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Preferred Mortgages Collections Limited
(formerly Curzon Collections Limited)

Report and Financial Statements

31 December 2003

 **ERNST & YOUNG**



Preferred Mortgages Collections Limited
(formerly Curzon Collections Limited)

Registered No: 2993061

Directors

SPV Management Limited
L de V Wragg
A Attia
G M Fraser

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 GIR 0AA

Registered Office

Oakfield House
35 Perrymount Road
Haywards Heath
West Sussex RH16 3BX

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2003.

On 11 August 2003 the Company changed its name from Curzon Collections Limited to Preferred Mortgages Collections Limited.

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.

SPV Management Limited and L de V Wragg served throughout the year. A Attia and G M Fraser were appointed on 12 December 2003. P E Hopes resigned as a director and company secretary on 12 December 2003.

Clifford Chance Secretaries Limited were appointed as company secretary on 12 December 2003, and resigned on 11 November 2004. Clifford Chance Secretaries (CCA) Limited were appointed as company secretary on 11 November 2004.

SPV Management Limited holds one fully paid up share of £1, on a discretionary trust basis, in each of Preferred Funding Limited, 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 and PRS 8 Parent Limited at 31 December 2003 and 31 December 2002 (or date of appointment). SPV Management Limited also holds, on a discretionary trust basis, two fully paid up shares of £1 of Preferred Mortgages Collections Limited, and 12,501 fully paid up shares of £1 in each of PRS 1 Limited, PRS 6 Parent Limited and PRS 7 Parent Limited at 31 December 2003 and 31 December 2002 (or at 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

Deloitte & Touche resigned as auditors on 12 December 2003 and Ernst & Young LLP were appointed on the same date.

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the next General Meeting.

On behalf of the board

Director

Date: 23/07/05

Statement of directors' responsibilities in respect of the financial statements

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; 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 (formerly Curzon Collections Limited)

We have audited the company's financial statements for the year ended 31 December 2003 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 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.

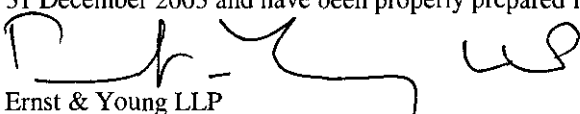
Basis of audit opinion

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 31 December 2003 and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

28 July 2005

Balance sheet

at 31 December 2003

	Notes	2003 £	2002 £
Current assets			
Amounts owed by related companies	4	7,587,110	—
Called up share capital not paid	5	2	2
Cash at bank and in hand		12,870,921	3,379,591
Total assets		<u>20,458,033</u>	<u>3,379,593</u>
Creditors: amounts falling due within one year			
Bank overdraft		7,471,848	1,260,333
Amounts owed to related companies	3	12,986,183	2,119,258
Total creditors		<u>20,458,031</u>	<u>3,379,591</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>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



~~SPV Management Limited~~

Director 28/07/03

Notes to the financial statements

at 31 December 2003

1. Accounting policy

Basis of accounting

The financial statements are prepared under the historical cost convention. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

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. The audit fees for the Company amount to £5,000.

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 and Preferred Residential Securities 7 plc.

The amounts owed to those companies are as follows:

	2003	2002
	£	£
Preferred Mortgages Limited	957	1,103
Preferred Funding One Limited	2,433,127	1,692,098
Preferred Funding Two Limited	282,465	396,438
Preferred Funding Three Limited	564,845	—
Preferred Funding Four Limited	709,183	—
Preferred Funding Five Limited	625,608	—
Preferred Residential Securities 1 plc	107,847	—
Preferred Residential Securities 2 plc	1,195,203	—
Preferred Residential Securities 3 plc	561,372	—
Preferred Residential Securities 4 plc	724,973	—
Preferred Residential Securities 5 plc	2,004,550	—
Preferred Residential Securities 6 plc	1,896,856	—
Preferred Residential Securities 7 plc	1,879,197	—
Curzon RT Limited	—	29,619
	<u>12,986,183</u>	<u>2,119,258</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 party. Curzon RT Limited was dissolved on 28 January 2003.

Notes to the financial statements

at 31 December 2003

4. Amounts owed by related companies

	2003	2002
	£	£
Preferred Funding Two Limited	1,194,217	—
Preferred Residential Securities 1 plc	247,352	—
Preferred Residential Securities 3 plc	1,733,168	—
Preferred Residential Securities 4 plc	1,894,594	—
Preferred Residential Securities 5 plc	1,452,824	—
Preferred Residential Securities 6 plc	700,994	—
Preferred Mortgages Limited	363,961	—
	<u>7,587,110</u>	<u>—</u>

5. Share capital

	2003	2002
	£	£
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted but not paid:		
2 ordinary shares of £1 each	2	2

6. Directors and employees

None of the directors received any emoluments in respect of their services to the company during the year (2002 - £nil).

The company does not employ staff (2002 - none).

7. Parent company and ultimate controlling party

SPV Management 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.