Company Registration Number: 2013548

FINANCE FOR HOME LOANS (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 30 September 2007

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DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 30 September 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is a wholly owned subsidiary of The Paragon Group of Companies PLC ('the Group') The Company acts as a holding company The principal activity of the group continued to be the provision of mortgage loans secured on residential properties within the United Kingdom The movements on fixed asset investments are as detailed in note 4

The Company did not trade in either the current or the preceding year and, accordingly, no profit and loss account has been prepared

The balance sheet on page 5 of the financial statements shows the Company's financial position at the year end Net assets have decreased due to an interim dividend being paid during the year Details of amounts owed from other group companies are shown in note 5

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

INDEPENDENT FUNDING AND OPERATING ARRANGEMENTS

The consolidated financial statements of The Paragon Group of Companies PLC for the year ended 30 September 2007, approved by the Group directors on 22 November 2007, indicated a material uncertainty relating to Group funding arrangements and in particular a proposed rights issue The proposed rights issue received shareholder approval on 28 January 2008

Accordingly the directors have concluded that there is no material uncertainty relating to the funding or operations of the Company For this reason the directors consider that the going concern assumption remains appropriate in preparing the financial statements of the Company

PRINCIPAL RISKS AND UNCERTAINTIES

An analysis of the Company's exposure to risk, including financial risk, 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' REPORT (Continued)

DIRECTORS

The directors throughout the year, unless otherwise noted, were
N Keen
R D Shelton

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

A resolution for the re-appointment of Deloitte & Touche 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
Company Secretary
4 April 2008

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 FINANCE FOR HOME LOANS (HOLDINGS) LIMITED

We have audited the financial statements of Finance for Home Loans (Holdings) Limited for the year ended 30 September 2007 which comprise the balance sheet and the related notes 1 to 8 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 2007 and of its result 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 & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom
4 April 2008

BALANCE SHEET

30 September 2007

	Note	2007 £000	2006 £000
ASSETS EMPLOYED			
FIXED ASSETS			
Investments	4	-	36
CURRENT ASSETS			
Debtors	5	3	451
		3	487
FINANCED BY			
SHAREHOLDERS' FUNDS			
Called up share capital	6	1	1
Share premium account	7	2	2
Revaluation reserve	7	-	36
Profit and loss account	7	-	448
		3	487

The financial statements were approved by the Board of Directors on 4 April 2008

Signed on behalf of the Board of Directors

R D Shelton
Director

NOTES TO THE ACCOUNTS

Year ended 30 September 2007

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

Independent funding and operating arrangements

The consolidated financial statements of The Paragon Group of Companies PLC for the year ended 30 September 2007, approved by the Group directors on 22 November 2007, indicated a material uncertainty relating to Group funding arrangements and in particular a proposed rights issue The proposed rights issue received shareholder approval on 28 January 2008

Accordingly the directors have concluded that there is no material uncertainty relating to the funding or operations of the Company For this reason the directors consider that the going concern assumption remains appropriate in preparing the financial statements of the Company

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of investments in subsidiaries

Investment in subsidiaries

The company's investments in subsidiary companies are valued by the directors at the company's share of the book value of their underlying net tangible assets

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 and its accounts are publicly available

Cashflow statement

The Company has taken advantage of the exemption granted by Financial Reporting Standard 1 - 'Cashflow Statements' and does not therefore provide a cashflow statement as it is a wholly owned subsidiary of The Paragon Group of Companies PLC whose accounts are publicly available

Consolidated accounts

The company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare group financial statements, being a wholly-owned subsidiary undertaking of The Paragon Group of Companies plc

2. FINANCIAL RISK MANAGEMENT

The Company's primary financial assets and liabilities are with other group companies, therefore the directors do not consider that the Company is exposed to any significant cashflow, credit or liquidity risks

3. PROFIT AND LOSS ACCOUNT

None of the directors received any remuneration from the company during either the current or preceding years

The only employees during the year or the preceding year were the directors as disclosed on page 2

The Company's audit fee for the current and prior years of £1,000 (2006 £1,000) was paid by the ultimate parent company, The Paragon Group of Companies PLC

NOTES TO THE ACCOUNTS

Year ended 30 September 2007

4. INVESTMENTS

	2007 £000	2006 £000
Shares in subsidiary companies		
Valuation		
At 1 October and 30 September	36	36
Disposal	(36)	-
	-	36
Cost		
At 1 October 2006 and 30 September 2007	13	13

The company holds 100% of the issued share capital of all of the following companies which consists wholly of ordinary shares All of the companies are dormant

NHL First Funding Corporation Limited
NHL Second Funding Corporation Limited
NHL Third Funding Corporation Limited
NHL Fourth Funding Corporation Limited

All of the subsidiary companies are registered in England and Wales

In the opinion of the directors the value of the above investments are not less than the amount shown above

5. DEBTORS

	2007 £000	2006 £000
Amounts falling due within one year		
Amounts owed by Group companies	3	451

NOTES TO THE ACCOUNTS

Year ended 30 September 2007

6. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Equity share capital		
Authorised, allotted and fully paid		
100 ordinary shares of £1 each	100	100
400 preferred ordinary shares of £1 each	400	400
500 5% non-cumulative preference shares of £1 each	500	500
	1,000	1,000

Preference shareholders rank equally with the preferred ordinary shareholders on the payment of a dividend The preference shareholders are paid a non-cumulative dividend of 5% per annum

On a winding up, the preference shareholders are entitled,
i) to repayment of capital in priority to ordinary shareholders, but after preferred ordinary shareholders have been repaid their capital plus a premium of £3 per share, and
ii) to 25% of the value of the share premium account at the date of the winding up

Preference shareholders have no right to attend or vote at the general meetings unless the resolutions proposed affect them

7. STATEMENT OF MOVEMENT ON RESERVES AND SHAREHOLDERS' FUNDS

	Share Capital £000	Share Premium Account £000	Revaluation Reserve £000	Profit and Loss Account £000	Total £000
Balance at 1 October 2006	1	2	36	448	487
Result for the financial year	-	-	-	-	-
Dividend	-	-	-	(448)	(448)
Revaluation reserve (note 4)	-	-	(36)	-	(36)
Balance 30 September 2007	1	2	-	-	3

An interim dividend of £0 05 (2006 £nil) per preference share and £896 95 (2006 £nil) per ordinary share was paid No final dividend is proposed (2006 £nil)

8 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