
EUROSAIL 2006-2 PARENT LIMITED

Annual report and financial statements
for the year ended 30 November 2013

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EUROSAIL 2006-2 PARENT LIMITED

Company Information

Directors	M H Filer Wilmington Trust SP Services (London) Limited J Traynor
Company secretary	Wilmington Trust SP Services (London) Limited
Registered number	05746536
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

EUROSAIL 2006-2 PARENT LIMITED

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EUROSAIL 2006-2 PARENT LIMITED

Group strategic report for the year ended 30 November 2013

Introduction

On 11 October 2006 the Group purchased £611,783,000 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 11 October 2006. These loan notes are listed on the Irish 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 2013 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 include the recognition of 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 the Director's report.

On 22 September 2009 the Group filed unliquidated claims against the interest rate swap counterparty arising from the Swap Agreement and against Lehman Brothers Holdings Inc (LBHI) arising from a guarantee given by LBHI unconditionally guaranteeing the obligations of the Swap Counterparty in connection with the Swap Agreement. The directors do not currently think that it is possible to quantify amounts that may eventually be recovered under these claims and therefore nothing has been recognised in the financial statements.

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

	2013	2012
	£000	£000
Unrealised exchange (loss)/gain on loan liabilities	(919)	3,054
Net fair value gain/(loss) on derivatives	1,247	(879)
EIR adjustment	(352)	(389)
	<u>(24)</u>	<u>1,786</u>

At the year end the loan to originator balance after the Effective Interest Rate Adjustment, specific provisions and unamortised discounts on acquisition, was £207,353,000 (2012 – £220,749,000). At the December 2013 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	205,066	2,518
Second Mortgages	<u>584</u>	<u>58</u>
	<u>205,650</u>	<u>2,576</u>

These mortgages provide security against loan notes in issue totalling £155,230,000, €60,800,000 and \$18,000,000 as at the December 2013 Interest Payment date.

EUROSAIL 2006-2 PARENT LIMITED

Group strategic report (continued)

Business review (continued)

The mortgage loans exhibited the following quarterly arrears profile:

Delinquencies days - (excluding repossessions)	Q1 %	Q2 %	Q3 %	Q4 %
Current	72.22	72.83	73.23	73.17
>30<=60	4.83	5.52	4.24	4.48
>60<=90	4.45	3.40	4.34	3.51
>90<=120	3.01	2.26	3.01	3.89
>120	15.49	15.99	15.18	14.95
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

At the March 2014 Interest Payment Date following the year end, the mortgage assets underlying the loan to originator balance, was £202,280,000, 19.19% 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 2013 enabled deferred consideration of £3,798,000 (2012 – £3,940,000) 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 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 collateralised non-recourse loans 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 either been mitigated by the payment of cash collateral to the Group or is recognised by showing the derivative financial instruments in the balance sheet net of a credit valuation adjustment.

Group 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 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. However, the interest rate swap counterparty has filed for Chapter 11 bankruptcy, and has defaulted on the swaps. The swap agreements have not been replaced. The directors believe under current circumstances that it is not viable to replace the swap as there is no material interest rate risk exposure.

(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.

This report was approved by the board on 11 JUN 2014

and signed on its behalf.



Mignon Clarke
Authorised Signatory

Wilmington Trust SP Services (London) Limited

EUROSAIL 2006-2 PARENT LIMITED

Directors' report for the year ended 30 November 2013

The directors present their report and the audited consolidated financial statements for the year ended 30 November 2013.

Results and dividends

The loss for the year, after taxation, amounted to £2,000 (2012 - profit £1,448,000).

The directors do not recommend the payment of a dividend for the year (2012 – £Nil).

Directors

The directors who served during the year were:

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

Going concern

As described in the Strategic review, the Group has reported an operating loss for the year. However the Group is in a net asset position as at 30 November 2013.

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 group will have adequate cash to enable it to meet its obligations within the next 12 months. Additionally, the group 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 2013 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 Group in the future.

EUROSAIL 2006-2 PARENT LIMITED

Directors' report for the year ended 30 November 2013

Corporate governance

The Directors are responsible for internal control in Eurosail 2006-2 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 Eurosail 2006-2 Parent Limited to comply with the relevant regulatory obligations.

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 and the group'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 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 **Mignon Clarke**
Authorised Signatory
Wilmington Trust SP Services (London) Limited

Date: **11 JUN 2014**

**Directors' responsibilities statement
for the year ended 30 November 2013**

The directors are responsible for preparing the Group 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 group and 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 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 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.

EUROSAIL 2006-2 PARENT LIMITED

Independent auditors' report to the members of Eurosail 2006-2 Parent Limited

We have audited the financial statements of Eurosail 2006-2 Parent Limited for the year ended 30 November 2013, 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 34. 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 Directors' responsibilities statement, 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 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 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 group's and the parent company's affairs as at 30 November 2013 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 Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

EUROSAIL 2006-2 PARENT LIMITED

Independent auditors' report to the members of Eurosail 2006-2 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: 12 JUNE 2014

EUROSAIL 2006-2 PARENT LIMITED

**Consolidated profit and loss account
for the year ended 30 November 2013**

	Note	2013 £000	2012 £000
Interest receivable and similar income	2	7,587	9,220
Interest payable and similar charges	3	(2,463)	(3,703)
Net interest receivable		5,124	5,517
Operating expenses		(5,496)	(5,928)
Other operating income	4	41	46
		(331)	(365)
Net fair value loss on derivatives		1,247	(879)
Unrealised exchange gain on loan liabilities		(919)	3,054
(Loss)/profit on ordinary activities before taxation	5	(3)	1,810
Tax on (loss)/profit on ordinary activities	6	1	(362)
(Loss)/profit for the financial year after taxation		(2)	1,448

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

The notes on pages 13 to 34 form part of these financial statements.

EUROSAIL 2006-2 PARENT LIMITED
Registered number: 05746536

**Consolidated balance sheet
as at 30 November 2013**

	Note	£000	2013 £000	£000	2012 £000
Fixed assets					
Loan to originator - net	9		207,353		220,749
Current assets					
Debtors: amounts falling due after more than one year	10	11,769		10,523	
Debtors: amounts falling due within one year	10	19		284	
Cash at bank		56,238		53,264	
		<u>68,026</u>		<u>64,071</u>	
Creditors: amounts falling due within one year	11	<u>(52,705)</u>		<u>(49,143)</u>	
Net current assets			<u>15,321</u>		<u>14,928</u>
Total assets less current liabilities			<u>222,674</u>		<u>235,677</u>
Creditors: amounts falling due after more than one year	12		<u>(220,800)</u>		<u>(233,796)</u>
Provisions for liabilities					
Deferred tax	17		<u>(355)</u>		<u>(360)</u>
Net assets			<u>1,519</u>		<u>1,521</u>
Capital and reserves					
Issued share capital	13		13		13
Profit and loss account	14		<u>1,506</u>		<u>1,508</u>
Shareholders' funds	15		<u>1,519</u>		<u>1,521</u>

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

 **Mignon Clarke**
Authorised Signatory
Director **Wilmington Trust SP Services (London) Limited**

Date: **11 JUN 2014**

The notes on pages 13 to 34 form part of these financial statements.

EUROSAIL 2006-2 PARENT LIMITED
Registered number: 05746536

Company balance sheet
as at 30 November 2013

	Note	2013 £000	2012 £000
Fixed assets			
Investments	8	<u>13</u>	<u>13</u>
Net assets		<u><u>13</u></u>	<u><u>13</u></u>
Capital and Reserves			
Issued 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

Mignon Clarke
Authorised Signatory



Wilmington Trust SP Services (London) Limited

Director

11 JUN 2014

The notes on pages 13 to 34 form part of these financial statements.

EUROSAIL 2006-2 PARENT LIMITED

**Consolidated cash flow statement
for the year ended 30 November 2013**

	Note	2013 £000	2012 £000
Net cash flow from operating activities	18	(2,443)	8,843
Returns on investments and servicing of finance	19	5,288	5,626
Taxation		(5)	(1)
Capital expenditure and financial investment	19	14,159	15,276
Cash inflow before financing		16,999	29,744
Financing	19	(14,025)	(19,373)
Increase in cash in the year		2,974	10,371

**Reconciliation of net cash flow to movement in net funds/debt
for the year ended 30 November 2013**

	2013 £000	2012 £000
Increase in cash in the year	2,974	10,371
Cash outflow from decrease in debt	14,025	19,373
Change in net debt resulting from cash flows	16,999	29,744
Unrealised exchange (loss)/gain on loan notes	(910)	2,938
Amortisation of capitalised issue costs	(119)	(119)
Movement in net debt in the year	15,970	32,563
Net debt at 1 December 2012	(180,532)	(213,095)
Net debt at 30 November 2013	(164,562)	(180,532)

The notes on pages 13 to 34 form part of these financial statements.

EUROSAIL 2006-2 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2013

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 2013. All the subsidiaries are accounted for using acquisition accounting.

In accordance with section 408 (4) of the Companies Act 2006, Eurosail 2006-2 Parent Limited is exempt from the requirement to present its own profit and loss account. The result for the year of Eurosail 2006-2 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 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.

**Notes to the financial statements
for the year ended 30 November 2013**

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 loans to originators 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.

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 Discount on purchase of mortgage assets underlying the loan to originator

Cash received from the originator on acquisition of the mortgage assets underlying the loan to originator to cover start up costs are amortised over the expected life of the mortgage assets. The amortised balance is deducted from the loan to originator with the income for the year included in interest receivable.

1.7 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.

**Notes to the financial statements
for the year ended 30 November 2013**

1. Accounting policies (continued)

1.8 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 exchange gains or losses on revaluation of foreign currency liabilities and before 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 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.

1.9 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.

1.10 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.

1.11 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.

EUROSAIL 2006-2 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2013

1. Accounting policies (continued)

1.12 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.

1.13 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.

1.14 Related party transactions

Preferred Mortgages Limited retains an interest in the cash flows and profits of Eurosail 2006-2BL plc, a wholly owned subsidiary of Eurosail 2006-2 Parent Limited. Accordingly Preferred Mortgages Limited, whilst having no direct investment in the Group, is treated as a related party.

1.15 Turnover

The Group'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

	2013 £000	2012 £000
On loan to originator	7,265	8,725
Other interest	98	271
Amortisation of discount on purchase of mortgage assets underlying the loan to originator	224	224
	<u>7,587</u>	<u>9,220</u>

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

3. Interest payable and similar charges

	2013	2012
	£000	£000
Loan notes	2,053	3,142
Other interest	291	443
Amortisation of capitalised issue costs	119	119
	2,463	3,703

4. Other operating income

	2013	2012
	£000	£000
Early redemption charges	41	45
Fees receivable	-	1
	41	46

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

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

	2013	2012
	£000	£000
Auditors' remuneration - audit services - Group	17	16
Other fees to auditors – taxation services - Group	10	10
Adjustment to the expected cash flows of the loan to originator arising from the impairment of the underlying mortgages	(1,826)	888
Adjustment to the expected cash flows of the loan to originator arising from bad debts incurred on the underlying mortgages	935	927
Deferred consideration	5,676	3,372
Auditors' remuneration - for audit services - Company	6	6

Auditors other services includes £Nil for corporation tax compliance work (2012 - £10,000).

Auditors' remuneration - audit services of £6,100 (2012 – £5,900) and other fees to auditors - corporation tax compliance services of £Nil (2012 – £1,000) for the company, were borne by the subsidiary.

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

6. Taxation

	2013 £000	2012 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on (loss)/profit for the year	4	5
Deferred tax (see note 17)		
Origination and reversal of timing differences	(5)	357
Tax on (loss)/profit on ordinary activities	(1)	362

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2012 - *lower than*) the standard rate of corporation tax in the UK of 20% (2012 - 20%). The differences are explained below:

	2013 £000	2012 £000
(Loss)/profit on ordinary activities before tax	(3)	1,810
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2012 - 20%)	(1)	362
Effects of:		
Short term timing difference leading to an increase/(decrease) in taxation	5	(357)
Current tax charge for the year (see note above)	4	5

7. Information regarding directors and employees

The Group has no employees other than the directors, who did not receive any remuneration (2012 - *£NIL*).

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

8. Investments

Company	2013 £000	2012 £000
Shares in group undertakings	<u>13</u>	<u>13</u>

The undertakings in which the Company's interest at 30 November 2013 is more than 20% are as follows:

Company name	Country	Percentage Shareholding	Description
Eurosail 2006-2BL plc	United Kingdom	100%	Investment in residential loans

At 30 November 2013 the Company held 49,998 ordinary shares of £1 each in Eurosail 2006-2BL 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.

Eurosail 2006-2BL 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 2013:

	2013 £000	2012 £000
Aggregate capital and reserves	<u>1,519</u>	<u>1,521</u>
(Loss)/profit for the year	<u>(2)</u>	<u>1,448</u>

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

9. Loan to originator - net balances

	2013	2012
	£000	£000
At 1 December	220,749	238,005
Amortisation of discount on acquisition of mortgage loans underlying the loan to originator	224	224
Principal repayments, mortgage redemptions and other movements	(14,511)	(15,665)
Adjustment to the expected cash flows of the loan to originator arising from the impairment of the underlying mortgages	1,826	(888)
Adjustment to the expected cash flows of the loan to originator arising from bad debts incurred on the underlying mortgages	(935)	(927)
At 30 November	207,353	220,749

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 the portfolio of residential mortgage loans.

The current mortgage loans in the pool have loan periods of between 1 to 332 months remaining with current interest rates ranging from 2.02% to 8.02% per annum.

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

10. Debtors

	2013	2012
	£000	£000
Due after more than one year		
Derivative financial instruments	11,769	10,523
Due within one year		
Prepayments and accrued income	19	26
Other debtors	-	258
	19	284

EUROSAIL 2006-2 PARENT LIMITED

Notes to the financial statements
for the year ended 30 November 2013

11. Creditors:
Amounts falling due within one year

	2013 £000	2012 £000
Deferred consideration	2,211	292
Amounts owed to group undertakings	193	193
Corporation tax	4	5
Other creditors	49,444	47,701
Accruals and deferred income	853	952
	<u>52,705</u>	<u>49,143</u>

Other creditors include £33,825,000 (2012 – £33,825,000) owing to the liquidity facility provider and £14,890,000 (2012 – £13,220,000) 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 £33,825,000 (2012 – £33,825,000) and £14,890,000 (2012– £13,220,000) are included in Cash at bank and in hand.

EUROSAIL 2006-2 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2013

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

	2013 £000	2012 £000
GBP Denominated Mortgage backed loan notes due 2044 - Class A2c	122,589	136,614
EUR Denominated Mortgage backed loan notes due 2044 - Class B1a	22,412	21,903
USD Denominated Mortgage backed loan notes due 2044 - Class B1b	10,999	11,234
EUR Denominated Mortgage backed loan notes due 2044 - Class C1a	20,586	20,119
GBP Denominated Mortgage backed loan notes due 2044 - Class C1c	11,000	11,000
EUR Denominated Mortgage backed loan notes due 2044 - Class D1a	7,470	7,301
GBP Denominated Mortgage backed loan notes due 2044 - Class D1c	17,300	17,300
GBP Denominated Mortgage backed loan notes due 2044 - Class E1c	7,380	7,380
GBP Denominated Mortgage backed loan notes due 2044 - Class F1c	1,538	1,538
	<u>221,274</u>	<u>234,389</u>
Less: Issue costs	(474)	(593)
	<u><u>220,800</u></u>	<u><u>233,796</u></u>

All loan notes fall due after five years.

The mortgage backed floating rate notes due 2044 are secured over the portfolio of mortgage loans 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 Eurosail 2006-2BL 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 mortgages underlying the loan to originator.

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 2044.

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 mortgages underlying the loan to originator, 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, which rank in priority to Class F Notes.

The loan notes issued by Eurosail 2006-2BL 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.

EUROSAIL 2006-2 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2013

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

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

Class A2c	LIBOR + 0.16%
Class B1a	EURIBOR + 0.24%
Class B1b	DOLLAR LIBOR + 0.24%
Class C1a	EURIBOR + 0.43%
Class C1c	LIBOR + 0.44%
Class D1a	EURIBOR + 0.80%
Class D1c	LIBOR + 0.80%
Class E1c	LIBOR + 3.25%
Class F1c	LIBOR + 5.75%

13. Issued share capital

	2013 £	2012 £
Allotted, called up and fully paid		
12,502 Ordinary shares of £1 each	12,502	12,502

Share capital of £1 was issued on incorporation on 17 March 2006 and settled for cash on 17 March 2006. 12,501 shares were allotted, 100% called and fully paid on 9 June 2006.

14. Profit and loss account

Group	£000
At 1 December 2012	1,508
Loss for the financial year	(2)
At 30 November 2013	1,506

EUROSAIL 2006-2 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2013

15. Reconciliation of movement in shareholders' funds

	2013	2012
Group	£000	£000
Opening shareholders' funds	1,521	73
(Loss)/profit for the financial year	(2)	1,448
	<hr/>	<hr/>
Closing shareholders' funds	1,519	1,521
	<hr/>	<hr/>
	2013	2012
Company	£000	£000
Shareholders' funds at 1 December 2012 and 30 November 2013	13	13
	<hr/>	<hr/>

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 (2012 - £NIL).

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, interest rate swaps 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 gains of £328,000 (2012 – £2,175,000 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).

EUROSAIL 2006-2 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2013

16. Derivatives and other financial instruments (continued)

Nature and extent of risks arising from financial instruments (continued)

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 and US dollar denominations and repayments of principal and payments of interest are made in Euros and US dollars. 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. However the interest rate swap counterparty has filed for Chapter 11 bankruptcy, and has defaulted on the swap which has not been replaced. These swaps would otherwise have expired at the end of the mortgage loans fixed rate period which occurred prior to the year end.

(a) Credit risk

Before taking account of any collateral, the maximum exposure to credit risk as at 30 November was:

	2013 £000	2012 £000
Loan to originator	207,353	220,749
Cash at bank and in hand	56,238	53,264
Derivative financial instruments	11,769	10,523
	<u>275,360</u>	<u>284,536</u>

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

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

16. Derivatives and other financial instruments (continued)

(b) Liquidity risk

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

At 30 November 2013

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	11,478	8,391	8,121	189,792	-	217,782

(b) Liquidity risk

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	14,445	13,187	12,507	23,113	171,615	234,867

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.

(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.

	2013 Euro £000	2013 Sterling £000	2013 US Dollar £000	2013 Total £000
Mortgage backed loan notes due 2044	(50,468)	(159,807)	(10,999)	(221,274)
Loan note interest	(67)	(320)	(11)	(398)
Financial liabilities	(50,535)	(160,127)	(11,010)	(221,672)

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

16. Derivatives and other financial instruments (continued)

(c) Foreign currency risk (continued)

	2012 Euro £000	2012 Sterling £000	2012 US Dollar £000	2012 Total £000
Mortgage backed loan notes due 2044	(49,323)	(173,832)	(11,234)	(234,389)
Loan note interest	(67)	(384)	(15)	(466)
	<u>(49,390)</u>	<u>(174,216)</u>	<u>(11,249)</u>	<u>(234,855)</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 2013, the notional value of the swaps held was £50,420,000 (2012 – £50,420,000) and the recognised positive fair value of £11,769,000 (2012 – £10,523,000 positive).

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

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

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 2013

	Total	Total	Within
		non-interest	3 months
	£000	bearing	£000
		£000	
Financial assets			
Loan to originator	207,353	(894)	208,247
Cash and deposits	56,238	-	56,238
Derivative financial instruments	11,769	11,769	-
Total assets	275,360	10,875	264,485
Financial liabilities			
Loan notes due 2044	221,274	11,047	210,227
Liquidity facility provider creditor	33,825	-	33,825
Currency swap counterparty creditor	13,220	-	13,220
Total liabilities	268,319	11,047	257,272

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

16. Derivatives and other financial instruments (continued)

(d) Interest rate risk (continued)

At 30 November 2012

	Total	Total non-interest bearing	Within 3 months
	£000	£000	£000
Financial assets			
Loan to originator	220,749	(1,118)	221,867
Cash and deposits	53,264	-	53,264
Derivative financial instruments	10,523	10,523	-
Total assets	284,536	9,405	275,131
Financial liabilities			
Loan notes due 2044	234,389	10,137	224,251
Liquidity facility provider creditor	33,825	-	33,825
Currency swap counterparty creditor	13,220	-	13,220
Total liabilities	281,434	10,137	271,296

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.

The Group used interest rate swaps in certain circumstances to hedge against interest rate fluctuations when mortgage loans have fixed interest rates while the mortgage backed loan notes have variable rates. Following the default of the swap counterparty, at 30 November 2013, the notional value of the swaps held was £Nil (2012 – £Nil) and the recognised positive fair value was £Nil (2012 – £Nil). These swaps would otherwise have expired at the end of the mortgage loans fixed rate period which occurred prior to the year end.

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

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:

	2013 Book value £000	2013 Fair value £000	2013 1% increase in fair value £000	2012 Book value £000	2012 Fair value £000	2012 1% increase in fair value £000
Financial assets						
Loan to originator	207,353	144,748	1,447	220,749	149,069	1,491
Cash and deposits	56,238	56,238	-	53,264	53,264	-
Derivative financial instruments	11,769	11,769	118	10,523	10,523	105
	275,360	212,755	1,565	284,536	212,856	1,596
Financial liabilities						
Loan notes due 2044	(221,274)	(146,653)	(1,467)	(234,389)	(149,168)	(1,492)
Liquidity facility provider creditor	(33,825)	(33,825)	-	(33,825)	(33,825)	-
Currency swap counterparty creditor	(13,220)	(13,220)	-	(13,220)	(13,220)	-
	(268,319)	(193,698)	(1,467)	(281,434)	(196,213)	(1,492)

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

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 payment rates, arrears, house price movements and discount rates based on the most recent available information.

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

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

	2013	2012
	£000	£000
Interest receivable on loan to originator	7,265	8,725
Interest expense on loan notes	(2,053)	(3,142)
	<hr/>	<hr/>
Total	5,212	5,583
	<hr/>	<hr/>

17. Deferred taxation

	2013	2012
	£000	£000
At beginning of year	360	2
(Released during)/charge for the year (P&L)	(5)	358
	<hr/>	<hr/>
At end of year	355	360
	<hr/>	<hr/>

The provision for deferred taxation is made up as follows:

	2013	2012
	£000	£000
Effect of EIR adjustment	206	277
Effect of adjustment for Derivatives	2,354	2,104
Effect of adjustment for FX revaluation	(2,205)	(2,021)
	<hr/>	<hr/>
	355	360
	<hr/>	<hr/>

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% (2012 – 20%) being the UK small companies' corporation tax rate at the balance sheet date.

EUROSAIL 2006-2 PARENT LIMITED

**Notes to the financial statements
for the year ended 30 November 2013**

18. Net cash flow from operating activities

	2013	2012
	£000	£000
Operating loss	(331)	(365)
Net fair value gain/(loss) on derivative	1,247	(879)
(Increase)/decrease in debtors	(636)	1,626
Interest receivable and similar income	(7,587)	(9,220)
Increase in creditors	3,644	12,552
Interest payable and similar charges	2,463	3,703
Provision for mortgage losses	(1,826)	888
Mortgage losses	935	927
EIR adjustment	(352)	(389)
Net cash (outflow)/inflow from operating activities	(2,443)	8,843

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

	2013	2012
	£000	£000
Returns on investments and servicing of finance		
Interest on mortgage loans	7,617	9,114
Other interest received	105	289
Interest on mortgage backed loan notes	(2,130)	(3,324)
Other interest paid	(304)	(453)
Net cash inflow from returns on investments and servicing of finance	5,288	5,626
Capital expenditure and financial investment		
Proceeds from mortgage loans	14,159	15,276
Financing		
Repayment of mortgage backed loan notes	(14,025)	(19,373)

EUROSAIL 2006-2 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2013

20. Analysis of changes in net debt

	1 December 2012 £000	Cash flow £000	Other non-cash changes £000	30 November 2013 £000
Cash at bank and in hand	53,264	2,974	-	56,238
Debt:				
Mortgage backed loan notes	(233,796)	14,025	(1,029)	(220,800)
Net debt	(180,532)	16,999	(1,029)	(164,562)

21. Related party transactions

During the year, Eurosail 2006-2BL 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 2013 £000	Amount outstanding 2013 £000	Amount charged 2012 £000	Amount outstanding 2012 £000
Preferred Mortgages Limited				
Mortgage related amounts payable	-	193	-	193
Deferred consideration	5,676	2,211	3,372	292
Wilmington Trust SP Services (London) Limited				
Corporate services fees	8	4	8	-
Company secretarial fees	4	2	4	-
Total	5,688	2,410	3,384	485

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.

EUROSAIL 2006-2 PARENT LIMITED

Notes to the financial statements for the year ended 30 November 2013

23. Parent undertaking and control

The entire issued share capital of Eurosail 2006-2 Parent Limited is held by a Trustee under a declaration of trust for charitable purposes.

Eurosail 2006-2 Parent Limited is included in the financial statements of Preferred Mortgages Limited, a company registered in England and Wales under linked presentation. Financial statements of this group is available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.