

FIRST FLEXIBLE (NO. 7) PLC

Report and Financial Statements

Year ended 30 September 2008

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is a wholly owned subsidiary of The Paragon Group of Companies PLC ('the Group') and was set up to provide finance for its mortgage loan assets, by issuing mortgage backed floating rate loan notes and using the proceeds to purchase mortgage loans from other group companies.

Its principal activities are the provision of first mortgage loans. There have been no significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's profit and loss account on page 5, the Company's net interest income decreased by 38% over the prior year. This was principally reflecting the reduction in the Company's loan book and the effect of the dislocation of money market rates, with 3 month LIBOR consistently resetting higher than base rates. The result after tax has fallen from a retained profit of £653,000 to a retained loss of £106,000.

The balance sheet on page 6 of the financial statements shows the Company's financial position at the year end. Loans to customers have decreased by 24% due to customers redeeming their accounts during the year. As a result the asset backed loan notes have reduced by 25% during the year. Details of amounts owed from and to other group companies are shown in notes 10 and 14.

The Group manages its operations on a centralised basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group's mortgage lending operation, which includes the Company, is discussed in the Group's Annual Report, which does not form part of this Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is a securitisation Company and has been structured so as to avoid, in as far as is possible all forms of financial risk. An analysis of the Company's exposure to risk, including financial risk, is set out in note 3, and a discussion of critical accounting estimates is set out in note 2.

ENVIRONMENT

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the Group's Annual Report, which does not form part of this Report.

EMPLOYEES

The Company has no employees. All operational services are provided by employees of the Group. The Group's employment policies are described in its Annual Report, which does not form part of this Report.

DIRECTORS

The directors throughout the year and subsequently were:

N Keen

R D Shelton

J G Gemmell

A Mehmet

Wilmington Trust SP Services (London) Limited (resigned 10 October 2008)

M H Filer (resigned 10 October 2008)

J Fairrie (appointed 10 October 2008)

R G Baker (appointed 10 October 2008)

DIRECTORS' REPORT (CONTINUED)

CREDITOR PAYMENT POLICY

The Company agrees terms and conditions with its suppliers. Payment is then made on the terms agreed, subject to the appropriate terms and conditions being met by the supplier. The trade creditor days figure has not been stated as the measure is not appropriate to the business.

AUDITORS

The directors have taken all necessary steps to make themselves and the Company's auditors aware of any information needed in preparing the audit of the Annual Report and Financial Statements for the year, and, as far as each of the directors is aware, there is no relevant audit information of which the auditors are unaware.

The Company's auditors changed their name to Deloitte LLP on 1 December 2008; accordingly, a resolution for the re-appointment of Deloitte LLP as the auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



J G Gemmell

Secretary,

22 January 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES
in relation to Financial Statements

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 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 Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 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 FIRST FLEXIBLE (NO. 7) PLC

We have audited the financial statements of First Flexible (No. 7) PLC for the year ended 30 September 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP

Chartered Accountants and Registered Auditors

Birmingham, United Kingdom

22 January 2009

FIRST FLEXIBLE (NO. 7) PLC**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 SEPTEMBER 2008**

	Note	2008 £000	2007 £000
Interest receivable			
Mortgages		14,231	13,126
Other		637	786
		<u>14,868</u>	<u>13,912</u>
Interest payable and similar charges	4	(13,112)	(11,078)
Net interest income		<u>1,756</u>	<u>2,834</u>
Other operating income		319	332
Total operating income		<u>2,075</u>	<u>3,166</u>
Operating expenses		(2,253)	(2,421)
Provisions for losses	6	(1)	(26)
Operating (loss) / profit, being (loss) / profit on ordinary activities before taxation	7	<u>(179)</u>	<u>719</u>
Tax on (loss) / profit on ordinary activities	8	73	(66)
(Loss) / profit on ordinary activities after taxation	12	<u>(106)</u>	<u>653</u>

All activities derive from continuing operations.

There are no recognised gains or losses, other than the loss for the current year and the profit for the preceding year.

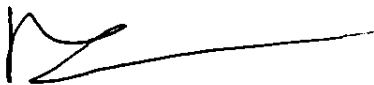
BALANCE SHEET

30 SEPTEMBER 2008

	Note	£000	2008 £000	£000	2007 £000
ASSETS EMPLOYED					
FIXED ASSETS					
Loans to customers	9		160,022		210,120
CURRENT ASSETS					
Debtors falling due within one year	10	64		902	
Cash at bank		5,073		7,998	
			5,137		8,900
			165,159		219,020
FINANCED BY					
SHAREHOLDERS' FUNDS					
Called up share capital	11	12		12	
Profit and loss account	12	547		653	
			559		665
PROVISIONS FOR LIABILITIES AND CHARGES					
	13		55		126
CREDITORS					
Amounts falling due within one year	14	3,168		4,035	
Amounts falling due after more than one year	14	161,377		214,194	
			164,545		218,229
			165,159		219,020

These financial statements were approved by the Board of Directors on 22 January 2009.

Signed on behalf of the Board of Directors



R D Shelton

Director

NOTES TO THE ACCOUNTS**YEAR ENDED 30 SEPTEMBER 2008****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable UK Accounting Standards. The particular accounting policies adopted are described below. They have been applied consistently throughout the current and preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention, except as required in the valuation of certain financial instruments which are carried at fair value.

Loans to customers

Loans to customers are considered to be 'loans and receivables' as defined by Financial Reporting Standard 26 – 'Financial Instruments: Measurement' (FRS 26). They are therefore accounted for on the amortised cost basis.

Such loans are valued at inception as amount of initial advance, which is the fair value at that time, inclusive of procurement fees paid to brokers or other business providers and less initial fees paid by the customer. Thereafter they are valued at this amount less the cumulative amortisation calculated using the Effective Interest Rate ('EIR') method. The loan balances are then reduced where necessary by a provision for balances which are considered to be impaired.

The EIR method spreads the expected net income arising from a loan over its expected life. The EIR is that rate of interest which, at inception, exactly discounts the expected future cash payments and receipts arising from the loan to the initial carrying amount.

The Company's policy is to hedge against any exposure to fixed rate loan assets (note 3).

Impairment of loans and receivables

Loans and receivables are reviewed for indications of possible impairment throughout the year and at each balance sheet date, in accordance with FRS 26. Where loans exhibit objective evidence of impairment, the carrying value of the loans is reduced to the net present value of their expected future cash flows, including the value of the potential realisation of any security, discounted at the original EIR. Loans are assessed collectively, compared by risk characteristics and account is taken of any impairment arising due to events which are believed to have taken place but have not been specifically identified at the balance sheet date.

Transactions with other group companies

The Company has taken advantage of the exemption granted by Financial Reporting Standard 8 - 'Related Party Disclosures' and does not therefore provide details of transactions with other group companies as it is a wholly owned subsidiary of The Paragon Group of Companies PLC, the accounts of which are publicly available.

Current tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Borrowings

Borrowings are carried in the balance sheet on the amortised cost basis. The initial value recognised includes the principal amount received less any discount on issue or costs of issuance.

Interest and all other costs of the funding are expensed to the profit and loss account as interest payable over the term of the borrowing on an Effective Interest Rate basis.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

1. ACCOUNTING POLICIES (CONTINUED)

FRS 29 Disclosure

The Company has taken advantage of the exemption granted by Financial Reporting Standard 29 (IFRS 7) - 'Financial Instruments: Disclosures' and does not therefore provide the disclosures required by the Standard as it is a wholly owned subsidiary of The Paragon Group of Companies PLC, the accounts of which are publicly available.

Fee and commission income

Other income includes administration fees charged to borrowers, which are credited to the profit and loss account when the related service is performed.

Cash flow statement

The Company has taken advantage of the exemption granted by Financial Reporting Standard 1 - 'Cash Flow Statements' and does not therefore provide a cash flow statement as it is a wholly owned subsidiary of The Paragon Group of Companies PLC, the accounts of which are publicly available.

2. CRITICAL ACCOUNTING ESTIMATES

Certain balances reported in the financial statements are based wholly or in part on estimates or assumptions made by the directors. There is, therefore, a potential risk that they may be subject to change in future periods. The most significant of these are:

Impairment losses on loans to customers

Impairment losses on loans are calculated based on statistical models. The key assumptions revolve around estimates of future cash flows from customer's accounts, their timing and, for secured accounts, the expected proceeds from the realisation of the property. These key assumptions are based on observed data from historical patterns and are updated regularly based on new data as it becomes available.

In addition the directors consider how appropriate past trends and patterns might be in the current economic situation and make any adjustments they believe are necessary to reflect the current conditions.

The accuracy of the impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results or assumptions which differ from the actual outcomes.

In particular, if the impact of economic factors such as employment levels on customers is worse than is implicit in the model then the number of accounts requiring provision might be greater than suggested by the model, while falls in house prices, over and above any assumed by the model might increase the provision required in respect of accounts currently provided.

Effective interest rates

In order to determine the effective interest rate applicable to loans an estimate must be made of the expected life of each loan and hence the cash flows relating thereto. These estimates are based on historical data and reviewed regularly. The accuracy of the effective interest rate applied would therefore be compromised by any differences between actual borrower behaviour and that predicted.

Fair values

Where financial assets and liabilities are carried at fair value, in the majority of cases this can be derived by reference to quoted market prices. Where such a quoted price is not available the valuation is based on cash flow models, based, where possible on independently sourced parameters. The accuracy of the calculation would therefore be affected by unexpected market movements or other variances in the operation of the models or the assumptions used.

NOTES TO THE ACCOUNTS**YEAR ENDED 30 SEPTEMBER 2008****3. FINANCIAL RISK MANAGEMENT**

The Company's operations are financed principally by floating rate, asset backed loan notes and, to a lesser extent, by a mixture of share capital and loans from other group companies. The Company issues financial instruments to finance the acquisition of its portfolio of loans to customers and uses derivative financial instruments to hedge interest rate risk arising from fixed rate lending. In addition, various financial instruments, for example debtors, prepayments and accruals, arise directly from the Company's operations.

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

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The board of the Company's holding company reviews and agrees policies for all companies in the Group managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year and since the year end.

Credit risk

The Company's credit risk is primarily attributable to its loans to customers. The maximum credit risk at 30 September 2008 approximates to the carrying value of loans to customers (note 9). There are no significant concentrations of credit risk due to the large number of customers included in the portfolios.

The Company acquired mortgages from Paragon Mortgages Limited and Mortgage Trust Services PLC, fellow Group companies which place strong emphasis on good credit management at the time of underwriting new loans.

The acquired mortgages are secured by first charges over residential properties in the United Kingdom. Despite this security, in assessing credit risk an applicant's ability to repay the loan remains the overriding factor in the decision to lend by the originating lender. Additionally, each mortgage has the benefit of one or more life assurance policies and certain mortgages have the benefit of a mortgage guarantee indemnity insurance policy.

Paragon Finance PLC and Mortgages Trust Services PLC continues to administer the mortgages on behalf of First Flexible (No. 7) PLC and the collections process is the same as that utilised for all companies in the group.

In order to control credit risk relating to counterparties to the Company's financial instruments, the board of the Company's holding company determines on a group basis, which counterparties the group of companies will deal with, establishes limits for each counterparty and monitors compliance with those limits.

Liquidity risk

The Company's assets are principally financed by asset backed loan notes issued through the securitisation process. Details of the Company's borrowings are given in notes 14 and 15. Securitisation effectively eliminates the Company's liquidity risk by matching the maturity profile of the Company's funding to the profile of the assets to be funded.

Interest rate risk

The rates payable on the asset backed loan notes issued by the Company are reset quarterly on the basis of LIBOR. The interest rates charged on the Company's variable rate loan assets are determined by reference to, inter alia, the Company's funding costs and the rates being charged on similar products in the market. Generally this ensures the matching of changes in interest rates on the Company's loan assets and borrowings and any exposure arising on the interest rate resets is relatively short term.

In part, the Company's interest rate hedging objectives are achieved by the controlled mismatching of the dates on which instruments mature, redeem or have their interest rates reset.

Currency risk

The Company has no material exposure to foreign currency risk.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£000	£000
Asset backed loan notes	12,593	10,540
Internal funding costs	177	141
Interest on fee letter	141	113
Amortisation of premium	118	111
Subordinated loan interest	83	173
	<u>13,112</u>	<u>11,078</u>

5. DIRECTORS AND EMPLOYEES

Directors' remuneration from the Company during the year is stated in note 7.

The Company had no employees in the current or preceding year. All administration is performed by employees of the Group.

6. PROVISIONS FOR LOSSES

	2008	2007
	£000	£000
Impairment of financial assets		
First mortgage loans	<u>1</u>	<u>26</u>

7. OPERATING (LOSS) / PROFIT, BEING (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008	2007
	£000	£000
Operating (loss) / profit is after charging:		
Directors' fees	4	3
Auditors' remuneration - audit services	<u>7</u>	<u>7</u>

Non audit fees provided to the group are disclosed in the accounts of the parent company and the exemption from disclosure of fees payable to the Company's auditors in respect on non-audit services in these financial statements has been taken.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

8. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

a) Tax (credit) / charge for the year

	2008 £000	2007 £000
Current tax		
Corporation tax	-	86
	<u>-</u>	<u>86</u>
Deferred tax (note 13)		
Prior year adjustment	(23)	-
Origination and reversal of timing differences	(50)	(20)
	<u>(73)</u>	<u>(20)</u>
	<u>(73)</u>	<u>66</u>

b) Factors affecting the current tax (credit) / charge

	2008 £000	2007 £000
(Loss) / profit before tax	(179)	719
UK corporation tax at 29% (2007: 30%) based on the (loss) / profit for the year	(52)	216
Effects of:		
Revaluation on investments	-	(140)
Movement on short term timing differences	52	10
	<u>-</u>	<u>86</u>

The United Kingdom government has enacted provisions which reduced the standard rate of corporation tax to 28% with effect from 1 April 2008. Therefore the standard rate of corporation tax applicable to the Group is 29% in the year ending 30 September 2008 and will be 28% thereafter. The expected impact of this change on the values at which deferred tax amounts are expected to crystallise was accounted for in the year ended 30 September 2007 when the legislation was enacted.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

9. LOANS TO CUSTOMERS

Loans to customers at 30 September 2008 and 30 September 2007, which are all denominated and payable in sterling, were first mortgages which are secured on residential property within the United Kingdom and are categorised as loans and receivables as defined by FRS 26.

Mortgage loans have a contractual term of up to thirty years, the borrower is entitled to settle the loan at any point and in most cases such settlement does take place. All borrowers are required to make monthly payments, except where an initial deferred period is included in the contractual terms.

All the mortgage loans are pledged as collateral for asset backed loan notes at 30 September 2008 and 30 September 2007.

	2008 £000	2007 £000
Balance at 1 October 2007	210,120	-
Additions	3,035	273,577
Other debits	15,239	14,895
Repayments and redemptions	(68,372)	(78,352)
Balance at 30 September 2008	<u>160,022</u>	<u>210,120</u>

Other debits include primarily interest charged to customers on loans outstanding, impairment movements on these loans and other changes in the amortised cost of the assets caused by the effective interest rate method.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

10. DEBTORS

	2008	2007
	£000	£000
Amounts falling due within one year:		
Amounts due from group companies	17	788
Prepayments and accrued income	47	114
	<u>64</u>	<u>902</u>

The fair value of the above items are not considered to be materially different to their carrying values.

11. CALLED UP SHARE CAPITAL

	2008	2007
	£	£
Authorised:		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted:		
49,998 ordinary shares of £1 each (25p paid)	12,500	12,500
2 ordinary shares of £1 each (fully paid)	2	2
	<u>12,502</u>	<u>12,502</u>

12. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES

	Share capital	Profit and loss account	Shareholders' Funds
	£000	£000	£000
At 1 October 2006	12	-	12
Profit for the financial year	-	653	653
At 30 September 2007	<u>12</u>	<u>653</u>	<u>665</u>
Loss for the financial year	-	(106)	(106)
At 30 September 2008	<u>12</u>	<u>547</u>	<u>559</u>

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax

The movements in the net liability for deferred tax are as follows:

	2008 £000	2007 £000
Balance at 1 October 2007	126	-
Loans purchased	2	146
Prior year profit and loss credit	(23)	-
Profit and loss credit	(50)	(20)
Balance at 30 September 2008	<u>55</u>	<u>126</u>
The net deferred tax liability for which provision has been made is analysed as follows:		
Other timing differences	<u>55</u>	<u>126</u>

14. CREDITORS

	2008 £000	2007 £000
Amounts falling due within one year:		
Amounts due to group companies	2,587	3,299
Corporation tax	85	86
Accruals and deferred income	496	650
	<u>3,168</u>	<u>4,035</u>

Included within the accruals and deferred income balance is an amount of £48,000 (2007: £63,000) due to fellow subsidiaries of The Paragon Group of Companies PLC.

	2008 £000	2007 £000
Amounts falling due after more than one year:		
Asset backed loan notes	160,571	213,388
Intercompany subordinated loan	806	806
	<u>161,377</u>	<u>214,194</u>

A maturity analysis and further details of the asset backed loan notes are given in note 15.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

15. BORROWINGS

The Mortgage Backed Floating Rate Notes are secured over a portfolio comprising variable rate mortgage loans secured by first charges over residential properties in the United Kingdom. The notes are subject to mandatory redemption in part on each Interest Payment Date in an amount equal to the principal received or recovered in respect of the mortgage. The maturity date of the notes matches the maturity date of the underlying assets. It is likely that a substantial proportion of these notes will be repaid within five years.

The Company has the option to repay all of the notes at an earlier date (the 'call date'), at the outstanding principal amount.

Interest is payable at a fixed margin above:

- the London Interbank Offered Rate ('LIBOR') on notes denominated in sterling;

The margin has a step-up to a higher rate from March 2012.

All payments in respect of the notes are required to be made in the currency in which they are denominated.

Notes in issue at 30 September 2008 and 30 September 2007 were:

Notes	Maturity date	Call date	Principal outstanding		Note margin	
			2008	2007	Current	Step up
			£m	£m		
'A'	Sept 2033	Mar 2011	153.53	206.81	0.12%	0.24%
'B'	Sept 2033	Mar 2011	4.05	4.05	0.18%	0.36%
'C'	Sept 2033	Mar 2011	4.05	4.05	0.28%	0.58%

There is a Subordinated Loan Facility under which an amount was drawn down by the Company to establish the First Loss Fund, which is repayable to Paragon Finance PLC and Mortgage Trust Services PLC on the earlier of the last Interest Payment Date in September 2033 or the first day on which there are no Notes outstanding, except that on any Interest Payment Date sums borrowed will be repaid to the extent of any amount released from the First Loss Fund. Interest is payable at the rate of 4% above the London Interbank Offered Rate for three month sterling deposits.

There are no amounts of committed but undrawn facilities at 30 September 2008 and September 2007.

16. ULTIMATE PARENT COMPANY

The Company's immediate and ultimate parent company and ultimate controlling party is The Paragon Group of Companies PLC, a company registered in England and Wales. Copies of the Group's financial statements are available from that company's registered office at St Catherine's Court, Herbert Road, Solihull, West Midlands, B91 3QE.