

MOORGATE SERVICING 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 Moorgate Servicing Limited ('the Company'), registration no 3303751, for the year ended 30 September 2011

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is a subsidiary of The Paragon Group of Companies PLC ('the Group'). The Company acts as a holding company. The movements on fixed assets investments are as detailed in note 7 and these comprise the holdings in other group companies.

As shown in the Company's profit and loss account on page 5, profit on ordinary activities after taxation has decreased from £2,000,000 to £780,000.

The balance sheet on page 6 of the Financial Statements shows the value of investments the Company currently holds. Details of amounts owed from and to other group companies are shown in notes 8 and 11.

The directors recommend no final dividend (2010: £nil) which, given the interim dividend of £350,000 per share (2010: £1,000,000 per share), means a total dividend for the year of £350,000 per share (2010: £1,000,000 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.

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. This is further supported by the Group holding sufficient cash resources to support the Company's obligations as they fall due. 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, appearing to be 'J G Gemmell', with a long horizontal stroke extending to the right.

J G Gemmell

Secretary,

29 February 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 year. 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 MOORGATE SERVICING LIMITED

We have audited the Financial Statements of Moorgate Servicing 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 12. 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 profit 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

29 February 2012

MOORGATE SERVICING LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 SEPTEMBER 2011**

	Note	2011 £000	2010 £000
Interest payable and similar charges	3	(164)	-
Net interest income		(164)	-
Income from shares in group undertakings		900	2,000
Operating profit, being profit on ordinary activities before taxation	5	736	2,000
Tax on profit on ordinary activities	6	44	-
Profit on ordinary activities after taxation	10	780	2,000

All activities derive from continuing operations

There are no recognised gains or losses, other than the profit for the current and preceding years

STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS**YEAR ENDED 30 SEPTEMBER 2011**

	2011 £000	2010 £000
Profit attributable to shareholders	780	2,000
Dividend paid	(700)	(2,000)
Net movement in shareholders' funds	80	-
Opening shareholders' funds	-	-
Closing shareholders' funds	80	-

MOORGATE SERVICING LIMITED

BALANCE SHEET

30 SEPTEMBER 2011

	Note	£000	2011 £000	£000	2010 £000
ASSETS EMPLOYED					
FIXED ASSETS					
Investments	7		3,014		3,014
CURRENT ASSETS					
Debtors falling due within one year	8		731		-
			<u>3,745</u>		<u>3,014</u>
FINANCED BY					
SHAREHOLDERS' FUNDS					
Called up share capital	9	-		-	
Profit and loss account	10	80		-	
			<u>80</u>		<u>-</u>
CREDITORS					
Amounts falling due within one year	11		3,665		3,014
			<u>3,745</u>		<u>3,014</u>

These Financial Statements were approved by the Board of Directors on 29 February 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 year and the preceding year. 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.

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 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, the accounts of which are publicly available.

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.

Consolidated accounts

The Company is exempt under Section 400 of the Companies Act 2006 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 cash flow, credit or liquidity risks.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £000	2010 £000
Interest payable to group companies	164	-

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 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.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2011

5. OPERATING PROFIT, BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £000	2010 £000
Operating profit is after receiving		
Dividend income	900	2,000

The Company's audit fee for the current year 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.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Tax credit for the year

	2011 £000	2010 £000
Current tax		
Group relief	(44)	-

b) Factors affecting the current tax credit

	2011 £000	2010 £000
Profit before tax	736	2,000
UK corporation tax at 27% (2010 28%) based on the profit for the year	199	540
Effects of		
Intragroup dividends	(243)	(540)
	(44)	-

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. 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 25.5% in the year ending 30 September 2012 and 25% thereafter.

The Government has announced its intention to make further reductions in the rate of corporation tax in future years. The effect of any such changes on deferred tax balances will be accounted for in the period in which any such changes are enacted.

MOORGATE SERVICING LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2011

7. INVESTMENTS

	2011 £000	2010 £000
Shares in group companies		
Cost		
Balance at 01 October 2010	3,014	3,013
Additions	-	1
Balance at 30 September 2011	<u>3,014</u>	<u>3,014</u>

The Company holds 100% of issued share capital of all of the following companies which consists wholly of ordinary shares

Moorgate Loan Servicing Limited

Redbrick Survey and Valuation Limited

First Resolution Limited

Moorgate Asset Administration Limited

All of the above companies are registered in England and Wales

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

8. DEBTORS

	2011 £000	2010 £000
Amounts falling due within one year		
Amounts due from group companies	<u>731</u>	<u>-</u>

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

9. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Allotted		
2 ordinary shares of £1 each (fully paid)	<u>2</u>	<u>2</u>

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2011

10. PROFIT AND LOSS ACCOUNT

	£000
At 1 October 2009	-
Profit for the financial year	2,000
Dividend paid	(2,000)
At 30 September 2010	-
Profit for the financial year	780
Dividend paid	(700)
At 30 September 2011	80

An interim dividend of £350,000 per share was paid during the year (2010 £1,000,000 per share) No final dividend is proposed (2010 £nil)

11. CREDITORS

	2011 £000	2010 £000
Amounts falling due within one year		
Amounts due to group companies	3,665	3,014

12. 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