/gain on derivatives	(423)	209
Unrealised exchange gain/(loss) on loan liabilities	264	(123)
EIR adjustment	(22)	(39)
	<u>(181)</u>	<u>47</u>

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Directors' report
for the year ended 30 November 2012

Business review (continued)

At the year end the loan to originator balance after the Effective Interest Rate Adjustment, was £60,242,000 (2011 – £66,656,000) At the December 2012 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>59,679</u>	<u>836</u>

These mortgages provide security against loan notes in issue totalling £55,791,000 and €5,670,000 as at the December 2012 Interest Payment date

The mortgage loans exhibited the following quarterly arrears profile

Delinquencies days – (excluding reposessions)*	Q1	Q2	Q3	Q4
	%	%	%	%
Current	70.47	71.70	70.79	70.87
>30<=60	6.27	7.05	4.67	5.16
>60<=90	4.76	4.51	4.92	2.57
>90<=120	3.69	4.62	4.97	4.86
>120	<u>14.81</u>	<u>12.12</u>	<u>14.65</u>	<u>16.54</u>
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

**The definition of delinquencies has been changed to use the new term Payment Arrears which means 'Total Outstanding Contractual Monthly Instalments of Interest and/or Interest and Principal'*

At the March 2013 Interest Payment Date following year end, the mortgage assets underlying the loan to originator balance, was £58,126,000, 21.23% 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 2012 enabled deferred consideration of £1,688,000 (2011 – £2,140,000) to be paid to the current holder of the rights to the residual cash flows of the securitisation

Future developments

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

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Directors' report for the year ended 30 November 2012

Going concern

As described in the Business review, the Group has reported an operating loss for the year. However the Group is in a net asset position as at 30 November 2012.

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 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 16 discloses the fair values of the mortgage assets underlying the loan to originator, and loan notes. The directors noted that as at 30 November 2012 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-securitized mortgage loan receivables. This model takes into account expected prepayment rates, arrears levels, house price movements, level of repossession, losses and discount rates based on the most recent available information.

Results and dividends

The loss for the year, after taxation, amounted to £140,000 (2011 - profit £49,000).

The directors do not recommend the payment of a dividend for the year (2011 – £Nil).

Company's policy for payment of creditors

The Group does not follow any stated code on payment practice. It is the Group's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with the suppliers at the outset. It is the policy of the Group to abide by the agreed terms of payment. There are no creditor days of suppliers' invoices outstanding at the year end (2011 – nil days).

Directors

The directors who served during the year were

M H Filer
J Schroeder (resigned 15 May 2012)
Wilmington Trust SP Services (London) Limited
D R Fisher (appointed 15 May 2012)

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Directors' report for the year ended 30 November 2012

Principal risks and uncertainties

(a) Financial instrument risk

The financial instruments held by the Group 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 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 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 is recognised by showing the derivative financial instruments in the balance sheet net of a credit valuation adjustment.

(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 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 Group minimises its exposure to foreign currency risk by ensuring that the currency characteristics of its assets and liabilities are similar. Where this is not possible the Group has used derivative financial instruments to mitigate any foreign exchange risk.

(e) Liquidity risk

The Group'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 Group holds a minimum cash balance to manage short term liquidity requirements.

Corporate governance

The Directors are responsible for internal control in Preferred Residential Securities 05-1 Parent Limited and for reviewing the effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The procedures enable Preferred Residential Securities 05-1 Parent Limited to comply with the relevant regulatory obligations.

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Directors' report
for the year ended 30 November 2012**

Provision 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 that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report 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



Director

Mark Filer

Date

8 JULY 2013

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Statement of directors' responsibilities for the year ended 30 November 2012

The directors are responsible for preparing 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 of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Independent auditors' report to the members of Preferred Residential Securities 05-1 Parent Limited

We have audited the financial statements of Preferred Residential Securities 05-1 Parent Limited for the year ended 30 November 2012, 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 23, set out on pages 9 to 33. 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 group's and of 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 Directors' report to identify material inconsistencies with the Directors' report and financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2012 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

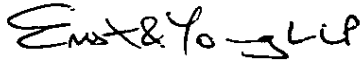
PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Independent auditors' report to the members of Preferred Residential Securities 05-1 Parent Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



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

London

Date 9 JULY 2015

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Consolidated profit and loss account
for the year ended 30 November 2012**

	Note	2012 £000	2011 £000
Interest receivable and similar income	2	2,995	3,169
Interest payable and similar charges	3	(1,255)	(1,233)
Net interest receivable		1,740	1,936
Operating expenses		(2,000)	(2,246)
Other operating income	4	244	278
		(16)	(32)
Net fair value (loss)/gain on derivatives		(423)	209
Unrealised exchange gain/(loss) on loan liabilities		264	(123)
(Loss)/profit on ordinary activities before taxation	5	(175)	54
Tax on (loss)/profit on ordinary activities	6	35	(5)
(Loss)/profit for the financial year after taxation	14	(140)	49

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss Account

The notes on pages 13 to 33 form part of these financial statements

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED
Registered number 05348016

**Consolidated balance sheet
as at 30 November 2012**

	Note	£000	2012 £000	£000	2011 £000
Fixed assets					
Loan to originator	9		60,242		66,656
Current assets					
Debtors amounts falling due after more than one year	10	672		1,095	
Debtors amounts falling due within one year	10	106		36	
Cash at bank		30,613		32,567	
		<u>31,391</u>		<u>33,698</u>	
Creditors amounts falling due within one year	11	(30,041)		(30,979)	
Net current assets			<u>1,350</u>		<u>2,719</u>
Total assets less current liabilities			<u>61,592</u>		<u>69,375</u>
Creditors amounts falling due after more than one year	12		(61,480)		(69,087)
Provisions for liabilities					
Deferred tax	17		(2)		(38)
Net assets			<u>110</u>		<u>250</u>
Capital and reserves					
Issued share capital	13		13		13
Profit and loss account	14		97		237
Shareholders' funds	15		<u>110</u>		<u>250</u>

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

Director

Mark Filer

Date 8 JULY 2013

The notes on pages 13 to 33 form part of these financial statements

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED
Registered number: 05348016

Company balance sheet
as at 30 November 2012

	Note	2012 £000	2011 £000
Fixed assets			
Investments	8	<u>13</u>	<u>13</u>
Total assets less current liabilities		<u><u>13</u></u>	<u><u>13</u></u>
Capital and Reserves			
Called up share capital	13	<u>13</u>	<u>13</u>
Shareholders' funds	15	<u><u>13</u></u>	<u><u>13</u></u>

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

8 JULY 2013

Mark Filer

Director

The notes on pages 13 to 33 form part of these financial statements

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Consolidated cash flow statement
for the year ended 30 November 2012**

	Note	2012 £000	2011 £000
Net cash flow from operating activities	18	(3,220)	(2,375)
Returns on investments and servicing of finance	19	1,723	2,017
Taxation		(1)	(2)
Capital expenditure and financial investment	19	6,912	6,879
Cash inflow before financing		5,414	6,519
Financing	19	(7,368)	(7,495)
Decrease in cash in the year		(1,954)	(976)

**Reconciliation of net cash flow to movement in net funds/debt
for the year ended 30 November 2012**

	2012 £000	2011 £000
Decrease in cash in the year	(1,954)	(976)
Cash outflow from decrease in debt	7,368	7,495
Change in net debt resulting from cash flows	5,414	6,519
Unrealised exchange gain/(loss) on loan notes	252	(114)
Amortisation of capitalised issue costs	(13)	(30)
Movement in net debt in the year	5,653	6,375
Net debt at 1 December 2011	(36,520)	(42,895)
Net debt at 30 November 2012	(30,867)	(36,520)

The notes on pages 13 to 33 form part of these financial statements

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2012

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 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 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries for the year ended 30 November 2012. All the subsidiaries are accounted for using acquisition accounting.

In accordance with section 408(4) of the Companies Act 2006, Preferred Residential Securities 05-1 Parent Limited is exempt from the requirement to present its own profit and loss account. The result for the year of Preferred Residential Securities 05-1 Parent Limited is disclosed in note 15 to the financial statements.

1.3 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.

1.4 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 Group, 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 Group's financial statements are therefore prepared on the basis that its acquisitions of beneficial interests in mortgage portfolios are recognised as 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.

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2012

1 Accounting policies (continued)

Loan to originator (continued)

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 loan to originator balance would be recognised where there is a risk that the income on the loan to portfolio seller 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.

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).

1.5 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.

1.6 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 following exceptions:

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

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2012

1. Accounting policies (continued)

1.7 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 Group 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 any Financial Reporting Standard No. 26 adjustments which may include exchange gains or losses on revaluation of foreign currency liabilities, Effective Interest Rate adjustments, remeasurement adjustments to loan note liabilities and gains or losses on derivatives. Profits in excess of 0.01 per cent accrue to the current holder of the rights to the residual cash flows of the securitisation as deferred consideration, unless the Group has cumulative adjusted losses from prior years. Accordingly, amounts owing to the current holder of the rights to the residual cash flows of the securitisation are recognised as creditors in the balance sheet.

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

1.8 Derivatives

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

Financial Reporting Standard No. 26 requires all derivative financial instruments to be recognised initially at fair value on the balance sheet. Subsequent to initial recognition, derivatives are remeasured to fair value. Where the value of the derivative is positive, it is carried as a derivative asset and, where negative, as a derivative liability. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account. The fair value of the derivative financial instruments is the estimated amount that the Group would receive or pay to terminate them at the balance sheet date.

1.9 Currency swaps

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

1.10 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.

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2012

1. Accounting policies (continued)

1.11 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.

1.12 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.

1.13 Related party transactions

Preferred Mortgages Limited retains an interest in the cash flows and profits of Preferred Residential Securities 05-1 plc, a wholly owned subsidiary of Preferred Residential Securities 05-1 Parent Limited. Accordingly Preferred Mortgages Limited whilst having no direct investment in the Group is treated as a related party.

1.14 Turnover

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

2. Interest receivable and similar income

	2012 £000	2011 £000
On loan to originator	2,820	3,032
Other interest	175	137
	<u>2,995</u>	<u>3,169</u>

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

3. Interest payable and similar charges

	2012	2011
	£000	£000
Loan notes	903	897
Other interest	339	306
Amortisation of capitalised issue costs	13	30
	<u>1,255</u>	<u>1,233</u>

4. Other operating income

	2012	2011
	£000	£000
Redemption fees	17	16
Fees receivable	227	262
	<u>244</u>	<u>278</u>

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

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

	2012	2011
	£000	£000
Auditors' remuneration - for audit services - Group	16	15
Other fees to auditors - taxation services - Group	10	9
Adjustment to the expected cash flows of the loan to originator arising from the impairment of the underlying mortgages	(567)	247
Adjustment to the expected cash flows of the loan to originator arising from bad debts incurred on the underlying mortgages	47	194
Deferred consideration	2,079	1,410
Other fees to auditors - taxation services - Company	1	1
Auditors' remuneration - for audit services - Company	6	6

Auditors other services includes £10,000 for corporation tax compliance work (2011 - £9,000)

Auditors' remuneration - audit services of £5,900 (2011 - £5,600) and other fees to auditors - corporation tax compliance services of £1,000 (2011 - £900) for the company, were borne by the subsidiary

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

6. Taxation

	2012 £000	2011 £000
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
UK corporation tax charge/(credit) on (loss)/profit for the year	1	(3)
Deferred tax		
Origination and reversal of timing differences	(36)	9
Effect of decreased tax rate on opening liability	-	(1)
Total deferred tax (see note 17)	(36)	8
Tax on (loss)/profit on ordinary activities	(35)	5

Factors affecting tax charge for the year

The tax rate assessed for the year is higher than (2011 - lower than) the standard rate of corporation tax in the UK of 20% (2011 - 20%) The differences are explained below

	2012 £000	2011 £000
(Loss)/profit on ordinary activities before tax	(175)	54
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2011 - 20%)	(35)	11
Effects of		
Adjustments to tax charge in respect of prior periods	-	(4)
Short term timing difference leading to an increase/(decrease) in taxation	36	(10)
Current tax charge/(credit) for the year (see note above)	1	(3)

7. Information regarding directors and employees

The company has no employees other than the directors, who did not receive any remuneration (2011 - £NIL)

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

8. Investments

Company	2012 £000	2011 £000
Shares in group undertakings	<u>13</u>	<u>13</u>

The undertakings in which the Company's interest at 30 November 2012 is more than 20% are as follows

Company name	Country	Percentage Shareholding	Description
Preferred Residential Securities 05-1 plc	United Kingdom	100%	Investment in residential loans

At 30 November 2012 the Company held 49,998 ordinary shares of £1 each in Preferred Residential Securities 05-1 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.

Preferred Residential Securities 05-1 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 2012.

	2012 £000	2011 £000
Aggregate capital and reserves	<u>110</u>	<u>250</u>
(Loss)/profit for the year	<u>(140)</u>	<u>49</u>

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

9. Loan to originator - net balances

	2012	2011
	£000	£000
At 1 December	66,656	74,015
Principal repayments, mortgage redemptions and other movements	(6,934)	(6,918)
Adjustment to the expected cash flows of the loan to originator arising from the impairment of the underlying mortgages	567	(247)
Adjustment to the expected cash flows of the loan to originator arising from bad debts incurred on the underlying mortgages	(47)	(194)
	<u>60,242</u>	<u>66,656</u>
At 30 November	<u>60,242</u>	<u>66,656</u>

The Group 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 Group 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 12.

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 a portfolio of residential mortgage loans.

The current mortgage loans in the pool have loan periods of between 4 to 329 months remaining with current interest rates ranging from 2.43% to 6.93% per annum.

The mortgage loans are held as security against the loan notes referred to in note 12.

10. Debtors

	Group
	2012
	£000
Due after more than one year	
Derivative financial instruments	672
	<u>1,095</u>
	<u>1,095</u>
	Group
	2012
	£000
Due within one year	
Other debtors	90
Prepayments and accrued income	16
	<u>106</u>
	<u>106</u>

The derivative financial instruments mentioned in note 16 are shown net of a credit valuation adjustment of £67,000 (2011: £Nil) in respect of counterparty default risk.

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

11. Creditors:
Amounts falling due within one year

	Group	
	2012	2011
	£000	£000
Accruals and deferred income	278	359
Amounts owed to related parties	15	15
Deferred consideration	2,902	2,511
Other creditors	26,845	28,093
Corporation tax	1	1
	30,041	30,979

Other creditors include £26,800,000 (2011 – £26,800,000) owing to the liquidity facility provider and £Nil (2011 – £1,240,000) 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 £26,800,000 (2011 – £26,800,000) and £Nil (2011 – £1,240,000) are included in Cash at bank and in hand. The collateral was repaid to the swap counterparty in 2012 following an upgrade in their credit rating.

12. Creditors amounts falling due after one year

	2012	2011
	£000	£000
GBP denominated mortgage backed loan notes due 2043 – Class A2c	14,321	21,688
EUR denominated mortgage backed loan notes due 2043 – Class B1a	4,600	4,853
GBP denominated mortgage backed loan notes due 2043 – Class B1c	18,307	18,307
GBP denominated mortgage backed loan notes due 2043 – Class C1c	8,748	8,748
GBP denominated mortgage backed loan notes due 2043 – Class D1c	12,798	12,798
GBP denominated mortgage backed loan notes due 2043 – Class E	2,754	2,754
	61,528	69,148
Less Issue costs	(48)	(61)
	61,480	69,087

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2012

12. Creditors amounts falling due after one year (continued)

All loan notes fall due after five years

The mortgage backed floating rate notes due 2043 are secured over a portfolio of mortgage loan secured by first and second 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 05-1 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 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 June 2043

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 Preferred Residential Securities 05-1 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

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

Class A2c	LIBOR + 0.16% pa
Class B1a	EURIBOR + 0.25% pa
Class B1c	LIBOR + 0.25% pa
Class C1C	LIBOR + 0.44% pa
Class D1C	LIBOR + 0.70% pa
Class E	LIBOR + 3.25% pa

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

13 Issued share capital

	2012 £	2011 £
Allotted, called up and fully paid		
12,501 Ordinary shares of £1 each	<u>12,501</u>	<u>12,501</u>

Share capital of £1 was issued on incorporation on 31 January 2005 and settled for cash on 2 March 2005. 12,500 shares were allotted, called-up and fully paid on 3 March 2005.

14. Profit and loss account

Group	£000
At 1 December 2011	237
Loss for the year	(140)
	<u>97</u>
At 30 November 2012	<u>97</u>

15. Reconciliation of movement in shareholders' funds

Group	2012 £000	2011 £000
Opening shareholders' funds	250	201
(Loss)/profit for the year	(140)	49
	<u>110</u>	<u>250</u>
Closing shareholders' funds	<u>110</u>	<u>250</u>

Company	2012 £000	2011 £000
Shareholders' funds at 1 December 2011 and 30 November 2012	<u>13</u>	<u>13</u>

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 (2011 - £NIL).

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2012

16. 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 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 net fair value losses of £159,000 (2011 – £86,000 gain) due to the movements in the fair value of derivatives and 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 denominations and repayments of principal and payments of interest are made in Euros. The Group takes out derivative instruments to manage movements in foreign currency exchange rates.

Interest rate risk

The Group is exposed to interest rate risk where assets and liabilities have interest rates set under different bases or which reset at different times. The Group minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Group takes out derivative financial instruments to manage interest rate mismatches.

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

16. 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

	2012 £000	2011 £000
Loan to originator	60,242	66,656
Cash at bank and in hand	30,613	32,567
Derivative financial instruments	672	1,095
	<u>91,527</u>	<u>100,318</u>

Collateral as mentioned in Note 11 is held against the derivative financial instrument

(b) Liquidity risk

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

At 30 November 2012

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	5,987	5,254	4,815	47,127	-	63,183

(b) Liquidity risk

At 30 November 2011

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	6,745	5,748	5,293	53,986	-	71,772

There is no contractual obligation to pay down the loan notes other than as set out in note 12

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

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

16 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

	2012 Euro £000	2012 Sterling £000	2012 Total £000
Mortgage backed loan notes due 2043	(4,600)	(56,928)	(61,528)
Loan note interest	(5)	(135)	(140)
	<u>(4,605)</u>	<u>(57,063)</u>	<u>(61,668)</u>
Financial liabilities			

	2011 Euro £000	2011 Sterling £000	2011 Total £000
Mortgage backed loan notes due 2043	(4,853)	(64,295)	(69,148)
Loan note interest	(19)	(187)	(206)
	<u>(4,872)</u>	<u>(64,482)</u>	<u>(69,354)</u>
Financial liabilities			

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 uses foreign currency swaps in certain circumstances to hedge against any currency exposure risks. At 30 November 2012, the notional value of the swaps held was £3,888,000 (2011 – £3,888,000) and the recognised positive fair value of the Euro swaps was £672,000 (2011 – £1,095,000)

All Euro denominated Mortgage Backed Loan Notes due 2042 are hedged by the foreign currency swap described above

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

16. 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 2012

	Total £000	Total non-interest bearing £000	Within 3 months £000
Financial assets			
Loan to originator	60,242	-	60,242
Cash and deposits	30,613	-	30,613
Derivative financial instruments	672	672	-
Total assets	91,527	672	90,855
Financial liabilities			
Loan notes due 2043	61,528	712	60,816
Liquidity facility provider creditor	26,800	-	26,800
Total liabilities	88,328	712	87,616

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

16. Derivatives and other financial instruments (continued)

(d) Interest rate risk (continued)

At 30 November 2011

	Total £000	Total non-interest bearing £000	Within 3 months £000
Financial assets			
Loan to originator	66,656	-	66,656
Cash and deposits	32,567	-	32,567
Derivative financial instruments	1,095	1,095	-
Total assets	100,318	1,095	99,223
Financial liabilities			
Loan notes due 2043	69,148	964	68,184
Liquidity facility provider creditor	26,800	-	26,800
Currency swap counterparty creditor	1,240	-	1,240
Total liabilities	97,188	964	96,224

All financial assets and liabilities are subject to variable interest rates

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 12

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

16. 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

	2012 Book value £000	2012 Fair value £000	2012 1% increase in fair value £000	2011 Book value £000	2011 Fair value £000	2011 1% increase in fair value £000
Financial assets						
Loan to originator	60,242	44,557	446	66,656	51,728	517
Cash and deposits	30,613	30,613	-	32,567	32,567	-
Derivative financial instruments	672	672	7	1,095	1,095	11
	<u>91,527</u>	<u>75,842</u>	<u>453</u>	<u>100,318</u>	<u>85,390</u>	<u>528</u>
Financial liabilities						
Loan notes due 2043	(61,528)	(44,037)	(440)	(69,148)	(52,702)	(527)
Liquidity facility provider creditor	(26,800)	(26,800)	-	(26,800)	(26,800)	-
Currency swap counterparty creditor	-	-	-	(1,240)	(1,240)	-
	<u>(88,328)</u>	<u>(70,837)</u>	<u>(440)</u>	<u>(97,188)</u>	<u>(80,742)</u>	<u>(527)</u>

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

As no liquid market exists for either the mortgage loans underlying the loans to originators 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 payment rates, arrears, house price movements and discount rates based on the most recent available information.

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Notes to the financial statements
for the year ended 30 November 2012

16. Derivatives and other financial instruments (continued)

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

	2012 £000	2011 £000
Interest receivable on loan to originator	2,820	3,032
Interest expense on loan notes	(903)	(897)
Total	<u>1,917</u>	<u>2,135</u>

17. Deferred taxation

	Group	
	2012 £000	2011 £000
At end of year	<u>2</u>	<u>38</u>

The provision for deferred taxation is made up as follows

	Group	
	2012 £000	2011 £000
Effect of EIR adjustment	9	14
Effect of adjustment for Derivatives	135	219
Effect of adjustment for FX revaluation	(142)	(195)
	<u>2</u>	<u>38</u>

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

Deferred taxation has been recognised at 20% (2011 – 20%) being the UK small companies' corporation tax rate at the balance sheet date

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

18. Net cash flow from operating activities

	2012	2011
	£000	£000
Operating loss	(16)	(32)
Net fair value loss on dervative	(423)	209
Decrease/(increase) in debtors	355	(170)
Interest receivable and similar income	(2,995)	(3,169)
Decrease in creditors	(854)	(848)
Interest payable and similar charges	1,255	1,233
Provision for mortgage losses	(567)	247
Mortgage losses	47	194
EIR adjustment	(22)	(39)
Net cash outflow from operating activities	(3,220)	(2,375)

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

	2012	2011
	£000	£000
Returns on investments and servicing of finance		
Interest on mortgage loans	2,842	3,071
Interest on mortgage backed loan notes	(957)	(884)
Other interest received	195	124
Other interest paid	(357)	(294)
Net cash inflow from returns on investments and servicing of finance	1,723	2,017
	2012	2011
	£000	£000
Capital expenditure and financial investment		
Proceeds from mortgage loans	6,912	6,879
	2012	2011
	£000	£000
Financing		
Repayment of mortgage backed loan notes	(7,368)	(7,495)

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2012**

20. Analysis of changes in net debt

	1 December 2011 £000	Cash flow £000	Other non-cash changes £000	30 November 2012 £000
Cash at bank and in hand	32,567	(1,954)	-	30,613
Debt:				
Mortgage backed loan notes	(69,087)	7,368	239	(61,480)
Net debt	(36,520)	5,414	239	(30,867)

21. Related party transactions

During the year, Preferred Residential Securities 05-1 plc has paid the following amounts to Preferred Mortgages Limited and Wilmington Trust SP Services (London) Limited, and the amounts outstanding at the end of the year were

	Amount charged 2012 £000	Amount outstanding 2012 £000	Amount charged 2011 £000	Amount outstanding 2011 £000
Preferred Residential Securities 05-1 plc				
Mortgage related amounts receivable	-	15	-	15
Deferred consideration	2,079	2,902	1,410	2,511
Wilmington Trust SP Services (London) Limited				
Corporate services fees	8	-	8	-
Company secretarial fees	4	-	4	-
Total	2,091	2,917	1,422	2,526

22. 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.

PREFERRED RESIDENTIAL SECURITIES 05-1 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2012

23. Parent undertaking and control

The entire issued share capital of Preferred Residential Securities 05-1 Parent Limited is held by a Trustee under a declaration of trust for charitable purposes

Preferred Residential Securities 05-1 Parent Limited is included in the financial statements of Preferred Mortgages Limited, a company registered in England and Wales under linked presentation. The financial statements of this group are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Mandy, Cardiff CF14 3UZ