

PARAGON MORTGAGES (NO. 16) PLC

Report and Financial Statements

Year ended 30 September 2010

MONDAY



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DIRECTORS' REPORT

The directors present their Annual Report and the audited Financial Statements of Paragon Mortgages (No 16) PLC ('the Company'), registration no 6352605, for the year ended 30 September 2010

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is a wholly owned subsidiary of The Paragon Group of Companies PLC ('the Group') The Company did not trade in either the current or preceding year and, accordingly, no profit and loss account has been prepared

The balance sheet on page 5 of the Financial Statements shows that the Company's financial position at the year end is in terms of net assets consistent with the prior year

No interim dividend was paid during the year (2009 £nil) No final dividend is proposed (2009 £nil)

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 For this reason, they continue to adopt the going concern basis in preparing the annual accounts

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

A Mehmet (resigned 14 May 2010)

J Fairrie

R G Baker (resigned 30 September 2010)

J A Harvey (appointed 14 May 2010)

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

A resolution for the re-appointment of Deloitte LLP as the 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

A handwritten signature in black ink, appearing to read 'J G Gemmell', followed by a long horizontal line extending to the right.

J G Gemmell

Secretary,

25 February 2011

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,
- 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 PARAGON MORTGAGES (NO. 16) PLC

We have audited the Financial Statements of Paragon Mortgages (No 16) PLC for the year ended 30 September 2010 which comprise the balance sheet and the related notes 1 to 6. 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 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.

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 2010 and of its result 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 Auditors

Birmingham, United Kingdom

25 February 2011

PARAGON MORTGAGES (NO. 16) PLC

BALANCE SHEET

30 SEPTEMBER 2010

	Note	£000	2010 £000	£000	2009 £000
ASSETS EMPLOYED					
CURRENT ASSETS					
Cash at bank			12		12
			<u>12</u>		<u>12</u>
FINANCED BY					
SHAREHOLDERS' FUNDS					
Called up share capital	4	12		12	
Profit and loss account	5	-		-	
			<u>12</u>	<u>-</u>	<u>12</u>

These Financial Statements were approved by the Board of Directors on 25 February 2011

Signed on behalf of the Board of Directors



R D Shelton

Director

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2010

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.

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. PROFIT AND LOSS ACCOUNT

Directors' received no remuneration from 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.

The Company did not trade in either the current or the preceding year and, accordingly, no profit and loss account has been prepared. There are no recognised gains or losses.

The Company's audit fee of £1,000 (2009: £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 of non-audit services in these Financial Statements has been taken.

4. CALLED UP SHARE CAPITAL

	2010 £	2009 £
Allotted and paid up		
50,000 ordinary shares of £1 each (25p called up and paid)	12,500	12,500

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2010

5. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT IN RESERVES

	Share capital	Profit and loss account	Shareholders' funds
	£000	£000	£000
At 1 October 2008	12	-	12
Result for the financial year	-	-	-
At 30 September 2009	12	-	12
Result for the financial year	-	-	-
At 30 September 2010	12	-	12

6. 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