

NHL REVERSIONS LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 30 September 2002



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2002.

ACTIVITIES AND FUTURE PROSPECTS

The principal activity of the company is trading in residential properties. The directors consider the future trading prospects to be good.

RESULTS

The results for the year are shown in the profit and loss account on page 5. No interim dividend was paid during the year (2001: £nil). The directors propose the payment of a final dividend of £165,000 (2001: £261,000). The retained profit of £8,000 (2001: loss of £4,000) has been transferred to reserves.

DIRECTORS

The directors throughout the year, unless otherwise noted, were :-

N Keen
J A Heron
R D Shelton

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

J A Heron and R D Shelton are employees of The Paragon Group of Companies PLC and had the following beneficial interests in the share capital of that company by virtue of options granted to them under the Executive Share Option Scheme.

	At 30 September 2001 Ordinary shares of 10p each	Options granted during the year	Options exercised during the year	Options lapsed/ cancelled in the year	At 30 September 2002 Ordinary shares of 10p each
J A Heron	296,926	140,000	-	-	436,926
R D Shelton	275,263	70,000	-	-	345,263

DIRECTORS' REPORT (continued)

DIRECTORS (continued)

None of the directors have any other interest in the shares of other group companies.

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

Deloitte & Touche have expressed their willingness to continue in office as auditors of the company and a resolution to reappointment them will 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 be 'J G Gemmell', followed by a long horizontal line extending to the right.

J G Gemmell
Company Secretary
23 July 2003

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 10), 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.

N H L REVERSIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NHL REVERSIONS LIMITED

We have audited the financial statements of NHL Reversions Limited for the year ended 30 September 2002 which comprise the profit and loss account, the statement of movement in shareholders' funds, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

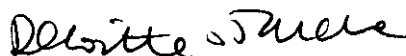
Basis of Opinion

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 2002, and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and
Registered Auditors
Birmingham

24 July 2003

N H L REVERSIONS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 September 2002

	Notes	2002 £'000	2001 £'000
Profit on disposal of interests in property		244	255
Other operating income		2	3
		<u>246</u>	<u>258</u>
Operating expenses		-	(3)
Provision for losses		-	2
		<u>246</u>	<u>257</u>
Operating profit, being profit on ordinary activities before taxation	3	246	257
Tax charge on profit on ordinary activities	4	(73)	-
		<u>173</u>	<u>257</u>
Profit on ordinary activities after taxation		173	257
Dividend	5	(165)	(261)
Retained profit / (loss) for the year	9	<u>8</u>	<u>(4)</u>

STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£'000	£'000
Profit attributable to shareholders	173	257
Dividends	(165)	(261)
	<u>8</u>	<u>(4)</u>
Net movement in shareholders' funds	8	(4)
Opening shareholders' funds	17	21
Closing shareholders' funds	<u>25</u>	<u>17</u>

All material activities derive from continuing operations.

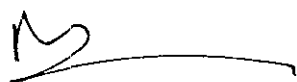
There are no recognised gains or losses other than the profits for the current and the preceding years.

N H L REVERSIONS LIMITED**BALANCE SHEET****30 September 2002**

	Note	2002 £'000	2001 £'000
ASSETS EMPLOYED			
CURRENT ASSETS			
Interests in residential property	6	1,472	1,568
Debtors	7	1	1
Cash at banks and in hand		5	5
		<u>1,478</u>	<u>1,574</u>
FINANCED BY :			
EQUITY SHAREHOLDERS' FUNDS			
Called up share capital	8	-	-
Profit and loss account	9	<u>25</u>	<u>17</u>
		25	17
CREDITORS			
Amounts falling due within one year	10	<u>1,453</u>	<u>1,557</u>
		<u>1,478</u>	<u>1,574</u>

These financial statements were approved by the Board of Directors on 23 July 2003.

Signed on behalf of the Board of Directors



R D Shelton
Director

NOTES TO THE ACCOUNTS

Year ended 30 September 2002

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements have been prepared under the historical cost convention.

Interests in residential property

Interests in residential property are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, arrangement fees and interest which is capitalised from the date of acquisition to the date on which vacant possession is obtained.

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.

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.

2. DIRECTORS AND EMPLOYEES

The directors received no emoluments in either year and the company has no other employees.

No director (2001: 1 director) exercised share options in the ultimate parent company during the year, realising a profit of £nil (2001: £156,000).

NOTES TO THE ACCOUNTS

Year ended 30 September 2002

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001
	£'000	£'000
Profit on ordinary activities before taxation is after charging:		
Auditors' remuneration	<u>-</u>	<u>2</u>

The company's audit fee was paid by The Paragon Group of Companies PLC.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	£'000	£'000
a) Tax charge for the year		
U K corporation tax at 30% (2001: 30%) based on the profit for the year :		
Current	<u>73</u>	<u>-</u>
b) Factors affecting the current tax charge		
Profit before tax	<u>246</u>	<u>257</u>
Tax at 30%	<u>74</u>	<u>77</u>
Group relief received, not paid for	<u>-</u>	<u>(77)</u>
Other adjustments	<u>(1)</u>	<u>-</u>
	<u>73</u>	<u>-</u>

5. DIVIDEND

No interim dividend was paid during the year. A final dividend of £1,650 per share is proposed (2001: £2,610).

6. INTERESTS IN RESIDENTIAL PROPERTY

	£'000	£'000
Interests in residential property	<u>1,472</u>	<u>1,568</u>

Interests in residential property includes capitalised interest arising on a loan from a group company of £659,000 (2001: £715,000).

NOTES TO THE ACCOUNTS

Year ended 30 September 2002

7. DEBTORS

	2002	2001
	£'000	£'000
Amounts falling due within one year:		
Other debtors	<u>1</u>	<u>1</u>

8. CALLED UP SHARE CAPITAL

	Authorised	Allotted and
	£	fully paid
		£
At 30 September 2002 and 1 October 2001:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

9. RESERVES

	Profit & Loss
	Account
	£'000
Balance carried forward at 1 October 2001	17
Retained profit for the year	<u>8</u>
Balance carried forward at 30 September 2002	<u>25</u>

10. CREDITORS

	2002	2001
	£'000	£'000
Amounts falling due within one year:		
Amounts owed to group companies	1,379	1,538
Taxation	73	17
Accruals	<u>1</u>	<u>2</u>
	<u>1,453</u>	<u>1,557</u>

NOTES TO THE ACCOUNTS

Year ended 30 September 2002

11. CONTINGENT LIABILITY

The company's terms on acquiring an interest in a residential property provide that the vendor of the interest may remain in occupancy until their death. Once the vendor has died or otherwise vacated the property, the company arranges the property's sale to realise its interest.

In some instances, the company's terms allow that if the vendor vacates the property part of the proceeds of the property's sale that would have been the company's had the vendor died will be repaid to the vendor. The amount to be repaid depends on the original valuation of the property at the time of the company's acquisition of its interest and the time elapsed since the acquisition and as such the potential liability, if any, cannot be quantified.

12. ULTIMATE PARENT COMPANY

The company's 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.