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29/09/2006

Preferred Mortgages Collections Limited

Registered No: 2993061

Directors

Wilmington Trust SP Services (London) Limited
R G Baker
M H Filer

Secretary

Clifford Chance Secretaries (CCA) Limited
10 Upper Bank Street
London E14 5JJ

Auditors

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

Bankers

Barclays Bank Plc
54 Lombard Street
London EC3V 9EX

National Westminster Bank Plc
1 Princes Street
London EC2R 8PB

Girobank Plc
Bridle Road
Bootle
Merseyside G1R 0AA

Registered Office

25 Bank Street
London
E14 5LE

Directors' report

The directors present their report and the audited financial statements for the year ended 30 November 2005.

Principal activities

The business of the Company is the collection of all amounts due by way of payments of principal and interest on portfolios of mortgage loans and the distribution of such amounts to the party entitled thereto under the terms, inter alia, of a Receivables Trust Deed.

The Company's expenses are paid by a related company and accordingly, the company generates neither a profit nor a loss.

Future developments

The directors are confident that the Company is well placed to continue its activities.

Directors and their interests

The present members of the board are listed on page 1.

On 22 November 2005, L de V Wragg, A Attia and G M Fraser resigned as directors of the company; on the same date, R G Baker and M H Filer were appointed directors of the company.

SPV Management Limited changed its name to Wilmington Trust SP Services (London) Limited on 19 December 2005.

Wilmington Trust SP Services (London) Limited holds one fully paid up share of £1, on a discretionary trust basis, in each of Preferred Funding One Limited, Preferred Funding Two Limited, Preferred Funding Four Limited, Preferred Residential Securities 1 PLC, Preferred Residential Securities 2 PLC, Preferred Residential Securities 3 PLC, Preferred Residential Securities 4 PLC, Preferred Residential Securities 5 PLC, Preferred Residential Securities 6 PLC, Preferred Residential Securities 7 PLC, Preferred Residential Securities 8 PLC, Preferred Residential Securities 05-1 PLC, Preferred Residential Securities 05-2 PLC, Preferred Funding Limited, PRS 8 Parent Limited and PRS 5&6 Sub Loan Holdings Limited at 30 November 2005 and 30 November 2004 (or date of appointment). Wilmington Trust SP Services (London) Limited also holds, on a discretionary trust basis, two fully paid up shares of £1 in Preferred Mortgage Collections Limited, 12,501 fully paid up shares of £1 in each of PRS1 Limited, PRS 6 Parent Limited, PRS 7 Parent Limited, Preferred Residential Securities 05-1 Parent Limited and 12,502 fully paid up shares of £1 in Preferred Residential Securities 05-2 Parent Limited at 30 November 2005 and 30 November 2004 (or date of appointment).

None of the other directors who served during the year nor any of their families held any beneficial interest in the shares of the Company or of any other group company during the year.

Auditors

The Company has elected to dispense with the obligation to reappoint auditors annually.

On behalf of the board

Director
Date:


Wilmington Trust SP Services (London) Limited

26-11-06

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report to the Financial Statements in accordance with applicable United Kingdom Law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

Independent auditors' report

to the members of Preferred Mortgages Collections Limited

We have audited the company's financial statements for the year ended 30 November 2005 which comprise the Balance Sheet and the related notes 1 to 7. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 November 2005 and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

27/9/06

Balance sheet

at 30 November 2005

	Notes	2005 £	2004 £
Current assets			
Amounts owed by related companies	4	2,587,084	3,079,063
Called up share capital not paid	5	2	2
Cash at bank and in hand		20,371,952	46,336,498
Total assets		<u>22,959,038</u>	<u>49,415,563</u>
Creditors: amounts falling due within one year			
Bank overdraft		2,337,372	2,773,527
Amounts owed to related companies	3	18,932,178	46,642,034
Other creditors		1,689,485	—
Total creditors		<u>22,959,036</u>	<u>49,415,561</u>
Net current assets		<u>2</u>	<u>2</u>
Capital and reserves			
Called up share capital	5	2	2
Profit and loss account		—	—
Total equity shareholders' funds		<u>2</u>	<u>2</u>

The notes on pages 6 and 7 form part of these financial statements.

These financial statements were approved by the Board of Directors on 26-11-06

Signed on behalf of the Board of Directors



Wilmington Trust SP Services (London) Limited

Director

Notes to the financial statements

at 30 November 2005

1. Accounting policy

Basis of accounting

The financial statements are prepared under the historical cost convention and on the going concern basis.

2. Profit and loss account

No profit and loss account is presented for the current or previous year as the Company has not traded and therefore has made neither profit nor loss nor any other recognised gain nor loss.

Audit fees and any other fees paid to auditors are paid by a related company.

3. Related party transactions

The related companies referred to in these financial statements are Preferred Mortgages Limited, Preferred Funding One Limited, Preferred Funding Two Limited, Preferred Funding Three Limited, Preferred Funding Four Limited, Preferred Funding Five Limited, Preferred Residential Securities 1 PLC, Preferred Residential Securities 2 PLC, Preferred Residential Securities 3 PLC, Preferred Residential Securities 4 PLC, Preferred Residential Securities 5 PLC, Preferred Residential Securities 6 PLC, Preferred Residential Securities 7 PLC Preferred Residential Securities 8 PLC, Preferred Residential Securities 05-1 PLC and Preferred Residential Securities 05-2 PLC.

The amounts owed to those companies are as follows:

	2005	2004
	£	£
Preferred Mortgages Limited	904,098	51,980
Preferred Funding One Limited	1,044,999	1,034,254
Preferred Funding Five Limited	2,536,649	4,321,476
Preferred Residential Securities 2 PLC	75	1,235,241
Preferred Residential Securities 3 PLC	359	—
Preferred Residential Securities 4 PLC	2,225	3,693,532
Preferred Residential Securities 5 PLC	828,495	5,897,885
Preferred Residential Securities 6 PLC	1,845,669	5,788,810
Preferred Residential Securities 7 PLC	3,560,109	20,055,488
Preferred Residential Securities 8 PLC	3,532,558	4,563,368
Preferred Residential Securities 05-1 PLC	2,725,541	—
Preferred Residential Securities 05-2 PLC	1,951,402	—
	<u>18,932,178</u>	<u>46,642,034</u>

The amounts due from these companies are shown in note 4. No amounts have been charged or credited to the company by the related parties.

Notes to the financial statements

at 30 November 2005

4. Amounts owed by related companies

	2005	2004
	£	£
Preferred Funding Two Limited	1,839,008	1,838,968
Preferred Funding Three Limited	748,076	748,151
Preferred Funding Four Limited	—	2,604
Preferred Residential Securities 1 PLC	—	20,513
Preferred Residential Securities 3 PLC	—	468,827
	<u>2,587,084</u>	<u>3,079,063</u>

5. Share capital

	2005	2004
	£	£
Authorised: 1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted but not paid: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

6. Directors and employees

None of the directors received any emoluments in respect of their services to the company during the year (2004 - £nil).

The company does not employ staff (2004 - none).

7. Parent company and ultimate controlling party

Wilmington Trust SP Services (London) Limited, a company registered in England and Wales, holds all of the issued shares in the Company on a discretionary trust basis. Its financial statements are available to the public and may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ. Under the terms of the discretionary trust, there is no ultimate controlling party.