Company Number: 5035199

# PMF-2, LTD

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

## 31 DECEMBER 2010

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 52 week period ended 31 December 2010

### 1. Principal activities

PMF-2 Ltd ('the company') provides financing, through a funded participation agreement, to a group undertaking that owns a portfolio of non-performing receivables collateralised against residential real estate and properties repossessed and not yet sold

The company's principal business is transacted in the euro and accordingly, the company's functional currency is the euro and these financial statements have been prepared in that currency

### 2. Review of business and future developments

The financial statements have been drawn up for the 52 week period ended 31 December 2010 Comparative information has been presented for the 57 week period ended 31 December 2009

The results for the period are shown in the profit and loss account on page 5 Loss on ordinary activities before taxation for the period was €7 0m (57 week period ended 31 December 2009 loss of €18 9m) The company has total assets of €8 6m (31 December 2009 €17 4m)

**Future outlook**

The directors of the group undertaking to which the company provides financing, have taken the decision to sell the company's assets during the period, which has an impact to the company's activities in the future

**Going concern**

The financial statements have not been prepared on a going concern basis As described above and given the financial position of the company, the directors have prepared the accounts on a break up basis

**Financial risk management**

The company's risk management objectives and policies, as well as risk exposures are described in note 16 to the financial statements

### 3. Dividends

The directors do not recommend the payment of a dividend in respect of the 52 week period ended 31 December 2010 (57 week period ended 31 December 2009 €nil)

### 4. Directors

The directors of the company who served throughout the period and to the date of this report, except where noted, were

| Name | Appointed | Resigned |
|---|---|---|
| J Hale | | 9 July 2010 |
| C Marte | 31 December 2010 | |
| G Minson | | |

No director had, at the period end, any interest requiring note herein

**REPORT OF THE DIRECTORS (continued)**

5. **Exchange rate**

The sterlıng / euro exchange rate at the balance sheet date was 1 17 (31 December 2009 1 13) The average rate for the perıod was 1 17 (57 week perıod ended 31 December 2009 1 13)

6. **Disclosure of information to auditors**

In the case of each of the persons who are dırectors of the company at the date when thıs report was approved

- so far as each of the dırectors ıs aware, there ıs no relevant audıt ınformatıon of whıch the company's audıtors are unaware, and
- each of the dırectors has taken all the steps that he / she ought to have taken as a dırector to make hımself / herself aware of any relevant audıt ınformatıon and to establısh that the company's audıtors are aware of that ınformatıon

7. **Directors' responsibilities**

Company law requıres the dırectors to prepare accounts for each financıal perıod whıch gıve a true and faır vıew of the state of affaırs of the company as at the end of the financıal perıod and of loss of the company for that perıod In preparıng those accounts, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgements and estımates that are reasonable and prudent,
- state whether applıcable accountıng standards have been followed subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the accounts on the goıng concern basıs unless ıt ıs ınappropriate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records whıch dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and to enable them to ensure that the accounts comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and, hence, for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

8. **Auditors**

Prıor to 1 October 2007, the company passed an electıve resolutıon under sectıon 386 of the Companıes Act 1985 to dıspense wıth the annual reappoıntment of audıtors PrıcewaterhouseCoopers LLP wıll, accordıngly, contınue ın office as audıtors of the company pursuant to sectıon 487(2) of the Companıes Act 2006 and paragraph 44 of Schedule 3 to the Companıes Act 2006 (Commencement No 3 Consequentıal Amendment, Transıtıonal Provısıons and Savıngs) Order 2007

**REPORT OF THE DIRECTORS (continued)**

**9. Date of authorisation of issue**

The financial statements were authorised for issue by the Board of Directors on 27 May 2011

**BY ORDER OF THE BOARD**

N. Russell

**N. RUSSELL**
**Secretary**

## Independent auditors' report to the members of PMF-2, LTD

We have audited the financial statements of PMF-2 Ltd for the period ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes 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' report 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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

**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 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

**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 2010 and of its loss for the period 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

**Emphasis of matter – Basis of preparation**

We draw your attention to the statement of accounting policies which explains that following the period end the directors have decided that the company will cease trading Accordingly the going concern basis of accounting is no longer appropriate Adjustments have been made in the financial statement to reduce assets to their realisable values, to provide for liabilities arising from the decision, and to reclassify long-term liabilities as current assets and liabilities Our opinion is not qualified in this respect

**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

27 May 2011

Vassilios Vrachimis (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

## PROFIT AND LOSS ACCOUNT

### 52 week period ended 31 December 2010

| | Note | 52 week period ended 31 December 2010 EUR | 57 week period ended 31 December 2009 EUR |
|---|---|---|---|
| Interest payable and similar charges | 3 | (1,563,979) | (2,356,717) |
| Administrative expenses | | (5,432,015) | (16,544,002) |
| **OPERATING LOSS** | 4 | (6,995,994) | (18,900,719) |
| Interest receivable and similar income | 5 | 2,149 | 11,438 |
| **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION** | | (6,993,845) | (18,889,281) |
| Tax on loss on ordinary activities | 8 | 96,686 | - |
| **LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD** | | (6,897,159) | (18,889,281) |

The operating loss of the company for the period is derived from discontinued operations in the current and prior period

There is no material difference between the loss on ordinary activities before taxation and the loss for the period as stated above and their historical cost equivalents

The company has no recognised gains and losses other than those included in the loss for the period above, and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 7 to 14 form an integral part of these financial statements
Independent auditors' report – page 4

## BALANCE SHEET

**as at 31 December 2010**

| | Note | 31 December 2010 EUR | 31 December 2009 EUR |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Financial assets | | - | 17,021,130 |
| **CURRENT ASSETS** | | | |
| Financial assets | 9 | 8,328,634 | - |
| Debtors | 10 | 259,524 | 305,291 |
| Cash at bank and in hand | | 1,632 | 109,868 |
| | | 8,589,790 | 415,159 |
| **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR** | 11 | (47,675,075) | (15,411) |
| **NET CURRENT (LIABILITIES) / ASSETS** | | (39,085,285) | 399,748 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | (39,085,285) | 17,420,878 |
| **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR** | 12 | - | (49,609,004) |
| **NET LIABILITIES** | | (39,085,285) | (32,188,126) |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 13 | 10,053,051 | 10,053,051 |
| Profit and loss account | 14 | (49,138,336) | (42,241,177) |
| **TOTAL SHAREHOLDER'S DEFICIT** | 15 | (39,085,285) | (32,188,126) |

The financial statements were approved by the Board of Directors on 27 May 2011 and signed on its behalf by

Greg Minson
Director

The notes on pages 7 to 14 form an integral part of these financial statements
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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

### 1. ACCOUNTING POLICIES

**a. Accounting convention**

The financial statements have been prepared, under the historical cost convention, the accounting policies set out below, and in accordance with the Companies Act 2006 and applicable accounting standards

**b. Going concern**

The company is a funding vehicle to a group undertaking that owns a portfolio of non-performing receivables collateralised against real estate and properties repossessed and not yet sold During the period the directors of the group undertaking have taken the decision to cease the principal activity and sell its assets This impacts the company's principal activity and as a result the company has written down its assets to net realisable value Given these circumstances, and the financial position of the company, the directors have prepared the accounts on a break up basis The financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such costs are committed at the balance sheet date

**c. Foreign currencies**

Transactions denominated in foreign currencies are translated into euros at rates of exchange ruling on the date the transaction occurred Monetary assets and liabilities denominated in foreign currencies are translated into euros at rates of exchange ruling at the balance sheet date Foreign exchange gains and losses are recognised in operating profit

**d. Revenue recognition**

Revenue from loans is only recognised once proceeds received exceed the purchase cost plus related acquisition cost of the loan, from which point collections received are recognised in the period of receipt No interest income is accrued in respect of the loans

**e. Financial assets**

Financial assets are stated at net realisable value Any impairment to net realisable value is recognised in the profit and loss account within administrative expenses

Since the accounts are prepared on a break up basis the financial assets have been classified as current assets

**f. Other assets and liabilities**

Other assets and liabilities are initially recognised at fair value and are subsequently remeasured at amortised cost with income and expense recognised on an accruals basis All income and expense including any impairment are recognised in the profit and loss account

**g. Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future or a right to pay less tax in the future Deferred tax assets are recognised only to the extent that the directors consider that 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 the periods 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 - 31 DECEMBER 2010

1. ACCOUNTING POLICIES (continued)

h. Reporting and disclosure exemption

(i) FRS1 - Cash flow statements

The company is a wholly owned subsidiary of GS European Opportunities Fund B V , and is therefore exempt from preparing a cash flow statement as required by FRS1 - Cash flow statements, as the immediate parent company accounts are publicly available

(ii) FRS8 - Related party disclosures

Under the terms of FRS8 - Related party disclosures, the company is exempt from disclosing transactions with companies wholly owned withing the same group, as the consolidated financial statements in which the company is included are publicly available

2. SEGMENTAL REPORTING

The directors manage the company's activities as a single business in the same geographical region and accordingly no segmental analysis has been provided

3. INTEREST PAYABLE AND SIMILAR CHARGES

| | 52 week period ended 31 December 2010 EUR | 57 week period ended 31 December 2009 EUR |
|---|---|---|
| Interest expense on subordinated loan to group undertaking | 1,272,362 | 1,583,576 |
| Interest expense on subordinated loan to parent undertaking | 146,139 | 323,529 |
| Interest expense on third party loan | 145,478 | 449,612 |
| | **1,563,979** | **2,356,717** |

Interest expense that relates to the funding of operating activities has been charged against operating profit

4. OPERATING LOSS

| | 52 week period ended 31 December 2010 EUR | 57 week period ended 31 December 2009 EUR |
|---|---|---|
| **Operating loss is stated after charging:** | | |
| Loss on disposal of participation | - | 4,082,943 |
| Impairment of receivable under participation agreement (see note 9) | 5,376,176 | 11,961,255 |
| Management fees payable to group undertaking | 53,320 | 519,520 |
| Auditors' remuneration - audit services | 8,100 | 3,160 |
| - tax services | - | 7,047 |

Auditors' remuneration for the 52 week period ended 31 December 2010 includes an adjustment in relation to prior period of €2,004

## 5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 52 week period ended 31 December 2010 EUR | 57 week period ended 31 December 2009 EUR |
|---|---|---|
| Bank interest income | - | 6,989 |
| Interest on money market investments | 2,149 | 4,449 |
| | **2,149** | **11,438** |

## 6. STAFF COSTS

The company has no employees (2009 nil) All persons involved in the company's operations are employed by a group undertaking and no charge is borne by the company

## 7. DIRECTORS' EMOLUMENTS

| | 52 week period ended 31 December 2010 EUR | 57 week period ended 31 December 2009 EUR |
|---|---|---|
| **Directors:** | | |
| Aggregate emoluments | 534 | 412 |
| Company pension contributions to money purchase schemes | 7 | 6 |
| | **541** | **418** |

In accordance with the Companies Act 2006, directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services only Directors also receive emoluments for non-qualifying services which are not required to be disclosed

During the period all directors were members of the defined contribution pension scheme and members of the defined benefit pension scheme Two directors have been granted shares in respect of a long term incentive scheme No directors have exercised options

## 8. TAX ON ORDINARY ACTIVITIES

### (a) Analysis of tax credit for the period:

| | 52 week period ended 31 December 2010 EUR | 57 week period ended 31 December 2009 EUR |
|---|---|---|
| **Current tax** | | |
| UK corporation tax at 28% (2009 28%) | - | - |
| Amount receivable from a fellow group undertaking in respect of group relief | (96,686) | - |
| **Total current tax (see note (b) below)** | **(96,686)** | **-** |

### (b) Factors affecting tax credit for the period

The current tax assessed for the period differs from the standard rate of corporation tax in the UK at 28% (31 December 2009 28%) The differences are explained below

| | 52 week period ended 31 December 2010 EUR | 57 week period ended 31 December 2009 EUR |
|---|---|---|
| Loss on ordinary activities before tax | (6,993,845) | (18,889,281) |
| Loss on ordinary activities at the standard rate in the UK 28% (2009 28%) | (1,958,277) | (5,288,999) |
| Expenses disallowed for the purpose of tax provision | 1,861,591 | 344,390 |
| Unutilised tax losses carried forward | - | 4,944,609 |
| **Current tax credit for the period** | **(96,686)** | **-** |

Group relief represents amounts receivable from group undertakings in consideration of the surrender of losses under group relief arrangements

A potential deferred tax asset of €2,849,924 (31 December 2009 €7,512,499) has not been recognised in the financial statements as there is uncertainty whether the company will generate suitable taxable profits in the future against which the deferred tax asset can be recovered

## 9. FINANCIAL ASSETS

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| | EUR | EUR |
| Financial assets | **8,328,634** | **-** |

Financial assets represent funded participation agreements entered into with PMF-1, Ltd and PMF-2 (BES I) Ltd, fellow group undertakings The funding was used by PMF-1, Ltd to purchase a portfolio of non-performing receivables The maximum facility is €71,038,245 and matures on the date of liquidation of the last mortgage asset Through participating in this agreement the company is committed, where requested, within 10 business days, to provide additional funds for future operating expenditure in accordance with PMF-1, Ltd's business plans in relation to the existing portfolio As at 31 December 2010, the amount utilised under this agreement was €54,265,658

Financial assets have been stated at net realisable value and classified as current assets as the accounts have been prepared on a break up basis (see note 1b) An impairment of €5,376,176 (2009 €11,961,255) has been recognised in the profit and loss account within administrative expenses (see note 4)

## 10. DEBTORS

Debtors, all of which are due within one year of the balance sheet date, comprise

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| | EUR | EUR |
| Money market investments | 162,838 | 305,291 |
| Group tax relief receivable | 96,686 | - |
| | **259,524** | **305,291** |

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31 December 2010 EUR | 31 December 2009 EUR |
|---|---|---|
| Third party loan | 1,948,627 | - |
| Interest payable on third party loan | 7,772 | 13,933 |
| Subordinated loan payable to group undertaking | 27,609,148 | - |
| Interest payable to group undertaking | 9,154,630 | - |
| Subordinated loan payable to parent undertaking | 8,945,813 | - |
| Other accrued expenses | 9,085 | 1,478 |
| | **47,675,075** | **15,411** |

On 10 September 2009 the company, together with fellow group subsidiary undertakings which are party to the loan agreement ("Subsidiaries"), entered into an amended and restated loan agreement and related documents (together the "Agreements") with their principal creditor with a revised maturity of 29 August 2014 and interest accrues at Euribor plus a spread of 2 5%-2 7% The agreements provide, inter alia, for the subsidiaries to become jointly and severally liable for certain debts due by the others

The subordinated loan payable to group undertaking matures on 30 December 2015 and accrues interest at three month Euribor plus 4%

The subordinated loan payable to parent undertaking matures on 31 December 2015 and accrues interest at three month Euribor plus 1 5%

The third party loan and subordinated loans to group and parent undertakings have been classified as due within one year in the current period as the accounts have been prepared on a break up basis (see note 1b)

The third party loan is senior to all other creditors of the company

## 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 31 December 2010 EUR | 31 December 2009 EUR |
|---|---|---|
| Subordinated loan payable to group undertaking | - | 27,609,148 |
| Subordinated loan payable to parent undertaking | - | 8,747,153 |
| Interest payable to group undertaking | - | 7,934,789 |
| Third party loan | - | 5,317,914 |
| | **-** | **49,609,004** |

As the accounts have been prepared on a break up basis all creditors greater than one year have been classified as due within one year in the current period (see note 11)

## 13. SHARE CAPITAL

At 31 December 2010 and 31 December 20009 share capital comprised

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | No. | EUR | No. | EUR |
| **Allotted, called up and fully paid** | | | | |
| Ordinary shares of USD 1 each | 1 | 1 | 1 | 1 |
| Redeemable shares of EUR 1 each | 10,053,050 | 10,053,050 | 10,053,050 | 10,053,050 |
| | | **10,053,051** | | **10,053,051** |

The redeemable shares issued to date are redeemable at par, there is no fixed expiry date on their redemption and they are redeemable at the option of the company The redeemable shares have the same rights to dividends, voting rights and priority on winding up as ordinary shares

Share capital issued is translated at the historic rates prevailing on the date of issuance

## 14. PROFIT AND LOSS ACCOUNT

| | 52 week period ended 31 December 2010 EUR |
|---|---|
| At 31 December 2009 | (42,241,177) |
| Loss of the period | (6,897,159) |
| **At 31 December 2010** | **(49,138,336)** |

## 15. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER'S DEFICIT

| | 52 week period ended 31 December 2010 EUR |
|---|---|
| Loss for the period | (6,897,159) |
| Net increase in shareholder's deficit | (6,897,159) |
| Opening shareholder's deficit | (32,188,126) |
| Closing shareholder's deficit | **(39,085,285)** |

## 16. FINANCIAL RISK MANAGEMENT

The company is exposed to financial risk through its financial assets and liabilities Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the most important components of financial risk the directors consider relevant to the company are interest rate risk, credit risk and liquidity risk

### a. Interest rate risk

Interest rate risk primarily result from exposures to changes in interest rates The company manages its interest rate risk by entering into interest rate cap contracts as appropriate to the circumstances of the company

### b. Credit risk

The company is exposed to credit risk though a fellow subsidiary undertaking The company together with its fellow subsidiary undertaking manages the underlying credit risk by reviewing the repayment profile of the external counterparties If a counterparty fails to perform under its contractual obligation any underlying collateral against which the assets are secured, may be foreclosed by its fellow subsidiary undertaking

### c. Liquidity risk

The company's principal objective is to be able to fund itself and to enable its core business to generate revenue under adverse circumstances and as a result has entered into an arrangement with its principal creditor pursuant to which the company, together with fellow group subsidiary undertakings, is jointly and severally liable for certain debts owed by the others

## 17. ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS

The immediate parent undertaking and the parent undertaking of the smallest group for which consolidated financial statements are prepared is GS European Opportunities Fund B V , a company registered in the Netherlands

The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc , a company incorporated within the United States of America Copies of its accounts can be obtained from 200 West Street, New York, NY 10282, United States of America the group's principal place of business