

**PARAGON MORTGAGES (NO. 1) PLC**

**Interim Accounts**

**11 Months ended 31 August 2007**

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## PARAGON MORTGAGES (NO.1) PLC

### PROFIT AND LOSS ACCOUNT

Period ended 31 August 2007

	Note	£000
Other operating income		100
Operating expenses		-
Operating profit, being profit on ordinary activities before taxation		<u>100</u>
Tax on profit on ordinary activities		(30)
Profit on ordinary activities after taxation	5	<u><u>70</u></u>

All activities derive from continuing operations

### STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS


	£000
Profit attributable to shareholders	70
Opening shareholders' funds	<u>52</u>
Closing shareholders' funds	<u><u>122</u></u>

**PARAGON MORTGAGES (NO.1) PLC****BALANCE SHEET****31 August 2007**

	Note	£000	£000
<b>ASSETS EMPLOYED</b>			
<b>CURRENT ASSETS</b>			
Debtors falling due within one year	3	376	
Cash at bank		7	
		<u>          </u>	383
			<u>          </u>
			<u>          </u>
<b>FINANCED BY</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Called up share capital	4	13	
Profit and loss account	5	109	
		<u>          </u>	122
<b>CREDITORS</b>			
Amounts falling due within one year	6		261
			<u>          </u>
			<u>          </u>
			<u>          </u>

These interim accounts were approved by the Board of Directors on 27 September 2007

Signed on behalf of the Board of Directors



J G Gemmell  
Director

# NOTES TO THE INTERIM ACCOUNTS

Period ended 31 August 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 period.

### Accounting Convention

The financial statements are prepared under the historical cost convention.

### Corporation Tax

Current tax, including UK corporation, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

### Deferred purchase consideration

Deferred purchase consideration is recognised in the period in which it is received.

## 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. DEBTORS

	£000
Amounts falling due within one year	
Amounts due from Group companies	376
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## 4. CALLED UP SHARE CAPITAL

	2006 £
Authorised	
26 'A' ordinary shares of £1 each	26
74 'B' ordinary shares of £1 each	74
49,900 preference shares of £1 each	49,900
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	50,000
Allotted and paid up	
26 'A' ordinary shares of £1 each (25p called up and paid)	7
72 'B' ordinary shares of £1 each (25p called up and paid)	18
2 'B' ordinary shares of £1 each (fully paid)	2
49,900 preference shares of £1 each (25p called up and paid)	12,475
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	12,502
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The Preference Shares carry the right to receive a non-cumulative preferential dividend at the rate of 5% per annum on the capital for the time being paid up on them. On a winding-up the Preference Shares carry the right to the repayment of the capital paid up on them. The Preference Shares also carry the right to receive notice of, to attend and to vote at any general meeting of the Issuer.

NOTES TO THE INTERIM ACCOUNTS

Period ended 31 August 2007

4. CALLED UP SHARE CAPITAL (CONTINUED)

The 'A' Ordinary Shares carry the right to receive, in priority to any dividend payable in respect of the 'B' Ordinary Shares but subject to the preferential dividend referred to above, a dividend set by reference to LIBOR on the capital for the time being paid up on them. On a winding up the 'A' Ordinary Shares carry the right to the repayment of the capital paid up on them. The 'A' Ordinary Shares carry no right to receive notice of or to attend or to vote at any general meeting of the Issuer except in the case of any resolution affecting the rights of the 'A' Ordinary Shares.

Subject to satisfaction in full of any dividend payable in respect of the Preference Shares and the 'A' Ordinary Shares, the 'B' Ordinary Shares carry the right to receive a dividend. On a winding up the 'B' Ordinary Shares carry the right to the payment of the capital paid up on them and, subject to the payment in full of the capital paid up on all shares in the capital of the Issuer, to receive all surplus assets. The 'B' Ordinary Shares carry the right to receive notice of, to attend and to vote at any general meeting of the Issuer.

5. RESERVES

	Profit and Loss Account £000
Balance at 1 October 2006	39
Profit for the period	70
Balance at 31 August 2007	<u>109</u>

6. CREDITORS

	£000
Amounts falling due within one year	
Amount due to group companies	231
Corporation Tax	30
	<u>261</u>