

PARAGON MORTGAGES (NO.26) 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 Paragon Mortgages (No.26) 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

Paragon Mortgages (No.26) Holdings Limited ('the Company') is a holding company. Its sole subsidiary is Paragon Mortgages (No.26) PLC ('PM26') and together these companies form a group (the 'Group'). PM26 is a special purpose company established to act as a funding vehicle within the group of companies headed by Paragon Banking Group PLC ('Paragon Group'). During the year the Company operated in the United Kingdom ('UK'). 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.

The Group's consolidated income statement is shown on page 13.

The balance sheet on page 14 of the financial statements shows the value of investments the Company currently holds. Details of amounts owed to Paragon Group companies are shown in note 6.

No interim dividend was paid during the year (2022: £nil). No final dividend is proposed (2022: £nil).

Paragon 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 Group comprises securitisation companies and has been structured so as to avoid, in as far as is possible, all forms of financial risk with its outstanding term loan match-funded to maturity. An analysis of the Group's exposure to risk, including financial risk, and the steps taken to mitigate these risks are set out in note 7.

GOING CONCERN

After considering the above, the directors have a reasonable expectation that the Group and 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.

BOARD AND STAKEHOLDERS

The Board of the Company is mindful of its duty to act in good faith and to promote the success of the Company for the benefit of its shareholders (insofar as this is applicable to the Company as a securitisation entity) and to fulfil the Company's purpose. As a securitisation entity, the purpose of the Company is outlined in the applicable transaction documents. Notwithstanding this, Board decisions take account of the interests of all of the Company's stakeholders and, in particular, the interests of the Company's noteholders. 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

STRATEGIC REPORT (CONTINUED)

BOARD AND STAKEHOLDERS (CONTINUED)

As part of the Paragon Group, stakeholder engagement, for stakeholder groups where there is substantial common identity between the non-shareholder stakeholders of the Company and of the Paragon Group, takes place at a Paragon Group level and the Company looks to Paragon Group initiatives for guidance and takes them into account in its decision making. The Company follows Paragon Group policies and procedures, including those relating to the fair treatment of customers, standards of business conduct, the environment, the community and other stakeholders insofar as they are applicable to the Company. More detail can be found in the 2023 Annual Report and Accounts of Paragon Banking Group PLC and its 2023 Responsible Business Report, both of which are available on the Paragon Banking Group PLC corporate website.

As a securitisation entity the decision-making powers of the Board of Directors are limited. Key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents. However, in considering items of business the Board makes autonomous decisions on their 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, including its results and performance.

More information on the Company's impact on individual stakeholder groups is set out below.

SHAREHOLDERS

The Company has a single shareholder, Maples Fiduciary Services (UK) Limited which holds the entire share capital of the Company on a discretionary trust basis for the benefit of certain charities. However, the transaction documents limit this entity to a nominal interest in the risks and rewards of the business of the Company. The Company itself has only a nominal interest in the risks and rewards of the business of its subsidiary, PM26 and those risks and rewards attach to non-equity securities and fall to their holders which are companies within the Paragon Group.

ENVIRONMENT

The Paragon 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 Paragon Group's activities. The Company operates in accordance with group environmental 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 Paragon Group's 2023 Responsible Business Report (published on the Paragon Group corporate website).

EMPLOYEES

The Company has no employees. All operational services are provided by employees of the Paragon Group. The Paragon Group's employment policies are described in the Paragon Banking Group PLC 2023 Annual Report with supplementary information included in the Paragon Group's 2023 Responsible Business Report, neither of which forms part of this Report and both of which are available on the Paragon Group's website.

STRATEGIC REPORT (CONTINUED)

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



Emma Tighe

per pro MaplesFS UK Corporate Director No.1 Limited

As Director

25 January 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 for Paragon Mortgages (No.26) Holdings Limited, a company registered in England and Wales with registration no: 11727252, for the year ended 30 September 2023.

DIRECTORS

The directors during the year and subsequently were:

MaplesFS UK Corporate Director No.2 Limited

MaplesFS UK Corporate Director No.1 Limited

J P Giles

E M Tighe

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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 provision of Section 418 (2) of the Companies Act 2006.

Having regard to the benefits of all Group entities sharing the same auditor, the directors resolved that KPMG LLP should also be appointed as auditors of the Company and a resolution for the appointment of KPMG LLP as the auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

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 7 to the accounts
- Disclosure on any dividends paid during the year is included in the Strategic Report.

DIRECTORS' REPORT (CONTINUED)

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



Emma Tighe

per pro MaplesFS UK Corporate Director No.1 Limited

As Director

25 January 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 Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent 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 Group and parent 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 Group or the parent 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 parent 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 Group 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 and the undertakings included in the consolidation taken as a whole
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, 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.



Emma Tighe

per pro MaplesFS UK Corporate Director No.1 Limited

As Director

25 January 2024

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PARAGON MORTGAGES (NO.26) HOLDINGS LIMITED**

Opinion

We have audited the Group and the Parent Company's financial statements of Paragon Mortgages (No. 26) Holdings Limited ("the Company") for the year ended 30 September 2023 which comprise the consolidated income statement, the Group and Company balance sheet, the statement of movement in equity and the related notes 1 to 10, including the accounting policies in note 9.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2023 and of the group's result for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the financial statements 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PARAGON MORTGAGES (NO.26) HOLDINGS LIMITED (CONTINUED)**

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. Our risk assessment procedures included:

- Enquiring of directors, Internal Audit 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 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 based on the nature of Company’s activities as a holding company.

We did not identify any additional fraud risks.

We also 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 PARAGON MORTGAGES (NO.26) 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 7, 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 PARAGON MORTGAGES (NO.26) 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

25 January 2024

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Note	2023 £000	2022 £000
Interest receivable		-	-
Operating expenses		-	-
Operating profit being profit on ordinary activities before taxation		-	-
Tax on profit on ordinary activities		-	-
Profit on ordinary activities after taxation		-	-

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

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

GROUP AND COMPANY BALANCE SHEETS

30 SEPTEMBER 2023

	Note	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
ASSETS EMPLOYED					
NON-CURRENT ASSETS					
Investment in subsidiary undertakings	4	12	12	12	12
FINANCED BY					
EQUITY SHAREHOLDERS' FUNDS					
Called up share capital	5	-	-	-	-
Profit and loss account		-	-	-	-
Total equity		-	-	-	-
CURRENT LIABILITIES					
Other liabilities	6	12	12	12	12
		12	12	12	12

These financial statements of the Group and Company (registered number 11727252) were approved by the Board of Directors on 25 January 2024.

Signed on behalf of the Board of Directors

Emma Tighe

per pro MaplesFS UK Corporate Directors No.1 Limited

As Director

STATEMENT OF MOVEMENT IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2023

Group and Company

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Result for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>
Opening equity	<u>-</u>	<u>-</u>	<u>-</u>
Closing equity	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Group and Company

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Result for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>
Opening equity	<u>-</u>	<u>-</u>	<u>-</u>
Closing equity	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2023

1. GENERAL INFORMATION

Paragon Mortgages (No.26) Holdings Limited ('the Company') is a company domiciled in the United Kingdom and incorporated in England and Wales under the Companies Act 2006 with company number 11727252. The address of the registered office is 51 Homer Road, Solihull, West Midlands, B91 3QJ. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The Company and its subsidiary entity ('the Group'), are both controlled by Paragon Banking Group PLC and included within the consolidated accounts of the Group headed by that company ('the Paragon Group').

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. PROFIT AND LOSS ACCOUNT

Directors received no remuneration for the services provided to the Company during either the current year or preceding year.

All administration is performed by employees of related companies under the servicing agreement.

All administration is performed by employees of related companies under the servicing agreement. One director of the Company is employed by Paragon Finance PLC, a related party, and their remuneration is disclosed within the financial statements of that company, which do not form part of this Report.

The Company's audit fee of £3,000 (2022: £2,000) for the current and preceding year was paid by Paragon Mortgages (No.26) PLC. No fees were payable to the Company's auditor in respect to non-audit services by the Company.

3. PROFIT ATTRIBUTABLE TO MEMBERS OF PARAGON MORTGAGES (NO.26) HOLDINGS LIMITED

The Company's profit after tax for the financial year amounted to £nil (2022: £nil). A separate income statement has not been prepared for the Company under the provisions of section 408 of the Companies Act 2006.

The Company has no other items of comprehensive income for the year ended 30 September 2023 or for the year ended 30 September 2022.

4. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Group & Company 2023 £000	Group & Company 2022 £000
Balance at 1 October 2022 and 30 September 2023	12	12

Listed below is the subsidiary company of the Group which is incorporated in England and Wales:

Company	Principal activity	Description of shares held	Proportion of nominal value of issued shares held	Year end Status
Paragon Mortgages (No.26) PLC	Mortgage securitisations	Ordinary £1 shares	100%	Trading

During the year ended 30 September 2023 the Company received £nil (2022: £nil) in dividend income from its subsidiary.

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

5. CALLED UP SHARE CAPITAL

	Company 2023 £	Company 2022 £
Allotted:		
1 ordinary share of £1 (fully paid)	1	1
	<u>1</u>	<u>1</u>

6. OTHER LIABILITIES

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Current liabilities:				
Amounts due to group companies	12	12	12	12
	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>

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.

7. 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.

8. 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 9.

The Company, as a company with wholly owned subsidiaries is required to prepare accounts under section 399 of the Companies Act 2006. However, due to restrictions on the Company's control of the assets and liabilities of its subsidiary company, the criteria for the inclusion of the subsidiary in the consolidated accounts set out in IFRS 10 – 'Consolidated Financial Statements' are not met. Hence the group accounts of the Company are the same as its individual company accounts.

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.

9. ACCOUNTING POLICIES

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

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.

Going concern

The Financial Statements have been prepared on a going concern basis as described in the Strategic Report, 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.

Basis of consolidation

The consolidated accounts deal with the accounts of the Company and its subsidiary made up to 30 September 2023.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2023

9. ACCOUNTING POLICIES (CONTINUED)

Fixed assets – investments in subsidiaries

The investment in the subsidiary companies is shown at cost less provision for impairment.

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.

10. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Maples Fiduciary Services (UK) Limited who holds the entire share capital of the Company on a discretionary trust basis for the benefit of certain charities. The directors regard Paragon Banking Group PLC as the ultimate controlling party.

The smallest and largest group in which the Company is consolidated is that of Paragon Banking Group PLC.

Copies of the Group's financial statements are available from that company's registered office at 51 Homer Road, Solihull, West Midlands, B91 3QJ.