

**PARAGON VEHICLE CONTRACTS LIMITED**

**Report and Financial Statements**

**Year ended 30 September 2023**

SATURDAY



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02/03/2024  
COMPANIES HOUSE

## CAUTIONARY STATEMENT

Sections of this Annual Report, including but not limited to the Directors' 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 Vehicle Contracts 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.

## **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 Paragon Vehicle Contracts Limited ('the Company'), a company registered in England and Wales with registration no: 01851027, for the year ended 30 September 2023.

*The directors' report has been prepared in accordance with the special provisions relating to small companies under section 415A of the Companies Act 2006. As the Company is entitled to the small companies exemption no strategic report has been prepared, section 414A of the Companies Act 2006.*

## **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The Company is a wholly owned subsidiary of Paragon Banking Group PLC ('the Group'). During the year the Company operated in the United Kingdom ('UK'), the principal activity of the Company was the leasing, hire, maintenance and selling of motor vehicles within the United Kingdom. The Company continues to manage its residual assets. The directors are considering the future position of the Company within the Group. The directors consider that the Company will continue to perform satisfactorily.

As shown in the Company's profit and loss account on page 10, the result has stayed consistent at £nil.

The balance sheet on page 11 of the Financial Statements shows the Company's financial position at the year end. Net assets have remained the same compared to the prior year due to the result after tax being £nil. Details of amounts owed from other group companies are shown in note 4.

No dividends were paid during either the current or preceding year. The directors do not propose a final dividend (2022: £nil).

The Group manages its operations on a centralised basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's primary financial assets and liabilities are with other group companies; therefore the directors do not consider that the Company is exposed to any significant cash flow, credit or liquidity risks.

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.

## **CORPORATE GOVERNANCE**

The directors have been charged with governance in accordance with the transactional documentation detailing the mechanism and structure of the transaction. The structure of the Group is such that the 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.

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

The directors throughout the year and subsequently were:

R J Woodman

K G Allen

**AUDITOR**

The directors have taken all necessary 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 are unaware.

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

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 accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 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 directors 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.

A handwritten signature in black ink, appearing to read 'K G Allen', written in a cursive style.

K G Allen

Director

16 February 2024

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON VEHICLE CONTRACTS LIMITED**

### **Opinion**

We have audited the Financial Statements of Paragon Vehicle Contracts Limited ("the Company") for the year ended 30 September 2023 which comprise the profit and loss account, the balance sheet, the statement of movement in equity and the related notes 1 to 9, including the accounting policies in note 8.

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 the company's result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- 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 Company or to cease its operations, and as they have concluded that 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 its 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 Company's business model and analysed how those risks might affect 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 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 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 PARAGON VEHICLE CONTRACTS 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 entity has not earned any revenue during the year.

We did not identify any additional fraud risks.

We performed our risk assessment procedures in response to management override of controls and noted that there were no journal entries posted by management during the period.

*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.

*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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON VEHICLE CONTRACTS LIMITED (CONTINUED)**

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.

### **Directors' report**

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, 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.

### **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](http://www.frc.org.uk/auditorsresponsibilities).

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF PARAGON VEHICLE CONTRACTS LIMITED (CONTINUED)**

**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

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2023

|                                                                       | Note | 2023<br>£000 | 2022<br>£000 |
|-----------------------------------------------------------------------|------|--------------|--------------|
| Interest receivable and similar income                                |      | -            | -            |
| Operating expenses                                                    |      | -            | -            |
| Operating profit, being profit on ordinary activities before taxation |      | <hr/>        | <hr/>        |
|                                                                       | 2    | -            | -            |
| Tax on profit on ordinary activities                                  | 3    | -            | -            |
| Profit on ordinary activities after taxation                          |      | <hr/> <hr/>  | <hr/> <hr/>  |

All activities derive from continuing operations.

There are no recognised gains or losses other than the result for the current and preceding years, and consequently a separate statement of comprehensive income has not been presented.

## BALANCE SHEET

30 SEPTEMBER 2023

|                                     | Note | 2023<br>£000 | 2023<br>£000 | 2022<br>£000 | 2022<br>£000 |
|-------------------------------------|------|--------------|--------------|--------------|--------------|
| <b>ASSETS EMPLOYED</b>              |      |              |              |              |              |
| <b>CURRENT ASSETS</b>               |      |              |              |              |              |
| Debtors falling due within one year | 4    |              | 2,450        |              | 2,450        |
| <b>FINANCED BY</b>                  |      |              |              |              |              |
| <b>EQUITY SHAREHOLDER'S FUNDS</b>   |      |              |              |              |              |
| Called up share capital             | 5    | 3,400        |              | 3,400        |              |
| Profit and loss account             |      | (950)        |              | (950)        |              |
|                                     |      |              | 2,450        |              | 2,450        |

These Financial Statements 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 MOVEMENT IN EQUITY

## YEAR ENDED 30 SEPTEMBER 2023

|                                                | Share capital<br>£000 | Profit and loss<br>account<br>£000 | Total<br>equity<br>£000 |
|------------------------------------------------|-----------------------|------------------------------------|-------------------------|
| <i>Total comprehensive income for the year</i> |                       |                                    |                         |
| Result for the year                            | -                     | -                                  | -                       |
| Other comprehensive income                     | -                     | -                                  | -                       |
| Total comprehensive income for the year        | -                     | -                                  | -                       |
| Opening equity                                 | 3,400                 | (950)                              | 2,450                   |
| Closing equity                                 | 3,400                 | (950)                              | 2,450                   |

## YEAR ENDED 30 SEPTEMBER 2022

|                                                | Share capital<br>£000 | Profit and loss<br>account<br>£000 | Total<br>equity<br>£000 |
|------------------------------------------------|-----------------------|------------------------------------|-------------------------|
| <i>Total comprehensive income for the year</i> |                       |                                    |                         |
| Result for the year                            | -                     | -                                  | -                       |
| Other comprehensive income                     | -                     | -                                  | -                       |
| Total comprehensive income for the year        | -                     | -                                  | -                       |
| Opening equity                                 | 3,400                 | (950)                              | 2,450                   |
| Closing equity                                 | 3,400                 | (950)                              | 2,450                   |

**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2023**

**1. GENERAL INFORMATION**

Paragon Vehicle Contracts 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 01851027. 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 Directors' 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. OPERATING PROFIT, BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The Company's audit fee for the current year of £1,000 (2022: £1,000) was paid by the ultimate parent company, Paragon Banking Group PLC. Non audit services provided to the Group are disclosed in the accounts of the parent company and the exemption from disclosure of fees payable to the Company's auditor in respect to non-audit services in these Financial Statements has been taken.

**3. TAX ON PROFIT ON ORDINARY ACTIVITIES****a) Tax charge for the year**

|                 | 2023<br>£000      | 2022<br>£000      |
|-----------------|-------------------|-------------------|
| Current tax     |                   |                   |
| Corporation tax | -                 | -                 |
|                 | <u>          </u> | <u>          </u> |

**b) Factors affecting the tax charge for the year**

|                                                                        | 2023<br>£000      | 2022<br>£000      |
|------------------------------------------------------------------------|-------------------|-------------------|
| Profit before tax                                                      | -                 | -                 |
| UK corporation tax at 22% (2022: 19%) based on the profit for the year | <u>          </u> | <u>          </u> |
|                                                                        | <u>          </u> | <u>          </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.

**4. DEBTORS**

|                                      | 2023<br>£000      | 2022<br>£000      |
|--------------------------------------|-------------------|-------------------|
| Amounts falling due within one year: |                   |                   |
| Amounts due from group companies     | 2,450             | 2,450             |
|                                      | <u>          </u> | <u>          </u> |

**5. CALLED UP SHARE CAPITAL**

|                                                     | 2023<br>£         | 2022<br>£         |
|-----------------------------------------------------|-------------------|-------------------|
| Allotted:                                           |                   |                   |
| 34,000,000 ordinary shares of 10p each (fully paid) | 3,400,000         | 3,400,000         |
|                                                     | <u>          </u> | <u>          </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.*

**6. 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.*

**7. BASIS OF PREPARATION**

The Financial Statements have been prepared in accordance with applicable United Kingdom ('UK') accounting standards. Disclosures have been made in accordance with Financial Reporting Standard 101 – 'Reduced Disclosure Framework' ('FRS 101').

As permitted by FRS 100 – 'Application of Financial Reporting Requirements' ('FRS 100') the Company has applied the measurement and recognition requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards) ('UK-IAS') but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of disclosure exemptions provided by FRS 101 has been taken.

The particular accounting policies adopted have been set out in note 8.

**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.

**Disclosures**

In preparing these financial statements the Company has taken advantage of the exemptions from disclosure provided by FRS 101 in respect of:

- The requirement to produce a cash flow statement and related notes
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new, but not yet effective IFRSs
- Disclosures in respect of key management personnel
- Disclosures of transactions with a management entity which provides key management personnel services to the Company

As the consolidated financial statements of Paragon Banking Group PLC, the ultimate parent undertaking of the Company, include equivalent disclosures the Company has also taken advantage of these further exemptions provided by FRS 101:

- Certain disclosures required by IFRS 13 – 'Fair Value Measurement'
- Certain disclosures required by IFRS 7 – 'Financial Instruments Disclosures'

The Company presently intends to continue to apply these exemptions in future periods.

## NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2023

**8. ACCOUNTING POLICIES**

The particular policies applied by the Company in preparing these financial statements in accordance with the measurements and recognition requirements of UK-IAS 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**

Accounting standards require the directors to assess the Company's ability to continue to adopt the going concern basis of accounting. In performing this assessment, the directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them. 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.

After performing this assessment, the directors concluded that there was a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future, and that therefore it was appropriate for them to continue to adopt the going concern basis in preparing the Annual Report and Accounts. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

**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.

**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.

**NOTES TO THE ACCOUNTS – BASIS OF PREPARATION**

**YEAR ENDED 30 SEPTEMBER 2023**

**8. ACCOUNTING POLICIES (CONTINUED)**

**Current tax**

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.

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