

IDEM CAPITAL HOLDINGS LIMITED

Report and Financial Statements

Year ended 30 September 2023

CAUTIONARY STATEMENT

Sections of this Annual Report, including but not limited to the Directors' Report and the Strategic Report may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of the Idem Capital Holdings Limited ('the Company'). These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance but are not the exclusive means of identifying such statements. These have been made by the directors in good faith using information available up to the date on which they approved this report, and the Company undertakes no obligation to update or revise these forward-looking statements for any reason other than in accordance with its legal or regulatory obligations (including under the UK Market Abuse Regulation).

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Company and depend upon circumstances that may or may not occur in the future that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. There are also a number of factors that could cause actual future financial conditions, business performance, results or developments to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. As a result, you are cautioned not to place reliance on such forward-looking statements as a prediction of actual results or otherwise.

These factors include, but are not limited to: material impacts related to foreign exchange fluctuations; macro-economic activity; the impact of outbreaks, epidemics or pandemics, and the extent of their impact on overall demand for the Company's services and products; potential changes in dividend policy; changes in government policy and regulation (including the monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which the Company operates) and the consequences thereof; actions by the Company's competitors or counterparties; third party, fraud and reputational risks inherent in its operations; the UK's exit from the EU; unstable UK and global economic conditions and market volatility, including currency and interest rate fluctuations and inflation or deflation; the risk of a global economic downturn; acts of terrorism and other acts of hostility or war and responses to, and consequences of those acts; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; general changes in government policy that may significantly influence investor decisions (including, without limitation, actions taken in support of managing and mitigating climate change and in supporting the global transition to net zero carbon emissions); societal shifts in customer financing and investment needs; and other risks inherent to the industries in which the Company operates.

Nothing in this Annual Report should be construed as a profit forecast.

STRATEGIC REPORT**BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

Idem Capital Holdings Limited ('the Company') is a wholly owned subsidiary of Paragon Banking Group PLC ('the Group'). The Company acts as a holding company and operates in the United Kingdom ('UK'). The movements on fixed assets investments are as detailed in note 11 and these comprise the holdings in other group companies. There have been no significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's income statement on page 12, the profit after tax has decreased from £1,972,000 to £1,582,000. This was mainly due a charge on provision for losses on investments compared to a credit in the preceding year.

The balance sheet on page 13 of the Financial Statements shows the value of investments the Company currently holds. As a result of the profit for the year net assets have increased. Details of amounts owed from and to other group companies are shown in notes 13 and 16.

The directors recommend no final dividend (2022: £nil) and interim dividend of £20,000 per share (2022: £10,000 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.

The current year has seen both inflation and interest rates in the UK reach their highest levels for several years, with interest rates at the year end reaching their highest level since April 2008 and cost pressures on both consumers and business increasing. It is considered likely, that this will have an impact on investment levels and credit performance across the SME sector, however the Group has seen relatively minor impacts on its credit to date.

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 Financial Statements.

STRATEGIC REPORT (CONTINUED)**GOING CONCERN**

The performance of the Company is subject to analysis against plan, with key variances being analysed in detail on a monthly basis. The Group has a formalised process of budgeting, reporting and review. The Group's planning procedures forecast its profitability, capital position, funding requirement and cash flows on a company by company basis.

In compiling the most recent forecast, for the period commencing 1 October 2023, particular attention was paid to the potential consequences of the uncertain economic outlook for the UK on the Group's operations, customers, funding and prospects, both in the short and long term. These considerations include elevated levels of interest rates and inflation in the UK, with the ongoing pressures of the cost of living and doing business in the UK, and the wider geopolitical impacts of the conflict in Ukraine. To evaluate these impacts of a number of different scenarios with impacts of varying duration and severity were examined. The economics used in the forecasting process were updated in October 2023 based on updated external projections, consistent with those used in the Group's IFRS 9 impairment provisioning at 30 September 2023.

After considering the Company's position, the economic environment and the forecasts described 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.

BOARD AND STAKEHOLDERS

The Board is mindful of its duty to act in good faith and to promote the long-term sustainable success of the Company for the benefit of its shareholders and to fulfil the Company's purpose, having regard to the interests of all of its stakeholders. The Board confirms that, for the year ended 30 September 2023, it has acted to promote the success of the Company for the benefit of its members as a whole and continues to have due regard to the following matters insofar as they are applicable (as per section 172 (1) of the Companies Act 2006):

- a. The likely consequences of any decision in the long-term
- b. The interests of the Group's employees
- c. The need to foster the Company's business relationships with suppliers, customers and others
- d. The impact of the Company's operations on the community and the environment
- e. The desirability of the Company maintaining a reputation for high standards of business conduct
- f. The need to act fairly as between members of the Company

The principal activity of the Company is to support the business objectives of the Group and therefore, there is substantial common identity between the external non-shareholder stakeholders of the Company and those of the Group.

As a consequence, engagement with external stakeholders takes place at a Group level. The Company looks to Group initiatives for guidance and takes them into account in its decision making. The Company follows Group policies and procedures including those relating to the fair treatment of customers, standards of business conduct, the environment, the community and other stakeholders. More detail may be found in the Paragon Banking Group PLC 2023 Annual Report and Accounts.

STRATEGIC REPORT (CONTINUED)**BOARD AND STAKEHOLDERS (CONTINUED)**

However, in considering items of business, directors of the Company make autonomous decisions on each decision's own merits with a view to promoting the long-term success of the Company, taking into account those factors set out in section 172 of the Companies Act 2006, insofar as they are relevant, and the stakeholders impacted by such decisions. Board meetings are held periodically where the directors consider Company business such as Company results, funding arrangements and dividend payments.

The Board considers and discusses information from across the organisation to help it understand the impact of the Group's operations on the Company, and the interests and views of its key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks and legal and regulatory compliance.

SHAREHOLDERS

The Company is a wholly owned subsidiary of Paragon Banking Group PLC, the ultimate parent company of the Group. The interests of the Company's shareholders thus coincide with those of the shareholders of the Group (s172 (1)(f)).

ENVIRONMENT

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any impacts which might result from the Group's activities. The Company operates in accordance with group policies, which are described in the Paragon Banking Group PLC 2023 Annual Report, which does not form part of this Report. Further information can also be found in the Group's 2023 Responsible Business Report (published on the Paragon Banking Group PLC corporate website), which also 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 the Paragon Banking Group PLC 2023 Annual Report with supplemental information included in the Group's 202 Responsible Business Report, neither of which form part of this Report.

This Strategic Report has been drawn up and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

Approved by the Board of Directors

and signed on behalf of the Board



K G Allen

Director

16 February 2024

DIRECTORS' REPORT

The directors present their Annual Report prepared in accordance with Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the audited Financial Statements of Idem Capital Holdings Limited, a Company registered in England and Wales with registration no: 07737522, for the year ended 30 September 2023.

DIRECTORS

The directors throughout the year and subsequently were:

R J Woodman

D Newcombe

K G Allen

AUDITOR

The directors have taken all reasonable steps to make themselves and the Company's auditor, KPMG LLP, 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 auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 (2) of the Companies Act 2006.

No notice from members under section 488 of the Companies Act 2006 having been received, the directors intend that the auditor, KPMG LLP, shall be deemed to be reappointed in accordance with section 487(2) of the Act.


INFORMATION PRESENTED IN OTHER SECTIONS

Certain information required to be included in a directors' report by the Companies Act 2006 and regulations made there under can be found in the other sections of the Annual Report, as described below. All of the information presented in these sections is incorporated by reference into this Directors' Report and is deemed to form part of this report.

- Commentary on the likely future developments in the business of the Company is included in the Strategic Report.
- A description of the Company's financial risk management objectives and policies, and its exposure to risks arising from its use of financial instruments are set out in note 18 to the accounts.
- Disclosure on any dividends paid during the year is included in the Strategic Report.

Approved by the Board of Directors

and signed on behalf of the Board



K G Allen

Director

16 February 2024

Registered Office: 51 Homer Road, Solihull, West Midlands, B91 3QJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Company 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 they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company's profit or loss for that period. In preparing each of the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant and reliable
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS (CONTINUED)

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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



K G Allen

Director

16 February 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IDEM CAPITAL HOLDINGS LIMITED

Opinion

We have audited the financial statements of Idem Capital Holdings Limited ('the Company') for the year ended 30 September 2023 which comprise the Income Statement, the Balance Sheet, the Statements of Movements in Equity and the related notes 1 to 22, including the accounting policies in note 20.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IDEM CAPITAL HOLDINGS LIMITED (Continued)

Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the high-level policies and procedures of the Paragon Group (of which this company is a part) to prevent and detect fraud, including the Internal Audit function, and the Company's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Group Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Involving our forensics specialists in assessing the completeness and appropriateness of the identified fraud risk factors and associated fraud risks.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue streams are considered non-complex and require limited judgement.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. This included searching for and testing those journals posted and approved by the same user, journals posted to seldom used accounts, unbalanced journal postings and those including specific descriptors.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to other laws and regulations, we did not identify any others where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IDEM CAPITAL HOLDINGS LIMITED (Continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IDEM CAPITAL HOLDINGS LIMITED (Continued)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 auditor's 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.



Michael Davidson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

16 February 2024

INCOME STATEMENT

YEAR ENDED 30 SEPTEMBER 2023

	Note	2023 £000	2022 £000
Interest receivable and similar income	3	1,055	1,755
Interest payable and similar charges	4	(1,320)	(2,065)
Net interest expense		(265)	(310)
Other operating income	5	1,850	2,000
Total operating income		1,585	1,690
Operating expenses	6	(9)	(13)
Provisions for losses	9	(54)	234
Operating profit, being profit on ordinary activities before taxation		1,522	1,911
Tax on profit on ordinary activities	10	60	61
Profit on ordinary activities after taxation		1,582	1,972

The profit for the current and preceding years relate entirely to continuing operations.

There were no other items of comprehensive income in either the current or preceding years.

BALANCE SHEET

30 SEPTEMBER 2023

	Note	2023 £000	2023 £000	2022 £000	2022 £000
ASSETS EMPLOYED					
NON-CURRENT ASSETS					
Investment in subsidiary undertakings	11		22,688		19,280
CURRENT ASSETS					
Other receivables	13		1,619		1,500
Total assets			<u>24,307</u>		<u>20,780</u>
FINANCED BY					
EQUITY SHAREHOLDERS' FUNDS					
Called up share capital	14	-	-	-	-
Reserves		577		995	
Total equity			<u>577</u>	<u>995</u>	995
CURRENT LIABILITIES					
Current tax liabilities	15	-	-	-	-
Other liabilities	16	23,730		19,785	
Total liabilities			<u>23,730</u>	<u>19,785</u>	19,785
Total equity and liabilities			<u>24,307</u>	<u>20,780</u>	

These financial statements of the Group and Company (registered number 07737522) were approved by the Board of Directors on 16 February 2024.

Signed on behalf of the Board of Directors



K G Allen

Director

STATEMENT OF MOVEMENTS IN EQUITY

YEAR ENDED 30 SEPTEMBER 2023

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Profit for the year	-	1,582	1,582
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,582	1,582
<i>Transactions with owners</i>			
Dividends	-	(2,000)	(2,000)
Net movement in equity in the year	-	(418)	(418)
Opening equity	-	995	995
Closing equity	-	577	577

YEAR ENDED 30 SEPTEMBER 2022

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Profit for the year	-	1,972	1,972
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,972	1,972
<i>Transactions with owners</i>			
Dividends	-	(1,000)	(1,000)
Net movement in equity in the year	-	972	972
Opening equity	-	23	23
Closing equity	-	995	995

NOTES TO THE ACCOUNTS**YEAR ENDED 30 SEPTEMBER 2023****1. GENERAL INFORMATION**

Idem Capital Holdings Limited is a company domiciled in the United Kingdom and incorporated in England and Wales under the Companies Act 2006 with company number 07737522. The address of the registered office is 51 Homer Road, Solihull, West Midlands, B91 3QJ. The nature of the Group's operations and its principal activities are set out in the Strategic Report in the Strategic Report.

These financial statements are presented in pounds sterling, which is the currency of the economic environment in which the Company operates.

The remaining notes to the accounts are organised into three sections:

- Analysis – providing further analysis and information on the amounts shown in the primary financial statements
- Financial Risk – providing information on the Company's management of its principal financial risks
- Basis of preparation – providing details of the Company's accounting policies and of how they have been applied in the preparation of the financial statements

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2023

The notes set out below give more detailed analysis of the balances shown in the primary financial statements and further information on how they relate to the operations, results and financial position of the Company.

2. REVENUE

	Note	2023 £000	2022 £000
Interest receivable and similar income	3	1,055	1,755
Other operating income	5	1,850	2,000
Total revenue		2,905	3,755

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2023 £000	2022 £000
Interest on loans to group companies	1,055	1,755
	1,055	1,755

Interest receivable arises from financial assets held at amortised cost.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2023 £000	2022 £000
Interest payable to Group	983	1,689
Interest payable to other group companies	337	376
	1,320	2,065

All interest payable on financial liabilities relates to financial liabilities held at amortised cost.

5. OTHER OPERATING INCOME

	2023 £000	2022 £000
Dividend income	1,850	2,000
	1,850	2,000

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2023

6. OPERATING EXPENSES

	Note	2023 £000	2022 £000
Auditor remuneration	8	9	13

The Company utilises employees and facilities of the Group in its operations, and hence has no employees of its own.

7. KEY MANAGEMENT REMUNERATION

The directors, who are the key management personnel of the Group and the Company, received no remuneration from the Company.

During the period Mr R J Woodman was a director of Paragon Banking Group PLC and his remuneration is set out in the Annual Report of that Company.

8. AUDITOR REMUNERATION

The analysis of fees payable to the Company's auditors and their associates, excluding irrecoverable VAT, required by the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 is set out below.

	2023 £000	2022 £000
Audit fee of the company	9	13
Total fees	9	13
Irrecoverable VAT	-	-
Total cost to the Company	9	13

Fees paid to the auditors and their associates for non-audit services to the Company are not disclosed because the consolidated accounts of the Group are required to disclose such fees on a consolidated basis.

9. PROVISIONS FOR LOSSES

	Note	2023 £000	2022 £000
Impairment on financial assets / (Credit on impairment on financial assets) Investments	11	54	(234)
		54	(234)

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2023

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of credit in the year

	2023	2022
	£000	£000
Current tax		
UK Corporation tax on losses of the year	-	-
Group relief	(60)	(61)
Total current tax	<u>(60)</u>	<u>(61)</u>
Deferred tax	-	-
Tax credit on profit on ordinary activities	<u>(60)</u>	<u>(61)</u>

The standard rate of corporation tax in the UK applicable to the Company in the period was 22.0% (2022: 19.0%), based on currently enacted legislation. During the previous period, legislation was substantively enacted that increased the rate to 25.0% with effect from 1 April 2023 resulting in an effective rate of 22.0% for the current period and 25.0% for future periods.

(b) Factors affecting tax credit for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 22% (2022: 19%). The differences are explained below:

	2023	2022
	£000	£000
Profit on ordinary activities before taxation	<u>1,522</u>	<u>1,911</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22% (2022: 19%)	335	363
Effects of:		
Tax exempt revenues	(395)	(424)
Non-deductible expenses	-	-
Tax credit for the year	<u>(60)</u>	<u>(61)</u>

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2023

11. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company's investments in subsidiary undertakings represent shares in Group companies and funding loans to operating companies.

	Shares £000	Loans £000	Total £000
At 1 October 2021	5,167	37,822	42,989
Investments in subsidiaries	-	-	-
Disposal of Subsidiary	-	-	-
Loans advanced	-	11,364	11,364
Loans repaid	-	(35,307)	(35,307)
Provision movements (note 9)	119	115	234
At 30 September 2022	5,286	13,994	19,280
Investments in subsidiaries	-	-	-
Disposal of Subsidiary	-	-	-
Loans advanced	-	8,963	8,963
Loans repaid	-	(5,501)	(5,501)
Provision movements (note 9)	(54)	-	(54)
At 30 September 2023	5,232	17,456	22,688

The Company's operating subsidiaries, and the nature of the Group's interest in them, are shown in note 12.

12. SUBSIDIARY ENTITIES

Operating subsidiaries where the share capital is held within the Group comprise:

	Holding	Principal Activity
Direct subsidiaries of the Company		
Moorgate Loan Servicing Limited	100%	Asset administration
Paragon Personal Finance Limited	100%	Consumer loan finance
Idem Capital Securities Limited	100%	Asset investment

The financial year end of all of the Company's subsidiary companies is 30 September. They are all registered in England and Wales and operate in the UK.

The registered office of each of the entities listed in this note is the same as that of the Company (note 1).

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2023

13. OTHER RECEIVABLES

	2023 £000	2022 £000
Current assets		
Amounts owed by group companies	1,619	1,500

Amounts owed by group companies and other debtors fall within the definition of financial assets given in IAS 32.

14. CALLED-UP SHARE CAPITAL

The share capital of the Company consists of a single class of £1 ordinary shares.

	2023 Number	2022 Number
Ordinary shares		
At 1 October 2022 and 30 September 2023	100	100

15. CURRENT TAX LIABILITIES

	2023 £000	2022 £000
UK Corporation Tax	-	-

16. OTHER LIABILITIES

	2023 £000	2022 £000
Current liabilities		
Other accruals	9	13
Group funding	17,971	14,408
Amounts owed to group companies	5,750	5,364
	<u>23,730</u>	<u>19,785</u>

NOTES TO THE ACCOUNTS - ANALYSIS**YEAR ENDED 30 SEPTEMBER 2023****16. OTHER LIABILITIES (CONTINUED)**

Other accruals fall within the definition of 'other financial liabilities' set out in IAS 32 and IAS 39 and their fair values are not considered to be materially different to their carrying values.

The Company's funding from the Group was restructured on its foundation in September 2013 so that the principal funding loan to the subsidiaries of the Company is between Paragon Banking Group and the Company. Drawings on this loan are provided by the Company for asset purchases and investments on a case by case basis by its subsidiaries and the loan is repayable to the extent that applicable funds are generated by the subsidiaries assets. The loan bears interest on a monthly basis at a rate of 6.00% per annum.

17. RELATED PARTY TRANSACTIONS

During the year, the parent company entered into transactions with its subsidiaries and other members of the Group, which are related parties.

Details of the Company's investments in subsidiaries and the income derived from them are shown in notes 11 and 12.

Group entities provided funding to the Company, as described in note 16. Interest paid to the Group by the Company in respect of this funding is £983,000 (2022: £1,689,000) as disclosed in note 4 was paid by the Company.

Outstanding current account balances with subsidiaries and other Group companies are shown in notes 13 and 16.

NOTES TO THE ACCOUNTS – FINANCIAL RISK

YEAR ENDED 30 SEPTEMBER 2023

The note below describes the processes and measurements which the Company use to manage their exposure to financial risks including credit, liquidity, interest rate and foreign exchange risk.

18. 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.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION**YEAR ENDED 30 SEPTEMBER 2023**

The notes set out below describe the accounting basis on which the Company prepare their accounts, the particular accounting policies adopted by the Company and the principal judgements and estimates which were required in the preparation of the financial statements.

They also include other information describing how the accounts have been prepared required by legislation and accounting standards.

19. BASIS OF PREPARATION

The Company is required, by the Companies Act 2006, to prepare its financial statements for the year ending 30 September 2023 in accordance with UK-adopted international accounting standards. In the financial years reported on this also means, in the Company's circumstances, that the financial statements also accord with IFRS as approved by the International Accounting Standards Board.

The particular accounting policies adopted have been set out in note 20.

Adoption of new and revised reporting standards

In the preparation of these financial statements, no new accounting standards are being applied for the first time.

Standards not yet adopted

There are no standards and interpretations in issue but not effective which address matters relevant to the Company's accounting and reporting.

20. ACCOUNTING POLICIES

The particular policies applied by the Company in preparing these financial statements with the IFRS regime are described below.

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, except as required in the valuation of certain financial instruments which are carried at fair value.

(b) Going concern

The financial statements have been prepared on the going concern basis.

The directors have adopted this basis following a going concern assessment for the Group and the Company covering a period of at least twelve months following the date of approval of these financial statements. Details of this assessment are set out in note 21.

(c) 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 Paragon Banking Group PLC.

(d) Investments in subsidiaries

The Company's investments in subsidiary undertakings are valued at cost less provision for impairment.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION**YEAR ENDED 30 SEPTEMBER 2023****20. ACCOUNTING POLICIES (CONTINUED)****(e) Amounts owed by or to group companies**

The balances owed by or to other group companies are carried at the current amount outstanding less any provision. Where balances owing between group companies fall within the definition of either financial assets or financial liabilities given in IAS 32 – ‘Financial Instruments – Presentation’ they are classified as assets or liabilities at amortised cost as defined by IFRS 9.

(f) Taxation

The charge for taxation represents the expected UK corporation tax and other income taxes arising from the Company’s profit for the year. This consists of the current tax which will be shown in tax returns for the year and tax deferred because of temporary differences. This in general, represents the tax impact of items recorded in the current year but which will impact tax returns for periods other than the one in which they are included in the financial statements.

(g) Deferred taxation

Deferred taxation is provided in full on temporary differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered. As required by IAS 12 – ‘Income Taxes’, deferred tax assets and liabilities are not discounted to take account of the expected timing of realisation.

(h) Revenue

The revenue of the Company comprises interest receivable and similar charges and other income. The accounting policy for the recognition of each element of revenue is described separately within these accounting policies.

(i) Dividends

In accordance with IAS 10 – ‘Events after the balance sheet date’, dividends payable on ordinary shares are recognised in equity once they are appropriately authorised and are no longer at the discretion of the Company. Dividends declared after the balance sheet date, but before the authorisation of the financial statements remain within shareholders’ funds.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION**YEAR ENDED 30 SEPTEMBER 2023****21. GOING CONCERN**

The financial statements of the Company for the year ended 30 September 2023 have been prepared on the going concern basis, as defined in IAS 1 – ‘Presentation of Financial Statements’. In order to prepare financial statements on this basis the directors must conclude that the management does not intend to liquidate the Company or cease trading, and that the Company has the ability to continue to trade and will be able to satisfy its liabilities as they fall due. Particular focus is given to the Group’s financial forecasts to ensure the adequacy of resources available for the Company to meet its business objectives on both a short term and strategic basis.

The Group has a formalised process of budgeting, reporting and review. The Group’s planning procedures forecast its profitability, capital position, funding requirement and cash flows on a company by company basis.

In compiling the most recent forecast, for the period commencing 1 October 2023, particular attention was paid to the potential consequences of the uncertain economic outlook for the UK on the Group’s operations, customers, funding and prospects, both in the short and long term. These considerations include elevated levels of interest rates and inflation in the UK, with the ongoing pressures of the cost of living and doing business in the UK, and the wider geopolitical impacts of the conflict in Ukraine. To evaluate these impacts of a number of different scenarios with impacts of varying duration and severity were examined. The economics used in the forecasting process were updated in October 2023 based on updated external projections, consistent with those used in the Group’s IFRS 9 impairment provisioning at 30 September 2023.

On the basis of this analysis, the directors have concluded that the Company is able to continue as a going concern for at least twelve months from the date of approval of these financial statements and that therefore it is appropriate to continue to adopt the going concern basis in the preparation of these financial statements.

22. 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 Paragon Banking Group PLC, a company registered in England and Wales.

Copies of the consolidated financial statements of The Paragon Banking Group PLC are available from that company’s registered office at 51 Homer Road, Solihull, West Midlands, B91 3QJ.