Company Registration No: 4513176

PARAGON MORTGAGES (NO. 9) PLC

Report and Financial Statements

Year ended 30 September 2005

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2005.

ACTIVITIES AND FUTURE PROSPECTS

The company commenced trading on 19 July 2005, when the company issued floating rate notes and used the proceeds to purchase mortgage loans from fellow group companies.

The principal activity of the company is the provision of mortgage loans secured by first charges over residential properties within the United Kingdom. The directors consider that the company has performed satisfactorily and will continue to do so given the prevailing economic climate.

RESULTS

The results for the year are shown in the profit and loss account on page 5. The directors do not propose a final dividend (2004: £nil). The retained profit of £140,000 (2004: £nil) has been transferred to reserves.

DIRECTORS

The directors throughout the year and subsequently were:
N Keen
R D Shelton
J G Gemmell
A Mehmet (appointed 13 June 2005)
J P J Fairrie (appointed 13 June 2005)

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

R D Shelton, J G Gemmell and A Mehmet are employees 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 2004	Options granted in the period	Options exercised in the period	Options at 30 September 2005
R D Shelton	332,597	14,352	81,307	265,642
J G Gemmell	265,381	14,352	16,000	263,733
A Mehmet	149,470	20,811	90,000	80,281

At 30 September 2005 J G Gemmell beneficially held 8,967 (2004: 8,967) ordinary shares and R D Shelton held 55,651 (2004: 18,725) ordinary shares in that company.

Interest of directors in shares of the holding company under the Paragon Performance Share Plan:

Director	Share plan at 30 September 2004	Share plan awarded in the year	Share plan exercised in the year	Share plan at 30 September 2005
R D Shelton	30,143	13,324	-	43,467
J G Gemmell	31,844	13,324	-	45,168
A Mehmet	48,814	19,320	-	68,134

Interest of the directors in shares of the holding company under the Paragon Deferred Bonus Scheme:

Director	As at 30 September 2004	Granted during the year	Exercised during the year	As at 30 September 2005
R D Shelton	3,592	3,812	-	7,404
J G Gemmell	3,592	4,252	-	7,844

Under the Deferred Bonus Scheme the shares awarded will be transferred to J G Gemmell and R D Shelton as soon as is reasonably practical after 1 October 2006.

DIRECTORS' REPORT (CONTINUED)

No other director had any interest in the shares of the Company or of other group companies either during or after the end of the year. None of the directors had any interest either during or at the end of the year in any material contract or arrangement with the company. None of the directors 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 to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the Annual General Meeting.

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

J G Gemmell
Secretary,
27 January 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES
in relation to Financial Statements

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 15), 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PARAGON MORTGAGES (NO. 9) PLC

We have audited the financial statements of Paragon Mortgages (No. 9) PLC for the year ended 30 September 2005 which comprise the profit and loss, the balance sheet, the statement of movement in shareholders' funds and the related notes 1 to 12. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of 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 reports if we become aware of any apparent misstatements.

Basis of audit 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham
27 January 2006

PROFIT AND LOSS ACCOUNT

Year ended 30 September 2005

	Note	2005 £'000	2004 £'000
Interest receivable			
Mortgages		8,162	-
Other		243	-
		8,405	-
Interest payable and similar charges	2	(7,565)	-
Net interest income		840	-
Other operating income		59	-
Total operating income		899	-
Operating expenses		(684)	-
Provisions for losses		(15)	
Operating profit, being profit on ordinary activities before taxation	4	200	-
Taxation	5	(60)	-
Retained profit after taxation	9	140	-

STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£'000	£'000
Profit attributable to shareholders	140	-
Net movement in shareholders' funds	140	-
Opening shareholders' funds	12	12
Closing shareholders' funds	152	12

All activities derive from continuing operations.

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

BALANCE SHEET
30 September 2005

	Note		2005 £'000		2004 £'000
ASSETS EMPLOYED					
FIXED ASSETS					
Loans to customers	6		682,699		-
CURRENT ASSETS					
Debtors falling due within one year	7	576		12	
Investments		31,000		-	
Cash at bank		6,531		-	
			38,107		12
			720,806		12
FINANCED BY					
EQUITY SHAREHOLDERS' FUNDS					
Called up share capital	8	12		12	
Profit and loss account	9	140		-	
			152		12
CREDITORS					
Amounts falling due within one year	10	12,141		-	
Amounts falling due after more than one year	10	708,513		-	
			720,654		-
			720,806		12

These financial statements were approved by the Board of Directors on 27 January 2006.

Signed on behalf of the Board of Directors

R D Shelton
Director

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

1. ACCOUNTING POLICIES

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

Accounting Convention
The financial statements are prepared under the historical cost convention.

Loans to Customers
Mortgage loans are stated at cost less provision for diminution in value after taking into account the existence of insurances, guarantees and indemnities.

Current assets - Investments
Balances shown as current asset investments in the balance sheet comprise short-term deposits with banks with maturities of more than 7 days and not more than 90 days.

Funding Costs
Initial costs incurred in arranging funding facilities are amortised over the period of the facility. Unamortised initial costs are deducted from drawdowns on the bank loan facility. Costs amortised during the period are included with interest payable.

Financial Instruments
Derivative instruments utilised by the Company comprise interest rate swap and interest rate cap agreements. All such instruments are used for hedging purposes to alter the risk profile of the existing underlying exposure of the company in line with the Group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts. The Company does not enter into speculative derivative contracts.

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.

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 Taxation
Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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.

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

2. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Asset backed loan notes	6,874	-
Internal funding costs	65	-
Interest on fee letter	84	-
Interest rate swap	26	-
Subordinated loan interest	216	-
Amortised issue costs	300	-
	7,565	-

3. DIRECTORS AND EMPLOYEES

Directors' remuneration from the company during the year is stated in note 4.

Three directors exercised share options in the parent company during the year (2004: one directors).

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

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

	£'000	£'000
Operating profit is after charging:		
Directors' fees	1	-
Auditors' remuneration - audit services	7	-
Auditors' remuneration - other services	3	-

5. TAXATION

a) Tax charge for the year

	£'000	£'000
U K corporation tax at 30% (2004: 30%) based on the profit for the year		
Corporation tax	60	-

b) Factors affecting the current tax charge

	£'000	£'000
Profit before tax	200	-
Tax at 30%	60	-

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

6. LOANS TO CUSTOMERS

These comprise mortgage loans secured on residential properties in the United Kingdom.

	2005	2004
	£'000	£'000
Balance at 1 October	-	-
Additions	702,365	-
Other debits	10,265	-
Repayments and redemptions	(29,931)	-
Balance at 30 September	682,699	-

Other debits includes primarily interest receivable on loans outstanding.

7. DEBTORS

	£'000	£'000
Amounts falling due within one year:		
Amount due from group companies	500	-
Prepayments and accrued income	76	12
	576	12

8. CALLED UP SHARE CAPITAL

	£	£
Authorised:		
50,000 ordinary shares of £1 each	50,000	50,000
Allotted:		
49,998 ordinary shares of £1 each (25p called up and paid)	12,500	12,500
2 ordinary shares of £1 each (fully paid)	2	2
	12,502	12,502

9. RESERVES

	Profit and loss account £'000
Balance at 1 October 2004	-
Retained profit for the year	140
Balance at 30 September 2005	140

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

10. CREDITORS

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Amount due to group companies	4,431	-
Corporation Tax	60	
Accruals	7,650	-
	12,141	-

Included with the total accruals is an amount of £725,000 (2004: £nil) due to fellow subsidiaries of The Paragon Group of Companies PLC.

	£'000	£'000
Amounts falling due after more than one year :		
Asset backed loan notes	696,193	-
Intercompany subordinated loan	12,320	-
	708,513	-

All amounts falling due after more than one year fall due after more than five years. Further details of the asset backed loan notes are given in note 11.

11. FINANCIAL INSTRUMENTS

The Company's operations are financed principally by floating rate, asset backed loan notes and, to a lesser extent, by a mixture of share capital and loans from other group companies. The Company issues financial instruments to finance the acquisition of its portfolio of loans to customers and uses derivative financial instruments to hedge interest rate risk arising from fixed rate lending. In addition, various financial instruments, for example debtors, prepayments and accruals, arise directly from the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The board of the Company's holding company reviews and agrees policies for all companies in the Group managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year and since the year end.

Credit risk

The Company acquired mortgages from Paragon Mortgages Limited and Mortgage Trust Services PLC, fellow group companies, which place strong emphasis on good credit management at the time of underwriting new loans.

The acquired mortgages are secured by first charges over residential properties in the United Kingdom. Despite this security, in assessing credit risk an applicant's ability to repay the loan remains the overriding factor in the decision to lend by the originating lender. Additionally, each mortgage has the benefit of one or more life assurance policies and certain mortgages have the benefit of a mortgage guarantee indemnity insurance policy.

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

11. FINANCIAL INSTRUMENTS (continued)

Paragon Finance PLC and Mortgage Trust Services PLC continues to administer the mortgages on behalf of Paragon Mortgages (No. 9) PLC and the collections process is the same as that utilised for all companies in the group.

In order to control credit risk relating to counterparties to the Company's financial instruments, the board of the Company's holding company determines on a group basis, which counterparties the group of companies will deal with, establishes limits for each counterparty and monitors compliance with those limits.

Liquidity risk
The Company's assets are principally financed by the issue of asset backed loan notes. This substantially reduces the Company's liquidity risk by matching the maturity profile of the Company's funding to the profile of the assets being funded. This is possible as investors in the capital markets will accept maturities of anywhere between one month and forty years.

The Mortgage Backed Floating Rate Notes due 2041 are secured over a portfolio of variable rate mortgage loans secured by first charges over residential properties in the United Kingdom.

Each mortgage has the benefit of one or more life assurance policies and certain mortgages have the benefit of a mortgage guarantee indemnity insurance policy. The mortgages were obtained by and purchased from Paragon Mortgages Limited and Mortgage Trust Services PLC, fellow group companies. Paragon Finance PLC and Mortgage Trust Services Limited continues to administer the mortgages on behalf of Paragon Mortgages (No. 9) PLC.

The Notes are subject to mandatory redemption in part on each Interest Payment Date in an amount equal to the principal received or recovered in respect of the mortgages. If not otherwise redeemed or purchased and cancelled, the Notes will be redeemed at their Principal Amount Outstanding on the Interest Payment Date falling in May 2041.

The Class B and C Notes are secured by the same security as secures the Class A Notes but the Class A Notes will rank in priority to the Class B Notes and the Class B Notes will rank in priority to the Class C Notes in the event of the security being enforced.
Interest on the class Aa, Ba and Ca Notes will be payable in sterling. Interest on the Ab, Bb and Cb Notes will be payable in euros. Interest on the Ac Notes will be payable in dollars. Interest on the Notes is payable quarterly in arrears and will be determined by reference (in the case of Aa, Ba and Ca Notes) to the London Interbank Offered Rate, (in the case of the Ab, Bb and Cb Notes) to the Euro Interbank Offered Rate and (in the case of Ac Notes) to the USD LIBOR for three month deposits plus in each case a margin which will differ for each class of note. The margins applicable to each class of Note are as follows :

Rates - Class 'Aa' 0.18% per annum up to and including the interest period ending in May 2010 and thereafter 0.36% per annum.
Class 'Ab' 0.18% per annum up to and including the interest period ending in May 2010 and thereafter 0.36% per annum.
Class 'Ac' 0.18% per annum up to and including the interest period ending in May 2010 and thereafter 0.36% per annum.
- Class 'Ba' 0.29% per annum up to and including the interest period ending in May 2010 and thereafter 0.58% per annum.
Class 'Bb' 0.29% per annum up to and including the interest period ending in May 2010 and thereafter 0.58% per annum.
- Class 'Ca' 0.52% per annum up to and including the interest period ending in May 2010 and thereafter 1.04% per annum.
Class 'Cb' 0.52% per annum up to and including the interest period ending in May 2010 and thereafter 1.04% per annum.

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

11. FINANCIAL INSTRUMENTS (continued)

There is a Subordinated Loan Facility under which an amount was drawn down by the company to establish the First Loss Fund, which is repayable to Mortgage Trust Services PLC and Paragon Loan Finance (No. 2) PLC on the earlier of the last Interest Payment Date in May 2041 or the first day on which there are no Notes outstanding, except that on any Interest Payment Date sums borrowed will be repaid to the extent of any amount released from the First Loss Fund. Interest is payable at the rate of 4% above the London Interbank Offered Rate for three month sterling deposits.

There are no amounts of committed but undrawn facilities at 30 September 2005 and September 2004.

Interest rate risk
The Company's policy is to maintain floating rate liabilities and match these with floating rate assets by the use of interest rate swap or cap agreements.
The rates payable on the asset backed loan notes issued by the Company are reset quarterly on the basis of LIBOR, EURIBOR, USD (as described above). The interest rates charged on the Company's variable rate loan assets are determined by reference to, inter alia, the Company's funding costs and the rates being charged on similar products in the market. Generally this ensures the matching of changes in interest rates on the Company's loan assets and borrowings and any exposure arising on the interest rate resets is relatively short term.

In part, the Company's interest rate hedging objectives are achieved by the controlled mismatching of the dates on which instruments mature, redeem or have their interest rates reset. The table below summarises these repricing mismatches. For the purposes of the table, loan assets, borrowings and derivatives are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity dates. For those fixed rate loan assets where the customer has contracted to make regular repayments of both capital and interest, the assets have been allocated across the time bands in the table by reference to the contracted repayments. The analysis takes no account of early terminations which are likely to occur in practice. In determining the amount of hedging required, the Company makes assumptions about the level of regular capital repayments and early terminations of its loan assets. The actual interest rate sensitivity will therefore be determined by reference to subsequent customer and management decisions and is expected to be less sensitive than shown.

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

11. FINANCIAL INSTRUMENTS (continued)

At 30 September 2005	3 months or less	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Non interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loans to customers	369,839	21,683	28,026	256,251	6,900	-	682,699
Debtors	-	-	-	-	-	576	576
Investments	31,000	-	-	-	-	-	31,000
Cash at bank and in hand	6,531	-	-	-	-	-	6,531
Total assets	407,370	21,683	28,026	256,251	6,900	576	720,806
Shareholders' funds	-	-	-	-	-	(152)	(152)
Asset backed loan notes	(696,193)	-	-	-	-	-	(696,193)
Subordinated loan	(12,320)	-	-	-	-	-	(12,320)
Other liabilities	-	-	-	-	-	(12,141)	(12,141)
Total liabilities	(708,513)	-	-	-	-	(12,293)	(720,806)
Off balance sheet items	282,180	-	(17,800)	(258,280)	(6,100)	-	-
Interest rate repricing gap	(18,963)	21,683	10,226	(2,029)	800	(11,717)	-
Cumulative gap	(18,963)	2,720	12,946	10,917	11,717	-	-

At 30 September 2004	3 months or less	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Non interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Debtors	-	-	-	-	-	12	12
	-	-	-	-	-	12	12
Liabilities							
Shareholders' funds	-	-	-	-	-	(12)	(12)
	-	-	-	-	-	(12)	(12)

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

11. FINANCIAL INSTRUMENTS (continued)

The Company monitors the interest rate risk exposure on its loan assets and asset backed loan notes and ensures compliance with the requirements of the trustees in respect of the notes.

All derivative contracts are accounted for as hedges. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. Set out below is an analysis of these unrecognised gains and losses.

	Gains £'000	Losses £'000	Total net gains/(losses) £'000
Gains and losses arising in the year that were not recognised in the year	96	(1,559)	(1,463)
Unrecognised gains and losses on hedges at 30 September 2005	96	(1,559)	(1,463)
Of which:			
Gains and losses expected to be recognised in the year to 30 September 2006	51	(733)	(682)
Gains and losses expected to be recognised in the year to 30 September 2007 or later	45	(826)	(781)

Fair values of financial assets and financial liabilities

Fair values have been determined for all derivatives, listed securities and any other financial assets and liabilities for which an active market exists. The fair values of cash at bank and in hand, and asset backed loan notes are not materially different from their book values because all the assets mature within 3 months of the year end and the interest rates charged on financial liabilities reset on a quarterly basis.

Set out below is a comparison by category of book values and fair values of the Company's derivative financial instruments as at 30 September 2005 and 30 September 2004.

	2005 Book value £'000	2005 Fair value £'000	2004 Book value £'000	2004 Fair value £'000
Derivative financial instruments held to manage the interest rate profile:				
Swaps	-	(1,463)	-	-

The fair values of the interest rate swaps have been determined by reference to prices available from the markets on which these instruments are traded.

Currency Risk

£310.1m of the 'Asset Backed Loan Notes', are denominated in euros, £33.9m of the 'Asset Backed Loan Notes', are denominated in dollars. As a condition of the issue of these notes, interest rate and currency swaps were put in place for the duration of the borrowing having the effect of converting the liability to a LIBOR linked floating rate sterling borrowing. As a result the company has no material exposure to foreign currency risk.

NOTES TO THE ACCOUNTS

Year ended 30 September 2005

12. 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.