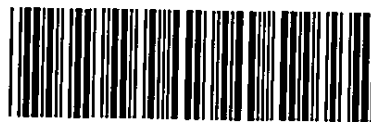


NHL (3) SECURITIES LIMITED

Report and Financial Statements

Year ended 30 September 2011

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DIRECTORS' REPORT

The directors present their Annual Report and the audited Financial Statements of NHL (3) Securities Limited ('the Company'), registration no 2637496, for the year ended 30 September 2011

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is a wholly owned subsidiary of The Paragon Group of Companies PLC ('the Group') The principal activity of the Company was the provision of mortgage loans secured by first charges over residential properties within the United Kingdom

The Company's profit and loss account is shown on page 5 The result after tax has fallen from a retained profit of £236,000 to a retained loss of £23,000.

The balance sheet on page 6 of the Financial Statements shows the Company's financial position at the year end Net assets have decreased due to the retained loss for the year Details of amounts owed from other group companies are shown in note 7

On 29 May 2012 the share capital of the Company was reduced to £12 in line with section 641 (1) (a) of the Companies Act 2006

The directors recommend no final dividend (2010 £nil) which, given the interim dividend of £nil per share (2010 4 55 pence per share), means a total dividend for the year of £nil per share (2010 4 55 pence per share)

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'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 cash flow, credit or liquidity risks

After considering the above, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the Financial Statements

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

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

DIRECTORS' REPORT (CONTINUED)

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

No notice from members under section 488 of the Companies Act 2006 having been received, the directors intend that the auditors, Deloitte LLP, shall be deemed to be reappointed in accordance with section 487(2) of the Act

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

A handwritten signature in black ink, consisting of a stylized 'J' followed by a long horizontal line.

J G Gemmell

Secretary,

1 June 2012

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, and
- 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NHL (3) SECURITIES LIMITED

We have audited the Financial Statements of NHL (3) Securities Limited for the year ended 30 September 2011 which comprise the profit and loss account, the statement of movement in shareholders' funds, the balance sheet and the related notes 1 to 11. 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).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of Directors' Responsibilities, 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 (APB's) Ethical Standards for Auditors.

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 September 2011 and of its loss for the year 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.

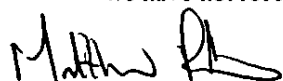
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in 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.



Matthew Perkins (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Birmingham, United Kingdom

1 June 2012

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2011

	Note	2011 £000	2010 £000
Interest receivable and similar income	3	-	327
Operating expenses		(23)	-
Operating (loss) / profit, being (loss) / profit on ordinary activities before taxation	5	(23)	327
Tax on (loss) / profit on ordinary activities	6	-	(91)
(Loss) / profit on ordinary activities after taxation	9	(23)	236

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

STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS

YEAR ENDED 30 SEPTEMBER 2011

	2011 £000	2010 £000
(Loss) / profit for the financial year	(23)	236
Dividend paid	-	(275)
Net movement in shareholders' funds	(23)	(39)
Opening shareholders' funds	6,285	6,324
Closing shareholders' funds	6,262	6,285

BALANCE SHEET

30 SEPTEMBER 2011

	Note	£000	2011 £000	£000	2010 £000
ASSETS EMPLOYED					
CURRENT ASSETS					
Debtors falling due within one year	7		6,262		6,377
FINANCED BY					
SHAREHOLDERS' FUNDS					
Called up share capital	8	6,012		6,012	
Profit and loss account	9	250		273	
			6,262		6,285
CREDITORS					
Amounts falling due within one year	10		-		92
			6,262		6,377

These Financial Statements were approved by the Board of Directors on 1 June 2012

Signed on behalf of the Board of Directors



R D Shelton

Director

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2011

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 years. The Financial Statements have been prepared on a going concern basis as described in the Directors' Report.

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 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.

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 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 cash flow, credit or liquidity risks.

3. INTEREST RECEIVABLE

Interest receivable includes £nil (2010: £327,000) in respect of interest received on loans to other group companies.

4. DIRECTORS AND EMPLOYEES

Directors' received no remuneration for the services provided to the Company during either the current or the preceding year.

The Company had no employees in the current or preceding year. All administration is performed by employees of the Group. The directors of the Company are all employed by Paragon Finance PLC, a fellow group company, and their remuneration is disclosed within the financial statements of that company, which do not form part of this Report.

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

The Company's audit fee of £1,000 (2010: £1,000) was paid by the ultimate parent company, The Paragon Group of Companies PLC. 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 to non-audit services in these Financial Statements has been taken.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2011

6 TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

a) Tax charge for the year

	2011 £000	2010 £000
Current tax		
Corporation tax	-	92
Prior year credit	-	(1)
	<u>-</u>	<u>91</u>

b) Factors affecting the current tax charge

	2011 £000	2010 £000
(Loss) / profit before tax	(23)	327
UK corporation tax at 27% (2010 28%) based on the (loss) / profit for the year	(6)	92
Effects of		
Expenses not deductible for tax purposes	6	-
Prior year credit	-	(1)
	<u>-</u>	<u>91</u>

During the year ended 30 September 2010 the United Kingdom Government enacted provisions reducing the standard rate of corporation tax from 28% to 27% with effect from 1 April 2011. During the year ended 30 September 2011 it enacted further provisions reducing the rate to 26% with effect from 1 April 2011 and 25% from 1 April 2012. In the 2012 Budget, issued on 21 March 2012, the Chancellor announced that the main rate of corporation tax would be further reduced to 24% with effect from 1 April 2012, with further annual 1% rate reductions down to 22% by 1 April 2014. As these future rate reductions had not been enacted at the balance sheet date, they have not been reflected in these financial statements. The effect of these tax rate reductions will be accounted for in the period they are substantively enacted.

Therefore the standard rate of corporation tax applicable to the Company for the year ended 30 September 2011 is 27% and the rate is expected to be 25% in the year ending 30 September 2012.

7. DEBTORS

	2011 £000	2010 £000
Amounts falling due within one year		
Amounts due from group companies	6,262	6,377

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

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2011

8. CALLED UP SHARE CAPITAL

	2011	2010
	£	£
Allotted		
6,000,000 ordinary shares of £1 each (fully paid)	6,000,000	6,000,000
50,000 ordinary shares of £1 (25p called up and paid)	12,500	12,500
	<u>6,012,500</u>	<u>6,012,500</u>

On 29 May 2012 the share capital of the Company was reduced to £12 in line with section 641 (1) (a) of the Companies Act 2006

9. PROFIT AND LOSS ACCOUNT

	£000
At 1 October 2009	312
Profit for the financial year	236
Dividend paid	(275)
At 30 September 2010	<u>273</u>
Loss for the financial year	(23)
At 30 September 2011	<u>250</u>

An interim dividend of £nil per share was paid during the year (2010 4.55 pence per share) No final dividend is proposed (2010 £nil)

10. CREDITORS

	2011	2010
	£000	£000
Amounts falling due within one year		
Corporation tax	<u>-</u>	<u>92</u>

11. ULTIMATE PARENT COMPANY

The smallest and largest group into which the Company is consolidated, and 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