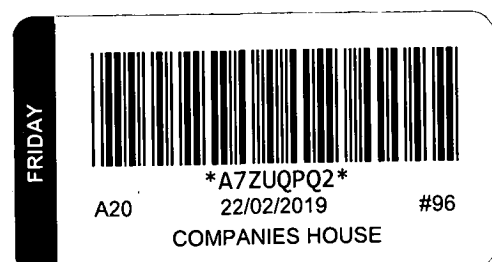


YORKSHIRE FREEHOLDS LIMITED

Report and Financial Statements

Year ended 30 September 2018



STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Yorkshire Freeholds Limited ('the Company') is a wholly owned subsidiary of Paragon Banking Group PLC ('the Group') and was set up to hold certain interests in property acquired by the Group in connection with the administration of their loan book.

On 18 January 2010, the Company acquired a property for an initial consideration of £635,518 for use in the Group's operations. In the current year, this was converted into a residential property and let out. The Company continues to operate in the United Kingdom and did so in the year. 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 Company's profit and loss account is shown on page 6. The loss after tax has improved from £18,000 to £14,000.

The balance sheet on page 7 of the Financial Statements shows the Company's financial position at the year end. Net liabilities have increased due to the loss for the year. Details of amounts owed to other group companies are shown in note 11.

No interim dividend was paid during the year (2017: £nil). No final dividend is proposed (2017: £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. The performance of the Group's mortgage lending operation, which includes the Company, is discussed in the Group's Annual Report, which does not form part of this Report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

After considering the above, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. 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.

ENVIRONMENT

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with group policies, which are described in the Group's Annual Report, which does not form part of this Report.

EMPLOYEES

The Company has no employees. All operational services are provided by employees of the Group. The Group's employment policies are described in its Annual Report, which does not form part of this Report.

Approved by the Board of Directors

and signed on behalf of the Board



K G Allen

Director

15 February 2019

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 Yorkshire Freeholds Limited, a company registered in England and Wales with registration no: 03303800, for the year ended 30 September 2018.

DIRECTORS

The directors throughout the year and subsequently were:

R D Shelton

R J Woodman

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.

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.

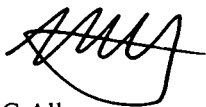
INFORMATION PRESENTED IN OTHER SECTIONS

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 3 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

15 February 2019

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES
in relation to Financial Statements

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

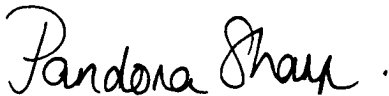
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 and of their profit or loss for that period.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets, for the Company's systems of internal control and for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a strategic report and directors' report which comply with the applicable requirements of the Companies Act 2006.

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



Pandora Sharp
Company Secretary
15 February 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKSHIRE FREEHOLDS LIMITED

Opinion

We have audited the Financial Statements of Yorkshire Freeholds Limited for the year ended 30 September 2018 which comprise the profit and loss account, the balance sheet, the statement of movement in equity and the related notes 1 to 12, including the accounting policies in note 2.

In our opinion the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including Financial Reporting Standard 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report, its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKSHIRE FREEHOLDS LIMITED (CONTINUED)

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 3, 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.

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.



Matthew Rowell (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH

15 February 2019

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 £000	2017 £000
Interest payable and similar charges	4	(36)	(31)
Net interest expense		<u>(36)</u>	<u>(31)</u>
Other operating income		41	30
Operating expenses		<u>(19)</u>	<u>(17)</u>
Operating loss, being loss on ordinary activities before taxation	6	(14)	(18)
Tax on loss on ordinary activities	7	-	-
Loss on ordinary activities after taxation	10	<u><u>(14)</u></u>	<u><u>(18)</u></u>

All activities derive from continuing operations.

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

YORKSHIRE FREEHOLDS LIMITED

BALANCE SHEET

30 SEPTEMBER 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
ASSETS EMPLOYED					
FIXED ASSETS					
Investment property	8	596		595	
Freehold premises	8	-		-	
Plant and machinery	8	4		4	
			600		599
FINANCED BY					
EQUITY SHAREHOLDER'S DEFICIT					
Called up share capital	9	-		-	
Profit and loss account	10	(187)		(173)	
			(187)		(173)
CREDITORS					
Amounts falling due within one year	11		787		772
			600		599

These Financial Statements were approved by the Board of Directors on 15 February 2019.

Signed on behalf of the Board of Directors



R D Shelton

Director

YORKSHIRE FREEHOLDS LIMITED

STATEMENT OF MOVEMENT IN EQUITY

YEAR ENDED 30 SEPTEMBER 2018

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Loss for the year	-	(14)	(14)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(14)	(14)
Opening equity	-	(173)	(173)
Closing equity	-	(187)	(187)

YEAR ENDED 30 SEPTEMBER 2017

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Loss for the year	-	(18)	(18)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(18)	(18)
Opening equity	-	(155)	(155)
Closing equity	-	(173)	(173)

NOTES TO THE ACCOUNTS**YEAR ENDED 30 SEPTEMBER 2018****1. GENERAL INFORMATION**

Yorkshire Freeholds 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 03303800. 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.

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

2. ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with applicable 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 ('IFRS') as adopted by the EU, 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.

Accounting convention

The Financial Statements are 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 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment.

Depreciation

Depreciation is provided on cost or valuation in equal annual instalments over the lives of the assets. The rates of depreciation are as follows:

Short leasehold premises over the life of the lease.

Current tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation. The rates of depreciation are as follows:

Investment properties over the useful life of the property.

Rental income from investment property is accounted for as described in the revenue accounting policy.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

Revenue

The revenue of the Company comprises rental income from investment property within other operating income.

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
- The requirement to provide comparative period reconciliations in respect of fixed assets
- 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 The Paragon Group of Companies 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.

3. 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.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
Interest payable to group companies	36	31

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2018

5. DIRECTORS AND EMPLOYEES

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

The Company had no employees in the current or preceding year. All administration is performed by employees of the Group. The directors of the Company are all employed by Paragon Finance PLC, a fellow group company, and their remuneration is disclosed within the financial statements of that company, which do not form part of this Report.

6. OPERATING LOSS, BEING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2018 £000	2017 £000
Operating loss is after charging:		
Depreciation	16	16
Auditor remuneration - audit services	1	1

Non audit fees provided to the Group are disclosed in the accounts of the parent company and the exemption from disclosure of fees payable to the Company's auditor in respect to non-audit services in these Financial Statements has been taken.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2018

7. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Tax credit for the year

	2018 £000	2017 £000
Current tax		
Group relief	-	-
Total current tax	-	-

b) Factors affecting the tax credit for the year

	2018 £000	2017 £000
Loss before tax	(14)	(18)
UK corporation tax at 19% (2017: 19.5%) based on the loss for the year	(3)	(4)
Effects of:		
Non-deductible expenses	3	4
Tax credit for the year	-	-

The current rate of corporation tax applicable to the Company for the year ended 30 September 2018 is 19.0%. Legislation has been enacted that will reduce this to 17% with effect from 1 April 2020.

Therefore, the standard rate of corporation tax is expected to be 19% for the year ended 30 September 2019, 18% for the year ending 30 September 2020 and 17% thereafter.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2018

8. TANGIBLE FIXED ASSETS

	Investment property £000	Freehold Premises	Plant and machinery £000	Total £000
Cost				
At 1 October 2016	-	667	-	667
Transfer	667	(667)	-	-
Additions	49	-	4	53
At 30 September 2017	716	-	4	720
Additions	17	-	-	17
At 30 September 2018	733	-	4	737
Accumulated depreciation				
At 1 October 2016	-	105	-	105
Transfer	105	(105)	-	-
Charge for the year	16	-	-	16
At 30 September 2017	121	-	-	121
Charge for the year	16	-	-	16
At 30 September 2018	137	-	-	137
Net book value				
At 30 September 2018	596	-	4	600
At 30 September 2017	595	-	4	599

As at 30 September 2018 the investment property was fair valued at £600k (2017: £600k) by an independent surveyor. The building was converted in to an investment property in the prior year and from here on meets the requirements of IAS 40.

9. CALLED UP SHARE CAPITAL

	2018 £	2017 £
Allotted:		
2 ordinary shares of £1 each (fully paid)	2	2

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2018

10. PROFIT AND LOSS ACCOUNT

	£000
At 1 October 2016	(155)
Loss for the financial year	(18)
At 30 September 2017	(173)
Loss for the financial year	(14)
At 30 September 2018	(187)

An interim dividend of £nil per share was paid during the year (2017: £nil per share). No final dividend is proposed (2017: £nil).

11. CREDITORS

	2018 £000	2017 £000
Amounts falling due within one year:		
Amounts due to group companies	786	770
Accruals and deferred income	1	2
	<u>787</u>	<u>772</u>

12. 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.