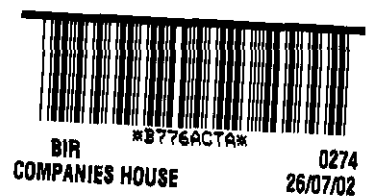


**Company Registration No : 2157163**

**PARAGON SALVAGE RECOVERY (No 1) LIMITED**  
**(formerly NHL Construction Limited)**

**Report and Financial Statements**

**Year ended 30 September 2001**



**PARAGON SALVAGE RECOVERY (No 1) LIMITED**  
**(formerly NHL Construction Limited)**

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year to 30 September 2001.

**ACTIVITIES AND FUTURE PROSPECTS**

The principal activity of the company during the year was the administration and collection of a portfolio of unsecured arrears loans.

The company changed its name to Paragon Salvage Recovery (No 1) Limited on 17 January 2002.

The directors consider that the company has performed as well as they would have expected given the current economic climate. The directors consider that the company will continue to perform a key role in the group's operations.

**RESULTS**

The results for the year are shown in the profit and loss account on page 5.

No interim dividend (2000: £nil) was paid during the year. The directors propose the payment of a final dividend of £2,600,000 (2000: £nil). The retained loss of £153,000 (2000: profit of £229,000) has been transferred from reserves.

**DIRECTORS**

The directors throughout the year, unless otherwise noted, were :-

N Keen  
R D Shelton

N Keen is a director of the ultimate parent company. Accordingly his interests in the shares of group companies are disclosed in that company's directors' report.

R D Shelton is an employee of The Paragon Group of Companies PLC, and had beneficial interests in the ordinary share capital of that company under share option schemes as follows :

Director	Options at 30 September 2000	Options granted in the year	Options exercised in the year	Options lapsed / cancelled in the year	Options at 30 September 2001
R D Shelton	275,263	-	-	-	275,263

**PARAGON SALVAGE RECOVERY (No 1) LIMITED**  
**(formerly NHL Construction Limited)**

**DIRECTORS' REPORT (continued)**

**DIRECTORS (continued)**

No director had any interest in the shares of the company or of other group companies either during or after the end of the year.

No director had any interest either during or at the end of the year in any material contract or arrangement with the company. No director had a service contract with the company.

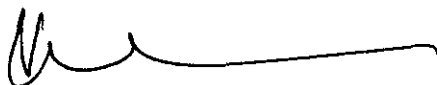
**CREDITOR PAYMENT POLICY**

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**

A resolution for the reappointment of Deloitte & Touche as 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



John Gemmell  
Secretary  
19 July 2002

**PARAGON SALVAGE RECOVERY (No 1) LIMITED**  
**(formerly NHL Construction Limited)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
*in relation to Financial Statements*

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The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year. As required, in the absence of any circumstances which would make it inappropriate, the financial statements have been prepared on a going concern basis.

The directors consider that in preparing the financial statements (on pages 5 to 9), the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**PARAGON SALVAGE RECOVERY (No 1) LIMITED**  
**(formerly NHL Construction Limited)**

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF PARAGON SALVAGE RECOVERY (No 1) LIMITED**

We have audited the financial statements of Paragon Salvage Recovery (No 1) Limited for the year ended 30 September 2001 which comprise the profit and loss account, the statement of movement in shareholders' funds, the balance sheet and the related notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of Opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements 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 of the state of the company's affairs as at 30 September 2001, and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte Touche*

Deloitte & Touche  
Chartered Accountants and  
Registered Auditors  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN

*25* July 2002

**PARAGON SALVAGE RECOVERY (No 1) LIMITED**  
(formerly NHL Construction Limited)

**PROFIT AND LOSS ACCOUNT**

**Year ended 30 September 2001**

	<b>Note</b>	<b>2001 £'000</b>	<b>2000 £'000</b>
Other operating income	2	2,219	354
Operating expenses		-	(15)
Operating profit, being profit on ordinary activities before taxation		2,219	339
Taxation credit / (charge) on profit on ordinary activities	4	228	(110)
Profit on ordinary activities after taxation		2,447	229
Dividend	5	(2,600)	-
Retained (loss) / profit on ordinary activities after taxation	8	(153)	229

**STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>£'000</b>	<b>£'000</b>
Profit attributable to shareholders	2,447	-
Dividends	(2,600)	-
Net movement in shareholders' funds	(153)	-
Opening shareholders' funds	229	229
Closing shareholders' funds	76	229

All material activities derive from continuing operations.

There are no recognised gains or losses other than the profits for the current and the preceding years.

**PARAGON SALVAGE RECOVERY (No 1) LIMITED**  
(formerly NHL Construction Limited)

**BALANCE SHEET**

**30 September 2001**

	Note	£'000	2001 £'000	£'000	2000 £'000
<b>ASSETS EMPLOYED</b>					
<b>CURRENT ASSETS</b>					
Debtors falling due within one year	6		<u>3,323</u>		<u>1,016</u>
<b>FINANCED BY</b>					
<b>EQUITY SHAREHOLDERS' FUNDS</b>					
Called up share capital	7	-		-	
Profit and loss account	8	<u>76</u>		<u>229</u>	
			76		229
<b>CREDITORS</b>					
Amounts falling due within one year	9		<u>3,247</u>		<u>787</u>
			<u>3,323</u>		<u>1,016</u>

These financial statements were approved by the Board of Directors on 19 July 2002.

Signed on behalf of the Board of Directors.



R D Shelton  
Director

**PARAGON SALVAGE RECOVERY (No 1) LIMITED**  
**(formerly NHL Construction Limited)**

**NOTES TO THE ACCOUNTS**

**Year ended 30 September 2001**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting Convention**

The financial statements are prepared under the historical cost convention.

**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.

**2. OTHER OPERATING INCOME**

Income is recognised on receipt from the borrowers. Other operating income also includes changes in the valuation of the loans held.

**3. DIRECTORS AND EMPLOYEES**

Neither of the directors received any remuneration from the company during either the current or the preceding year.

There were no other employees during either current or preceding year.

**4. TAXATION CHARGE**

	2001 £'000	2000 £'000
U K corporation tax at 30% (2000 : 30%) based on the profit for the year		
Current		
Corporation tax	(666)	(110)
Writeback of ACT previously written off	894	-
	<u>228</u>	<u>(110)</u>



**PARAGON SALVAGE RECOVERY (No 1) LIMITED**  
(formerly NHL Construction Limited)

**NOTES TO THE ACCOUNTS**

**Year ended 30 September 2001**

**5. DIVIDEND**

No interim dividend was paid during the year. A final dividend of £1.3m per share is proposed (2000 : £nil).

**6. DEBTORS**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year :		
Other debtors	2,873	1,016
Tax debtors	450	-
	<u>3,323</u>	<u>1,016</u>

**7. CALLED UP SHARE CAPITAL**

	<b>£</b>	<b>£</b>
Authorised :		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted :		
2 ordinary shares of £1 each (fully paid)	<u>2</u>	<u>2</u>

**8. RESERVES**

	<b>Profit and Loss Account £'000</b>
Balance at 1 October 2000	229
Retained loss for the year	<u>(153)</u>
Balance at 30 September 2001	<u>76</u>

**PARAGON SALVAGE RECOVERY (No 1) LIMITED**  
**(formerly NHL Construction Limited)**

**NOTES TO THE ACCOUNTS**

**Year ended 30 September 2001**

**9. CREDITORS**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year :		
Amounts owed to group companies	3,247	677
Corporation tax	-	110
	<u>3,247</u>	<u>787</u>

**10. ULTIMATE PARENT COMPANY**

The company's 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.