Registered number· 05321135

PMAC FUNDING 05-1 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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PMAC FUNDING 05-1 LIMITED

COMPANY INFORMATION

DIRECTORS	Capita Trust Corporate Limited Capita Trust Corporate Services Limited Colin Benford (resigned 22 May 2014) Paul Glendenning (appointed 12 June 2014)
COMPANY SECRETARY	Capita Trust Corporate Limited
REGISTERED NUMBER	05321135
REGISTERED OFFICE	4th Floor 40 Dukes Place London EC3A 7NH
INDEPENDENT AUDITORS	KPMG LLP Chartered Accountants and Statutory Auditors 1 The Embankment Neville Street Leeds LS1 4DW
BANKERS	Barclays Bank Plc 1 Churchill Place London E14 5HP

[redacted]

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is to facilitate the securitisation of a portfolio of mortgage loans by entering into financial arrangements with PMAC 05-1 PLC (the "PLC") enabling the PLC to issue Irish Stock Exchange listed mortgage linked notes On 22 March 2005, the PLC issued mortgage linked notes amounting to £125 1 million to Deutsche Genossenschafts Hypothekenbank ("DG Hyp") and provided funding to the Company to acquire the portfolio of mortgage loans from Paratus AMC Limited (formerly called GMAC-RFC Limited) ("Paratus" or the "Originator" or the "Loan Servicer") The mortgage loans are secured on residential properties in England and Wales Profit for the Company is predetermined as it is entitled to retain 0 01% of the loan interest amount The profit showed in page 6 represents the actual profit/loss made by the Company after any movements in provision for loan losses during the year

The market conditions and economic climate were challenging during the year with interest rates continuing to stay at historically low levels The Company holds a portfolio of mortgage loans which has continued to redeem The book value of the mortgage loan portfolio is £15,183,218 (2012 £16,021,417) The annualised mortgage redemption rate for 2013 was 7 25% (2012 6 25%) and the pace of prepayments has decelerated during the year Interest income on mortgage loans and interest expense on the loan payable, have reduced during the year in line with the redemption of mortgage loans and related loan payable As mortgage loans repay, principal amounts of the loan payable will redeem on a similar profile and accordingly interest income and expenses are expected to reduce further in future years

The activities of the Company, the PLC and their holding Company (PMAC Holdings 05-1 Limited) are managed in accordance with the securitisation documents

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is a securitisation company which has been structured so as to avoid, as far as possible, significant financial risk After initial set-up, no significant decisions regarding the risk management of the Company were required or taken by the directors The provision for loan losses is based wholly or in part on estimates or assumptions made by the directors, taking into consideration the current market and economic conditions There is, therefore, a risk that this provision may be subject to change in future periods The Company's policies towards market risk, including interest rate and currency, credit risk and liquidity risk are set out in note 16 to the financial statements

FINANCIAL KEY PERFORMANCE INDICATORS

The directors monitor quarterly cash flows to ensure that these are sufficient to service the interest and any principal repayments due on the loan payable

This report was approved by the board on 30 June 2014 and signed on its behalf

Capita Trust Corporate Services Limited
Director

PMAC FUNDING 05-1 LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements for the year ended 31 December 2013

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £383,392 *(2012 loss £202,467)*

The pre-tax profit entitled to retain at 0 01% of the amount in the Funding Available Revenue Ledger after paying certain expenses amounted to £58

No dividend has been proposed by the directors for the financial year ended 31 December 2013 (2012 nil)

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 31 December 2013 were

Capita Trust Corporate Limited
Capita Trust Corporate Services Limited
Colin Benford

No Director had any interest in the share capital of the Company or any group company at any time during the year

EVENTS SINCE THE END OF THE YEAR

On 17 January 2014, Capita Trust Secretaries Limited resigned as Company Secretary and Capita Trust Corporate Limited was appointed in their place

On 22 May 2014 Colin Benford resigned as a director of the Company, and on 12 June 2014 Paul Glendenning was appointed in his place

EMPLOYEES

The Company had no employees during the year (2012 nil)

DIRECTORS' INDEMNITIES

Capita Trust Company Limited has made qualifying third party indemnity provisions for the benefit of Colin Benford, Capita Trust Corporate Limited and Capita Trust Corporate Services Limited These indemnity provisions remain in force at the date of this report

GOING CONCERN

Under the terms of the offering circular, the Company is required to make payments to the PLC to the extent of cash available within the Company At the end of the securitisation, any losses incurred due to the defaults by the borrowers and resultant cash shortage are absorbed by the PLC and then the note holder of the PLC, DG Hyp at the end of securitisation

The directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future In addition, the Company has not breached any redemption triggering events referred to in the transaction documents, nor, based on information currently available, do the directors foresee breaching any triggering events in the next 12 months The directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

STATEMENT OF 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 that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP resigned on 3 December 2013 and KPMG LLP were appointed in their stead on 22 January 2014

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 prepared 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 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 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 company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

This report was approved by the board on 30 June 2014 and signed on its behalf

Capita Trust Corporate Services Limited
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PMAC FUNDING 05-1 LIMITED

We have audited the financial statements of PMAC Funding 05-1 Limited for the year ended 31 December 2013, set out on pages 5 to 19 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)

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

John Ellacott (Senior Statutory Auditor)

For and on behalf of
KPMG LLP

Chartered Accountants and Statutory Auditors
1 The Embankment
Neville Street
Leeds
LS1 4DW

30 June 2014

PMAC FUNDING 05-1 LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	*2012* *£*
Interest receivable and similar income	2	**634,573**	*689,244*
Interest payable and similar charges	3	**(460,127)**	*(513,248)*
Net interest income		**174,446**	*175,996*
Fees receivable and other income	4	**160**	*100*
OPERATING PROFIT		**174,606**	*176,096*
Other provisions	5	-	*(209,382)*
Provision for loan losses released/(charged) during the year	5	**323,537**	*(26,801)*
Administrative expenses	5	**(114,739)**	*(142,365)*
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		**383,404**	*(202,452)*
Tax on profit/(loss) on ordinary activities	8	**(12)**	*(15)*
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**383,392**	*(202,467)*

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 8 to 19 form part of these financial statements

PMAC FUNDING 05-1 LIMITED
REGISTERED NUMBER. 05321135

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£	2013 £	£	*2012 £*
FIXED ASSETS					
Mortgage loans	9		**13,460,366**		*14,143,231*
CURRENT ASSETS					
Debtors	10	**1,723,648**		*1,878,960*	
Cash at bank and in hand		**73,177**		*36,631*	
		1,796,825		*1,915,591*	
CREDITORS: Amounts falling due within one year	11	**(1,765,066)**		*(1,858,435)*	
NET CURRENT ASSETS			**31,759**		*57,156*
TOTAL ASSETS LESS CURRENT LIABILITIES			**13,492,125**		*14,200,387*
CREDITORS Amounts falling due after more than one year	12		**(13,580,376)**		*(14,672,030)*
NET LIABILITIES			**(88,251)**		*(471,643)*
CAPITAL AND RESERVES					
Called up share capital	13		**1**		*1*
Profit and loss account	14		**(88,252)**		*(471,644)*
TOTAL SHAREHOLDERS' DEFICIT	15		**(88,251)**		*(471,643)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2014

Capita Trust Corporate Services Limited
Director

The notes on pages 8 to 19 form part of these financial statements

[redacted]

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Note	2013 £	*2012 £*
Profit/(Loss) on ordinary activities before taxation		383,404	*(202,452)*
Loan losses (released)/charged during the year	5	(408,132)	*17,508*
Loss on sale of repossessed properties	5	84,595	*9,293*
Other movements in Mortgage Principle held	9	1,161,736	*1,070,191*
(Increase)/Decrease in debtors	10	(22)	*209,430*
Increase/(Decrease) in creditors	11	39,189	*(43,531)*
Net cash flows from operating activities		1,260,770	*1,060,439*
CASH FLOW FROM FINANCING ACTIVITIES			
Loan payable repayments	12	(1,224,200)	*(1,087,607)*
Net cash flows from financing activities		(1,224,200)	*(1,087,607)*
Taxation		(24)	*(14)*
INCREASE/(DECREASE) IN CASH IN THE YEAR		36,546	*(27,182)*
CASH AT THE BEGINNING OF THE YEAR		36,631	*63,813*
CASH AT END OF THE YEAR		73,177	*36,631*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2013 £	*2012 £*
Increase/(Decrease) in cash in the year	36,546	*(27,182)*
Repayment of loan	1,224,200	*1,087,607*
Net debt at 1 January	(16,388,924)	*(17,449,349)*
NET DEBT AT 31 DECEMBER	(15,128,178)	*(16,388,924)*

ANALYSIS OF NET DEBT

	At 1 January 2013 £	Movement £	At 31 December 2013 £
Cash at bank and in hand	36,631	36,546	73,177
Loan payable	(16,425,555)	1,224,200	(15,201,355)
	(16,388,924)	1,260,746	(15,128,178)

The notes on pages 8 to 19 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Companies Act 2006 (the "Act") and applicable accounting standards (UK GAAP including FRS 26 and related standards) The principal accounting policies are set out below

The financial statements have been prepared on the going concern basis, under the historical cost convention

The directors have considered the going concern basis of accounting bearing in mind the Company's liquidity position and the net liabilities shown in the balance sheet Under the terms of the offering circular, the company is required to make payments to the PLC only to the extent of cash available within the company from the waterfall of payments received on the mortgage loan assets Accordingly, the directors consider there is sufficient liquidity to meet the Company's expected cash requirements The net liability position arises from the provisions made for expected mortgage loan asset losses These are expected to be offset in due course against the loan payable at the end of the securitisation, when any losses incurred due to the defaults by the borrowers and resultant cash shortage are absorbed by the PLC and then the note holder, DG Hyp

The directors are satisfied that the company has adequate resources to continue in business for the foreseeable future The directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements

1.1 Basis of preparation

The profit and loss account and balance sheet have adapted the format laid down in Schedule 1 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' (SI 2008/410) to present its results and the state of the company's affairs respectively In the opinion of the directors, this is required due to the special nature of the Company's business The accounting policies have been applied consistently throughout the year, other than where new policies have been adopted

1.2 Interest receivable

Interest receivable on financial assets that are classified as loans and receivables is determined using the effective interest rate method The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest receivable or interest payable over the expected life of the related asset or liability The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount Calculation of the effective interest rate takes into account early redemption fees and transaction costs All contractual terms of the financial instrument are considered when estimating future cash flows

1.3 Fee receivable

Fees receivable from customers, that are not included in the effective interest calculation discussed above, are taken to income when due

1.4 Interest payable and other expenses

Interest payable is accounted for using the effective interest method Other operating expenses are accounted for on an accruals basis

1. ACCOUNTING POLICIES (continued)

1.5 Mortgage loans

Mortgage loans are stated at amortised cost less provision from loan losses Mortgage loans are initially recognised at fair value plus directly related transaction costs Amortised cost is calculated using the effective interest method

1.6 Provision for loan losses

For a mortgage loan, the Company first assesses whether objective evidence of impairment exists If the Company determines that no objective evidence of impairment exists, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment

The amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's effective interest rate The calculation of the present value of the estimated future cash flows also reflects the probability of foreclosure

For the purposes of a collective evaluation of impairment, mortgage loans are grouped on the basis of similar risk characteristics, taking into account loan type, geographical location of the residential properties in England and Wales, past due status and other relevant factors These characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the loan being evaluated Model assumptions are adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience When a loan is uncollectable, the related collateral is repossessed and sold at the prevailing market price Where the sale proceeds, net of selling costs, are lower than the actual receivable balance, the arising deficit is recognised as a shortfall in the profit and loss account

1.7 Loan payable

The loan payable represents an amount owed to PMAC 05-1 PLC It is initially recognised at fair value plus directly related transaction costs and is classified under creditors It is subsequently measured at amortised cost using the effective interest method

1 8 Taxation

The Company has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Company is taxed broadly by reference to its net cash flows during the year, and not by reference to its accounting profits, to the extent that these differ

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1 ACCOUNTING POLICIES (continued)

1.9 Segmental Analysis

All activities occur in the United Kingdom and there is only one business segment Accordingly no segmental analysis has been provided

1.10 Cash at bank

Cash at bank comprises of bank account balances held by the company The cash balance can only be used according to the terms of the offering circular and the related legal agreement as this is restricted cash

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013	*2012*
	£	*£*
Interest receivable from mortgage loan	**634,082**	*687,639*
Bank interest receivable	**491**	*1,605*
	634,573	*689,244*

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2013	*2012*
	£	*£*
Loan notes interest payable	**460,127**	*513,248*

4. FEES RECEIVABLE AND OTHER INCOME

	2013	*2012*
	£	*£*
Letting admin fee charged to a borrower	**160**	*100*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

5 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013 £	2012 £
This is stated after charging:		
Fees paid to company auditor for audit services	16,380	11,550
Fees paid to company auditor for tax services	5,400	4,526
	21,780	16,076
Other administrative expenses		
Liability insurance	256	213
Sundry write off	-	217
Professional fees	45,300	55,845
Bank charges	338	387
Administration fee	31,289	34,501
Issuer profit	46	52,457
Servicing and cash management fees	520	(37,323)
Trustee fees	20,866	19,992
Reversal of historic adjustments	(5,656)	-
	114,739	142,365
Provision for loan losses charged/(released) during the year		
- loan losses (released)/charged during the year (see note 9)	(408,132)	17,508
- loss on sale of real estate/repossessed properties	84,595	9,293
	(323,537)	26,801

Other provisions	2013 £	2012 £
Reversal of 2011 Residual Income	-	52,403
Reversal of 2010 Advance payment to Plc	-	200,770
Reversal of 2011 Advance payment to Plc	-	(43,791)
	-	209,382

6. DIRECTORS' EMOLUMENTS

There were no directors' emoluments paid during the year ended 31 December 2013 (2012 nil)

Trustee fees, which includes the fees for directors' services for PMAC Holdings 05-1 Limited, the PLC and the Company, were borne and paid by the Company to Capita Trust Company Limited (see note 5 above)

7. EMPLOYEE INFORMATION

There were no persons employed by the company during the year ended 31 December 2013 (2012 nil)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

8 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year	**2013** £	*2012* £
United Kingdom Corporation Tax charge for the current year	**12**	*15*
Tax charge	**12**	*15*
Effective tax rate	**20%**	*20%*
(b) Factors affecting current tax charge for the year		
Profit/(Loss) on ordinary activities before tax	**383,404**	*(202,452)*
	-	*-*
Tax on profit on ordinary activities at the standard UK corporation tax rate of 23 25% (2012 24 50%)	**89,141**	*(40,490)*
Effects of		
Accounting profit not subject to taxation	**(89,141)**	*40,490*
	-	*-*
Cash retained profits taxed in accordance with SI 2006/3296	**58**	*63*
Tax on profits under SI 2006/3296	**12**	*15*
Corporation tax payable	**12**	*15*

The Company has elected to enter the permanent tax regime for securitisation companies The directors are satisfied that the company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and subsequent secondary legislation and that no incremental unfunded tax liabilities will arise

The directors are satisfied that the Company currently satisfies the conditions to be taxed under the permanent regime

9. FIXED ASSETS

	2013 £	*2012 £*
Mortgage loans		
Value at 1 January	**16,021,417**	*17,118,409*
Other movements in Mortgage Loans held	**(1,161,736)**	*(1,070,191)*
Loan losses released/(charged) during the year	**408,132**	*(17,508)*
Write off of mortgage balances during the year	**(84,595)**	*(9,293)*
Value at 31 December	**15,183,218**	*16,021,417*
Reported as follows:		
Mortgages receivable - current portion (note 10)	**1,722,852**	*1,878,186*
Mortgages receivable - fixed asets	**13,460,366**	*14,143,231*
	15,183,218	*16,021,417*

Reconciliation of loan loss provision	2013 £	*2012 £*
On 1 January	**652,373**	*634,865*
Loan losses (released)/charged during the year	**(323,537)**	*26,801*
Provisions written off during the year	**(84,595)**	*(9,293)*
As at 31 December	**244,241**	*652,373*

The maturity profile of the mortgage loans is considered to be substantially the same as the maturity profile of the loan payable (see notes 11 and 12)

'Other movements in Mortgage Loans held' consists of movements in Interest accrued, Redemptions and shortfall

10. DEBTORS

	2013 £	*2012 £*
Mortgages receivable - current portion (note 9)	**1,722,852**	*1,878,186*
Interest receivable	**8**	*6*
Other receivables	**788**	*768*
	1,723,648	*1,878,960*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

11 CREDITORS· Amounts falling due within one year:

	2013	2012
	£	£
Master servicing fees payable	74,642	77,447
Accrued expenses	69,445	27,451
Corporation tax payable	-	12
Loan payable (see note 12)	1,620,979	1,753,525
	1,765,066	1,858,435

12 CREDITORS: Amounts falling due after one year

	2013	2012
	£	£
Loan payable	13,580,376	14,672,030

The maturity profile of the loan payable is in line with the expected redemption profile of the principal balances of the mortgage loans on which the loan is backed The change in the annualised mortgage redemption rate in 2013 has been reflected in the expected future redemption profile The maturity profile of the carrying amount of the Company's loan payable at 31 December 2013 is estimated as follows

	2013	2012
	£	£
In more than one year but not more than two years	1,341,083	1,787,089
In more than two years but not more than five years	3,478,320	3,810,272
In more than five years	8,760,973	9,074,669
	13,580,376	14,672,030

The loan does not bear a pre-determined rate of interest Interest is payable on the loan on each interest payment date in an amount equal to 99 99% of the amount outstanding to the credit of the Funding Available Revenue Ledger immediately preceding the interest payment date less certain costs and expenses

The final redemption date of the loan in the Interest Payment Date falling in March 2036

The Company's obligations under the loan is secured under a deed of charge whereby the security interests granted include a first fixed charge over the Company's interest in, inter alia, the mortgages, an equitable assignment of the Company's interests in certain insurance policies as well as a floating charge over all the assets and undertaking of the Company not subject to a fixed charge

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

13. CALLED UP SHARE CAPITAL

	2013 £	*2012* *£*
Authorised		
100 *(2011 100)* Ordinary shares of £1 each	**100**	*100*
Allotted, called up and fully paid		
1 *(2011 1)* Ordinary share of £1	**1**	*1*

14. RESERVES

	2013 £	*2012* *£*
At 1 January	**(471,644)**	*(269,177)*
Profit/(Loss) for the year	**383,392**	*(202,467)*
At 31 December 2012	**(88,252)**	*(471,644)*

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2013 £	*2012* *£*
Opening shareholders' deficit	**(471,643)**	*(269,176)*
Profit/(Loss) for the year	**383,392**	*(202,467)*
Closing shareholders' deficit	**(88,251)**	*(471,643)*

16 FINANCIAL RISK MANAGEMENT

The Company has the following risks arising from its holding of financial instruments

Liquidity risk

The Company does not believe it is subject to any material liquidity risk as payments of interest and principal to the PLC are linked to receipts of interest and principal from mortgage loans such that the payments cannot exceed the amounts received

Interest rate risk

The Company does not believe it is subject to any material interest rate risk because the rate of interest payable on the loan from PLC is linked to the rate of interest receivable on mortgage loans less certain expenses

Foreign exchange risk

As at 31 December 2013 the Company had no currency exposures (2012 nil) All material financial assets and liabilities are denominated in Sterling

Credit Risk

The Company's major assets are a portfolio of mortgage loans with a carrying value of £15,183,218 (2012 £16,021,417) which is administered by Paratus and cash held by the Company of £73,177 (2012 £31,631) These mortgage loans are secured by first charge over residential properties within the United Kingdom and are subject to regular reviews by Paratus and the Company for possible credit problems to ensure credit risks are identified on a timely basis and losses are minimised The Company's maximum credit exposure is limited to the carrying value of the portfolio of mortgage loans and other assets

Borrowers whose loans default are subject to active arrears management procedures Debt management strategies, which include negotiating repayment arrangements, concessions and debt counselling, can start as early as the day after a repayment is past due, and will continue until legal action If the agreed repayment arrangement is not maintained, legal proceedings may be taken and may result in the property being taken into repossession The loan servicer (Paratus) sells the repossessed property at market price and uses the sale proceeds, net of costs, to pay off the outstanding value of the mortgage

The following tables detail information on the portfolio of mortgage loans forming the loan

Loans and advances

	2013 Number	2013 £	*2012 Number*	*2012 £*
Neither past due or impaired	**117**	**10,972,359**	*121*	*11,450,361*
Past due, but not impaired	**10**	**1,181,164**	*13*	*1,193,992*
Impaired	**22**	**3,029,695**	*25*	*3,377,064*
Total	**149**	**15,183,218**	*159*	*16,021,417*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

16 FINANCIAL RISK MANAGEMENT (continued)

Loans by credit category

	2013 Number	2013 £	2012 Number	2012 £
Prime	96	8,535,057	101	8,860,335
Near prime	53	6,648,161	58	7,161,082
Total	149	15,183,218	159	16,021,417

Loans and advances past due but not impaired

	2013 Number	2013 £	2012 Number	2012 £
Past due up to one month	5	700,360	6	355,308
Past due one to two months	5	480,804	7	838,684
Total	10	1,181,164	13	1,193,992

Impaired loans and advances

	2013 Number	2013 £	2012 Number	2012 £
Not in repossession	22	3,029,695	23	3,180,764
In repossession	-	-	2	196,300
Total	22	3,029,695	25	3,377,064

Fair value of financial assets and liabilities

The following table shows the book value and fair value of the company's financial assets and liabilities

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FOR THE YEAR ENDED 31 DECEMBER 2013

16. FINANCIAL RISK MANAGEMENT (continued)

	Book value 2013 £	Fair value 2013 £	*Book value 2012 £*	*Fair value 2012 £*
Assets.				
Mortgage loans	**15,183,218**	**13,312,515**	*16,021,417*	*13,046,746*
Cash at bank	**73,177**	**73,177**	*36,631*	*36,631*
	15,256,395	**13,385,692**	*16,058,048*	*13,083,377*
Liabilities:				
Loan payable to the PLC	**15,201,355**	**13,385,692**	*16,425,555*	*13,078,431*
Other creditors	**144,090**	**144,090**	*104,898*	*104,898*
Total	**15,345,445**	**13,529,782**	*16,530,453*	*13,183,329*

The fair value of the mortgages has been calculated by an independent valuation service provider based on the present value of discounted expected cashflows In discounting the cashflows, the UK RMBS Prime index has been taken as a proxy for the spread over three-month Euribor The reference rate is therefore constructed as 3-month Euribor plus the spread, with the implicit assumption of flat forward rates

An additional risk premium was used to account for additional risks of the assets relative to the benchmark used, which include differences in exposure to and volatility of potential additional collateral losses, given the nature of the structure and the inherent credit risk in the notes, and the forward interest rate risk The risk premium used was a best estimate considering similar kinds of mortgages and available relevant market benchmarks

The Directors are satisfied that the basis of calculating the fair value is appropriate and reasonable for the mortgage pool The fair value of the loan payable has been calculated after adding cash in hand to the fair value of mortgage loans

Capital Management

The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act

17 CAPITAL COMMITMENTS

There were no outstanding capital commitments as at 31 December 2013 (2012 nil)

18. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent Company is PMAC Holdings 05-1 Limited Copies of the consolidated Financial Statements of PMAC Holdings 05-1 Limited, which include the Company's figures, can be found at the registered office of the Company, being 4th Floor, 40 Dukes Place, London, EC3A 7NH Capita Trust Company Limited, a wholly owned subsidiary of Capita Plc, holds the shares in the Company's parent on a discretionary trust basis for certain charitable purposes However, the directors considered that DG-Hyp (the note holder) has effective control over the Company's operations

NOTES TO THE FINANCIAL STATEMENTS
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19. RELATED PARTY TRANSACTIONS

The dιrectors of the Company, the corporate secretary and the securιty trustee are eιther employed by or are provιded by companιes whose ultιmate parent ιs the Capιta Plc, a Company lιsted on the London Stock Exchange These operatιng companιes provιde dιrectors, Company admιnιstratιon, trustee and secretarιes servιces to the Company at normal commercιal rates

Capιta Trust Company Ltd act as trustees for the PMAC entιtιes and receιve fees for these servιces whιch are all borne by the Company

Fees paιd to Capιta for the above servιces durιng the year were £33,895 (2012 £28,440) of whιch £14,859 was accrued at year end (2012 £2,399) The fees were paιd by PMAC Fundιng 05-1 Lιmιted

Transactιons wιth PMAC 05-1 Plc were as follows

	2013	2012
	£	£
Fundιng loan ιnterest paιd	460,127	513,248
Fundιng loan payable to Plc - due after more than one year	(13,580,376)	(14,672,030)
Fundιng loan payable to Plc - due wιthιn one year	(1,620,979)	(1,753,525)