

**Company Registration No: 05390290**

**PARAGON CAR FINANCE LIMITED**

**Report and Financial Statements**

**Year ended 30 September 2017**

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## **STRATEGIC REPORT**

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

Paragon Car Finance Limited ('the Company') is a wholly owned subsidiary of Paragon Banking Group PLC ('the Group') and was set up to originate car finance loans and sell them to other group companies.

During the year the Company operated in the United Kingdom, its principal activity was the provision of car finance loans. The Company continues to manage its residual assets. There have been no significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's profit and loss account on page 6, the loss after tax has increased from £11,000 to £12,000.

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 from and to other group companies are shown in notes 9 and 12.

No interim dividend was paid during the year (2016: £nil). No final dividend is proposed (2016: £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

23 January 2018

## **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 Car Finance Limited, a company registered in England and Wales with registration no: 05390290, for the year ended 30 September 2017.

### **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**

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.

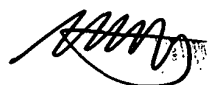
### **INFORMATION PRESENTED IN OTHER SECTIONS**

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

23 January 2018

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

23 January 2018

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON CAR FINANCE LIMITED**

## **Opinion**

We have audited the Financial Statements of Paragon Car Finance Limited for the year ended 30 September 2017 which comprise the profit and loss account, the balance sheet, the statement of movement in equity and the related notes 1 to 13, 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 2017 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.

## **Going concern**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## **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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON CAR FINANCE 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](http://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

23 January 2018

**PARAGON CAR FINANCE LIMITED**

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 30 SEPTEMBER 2017**

|                                                                   | Note | 2017<br>£000 | 2016<br>£000 |
|-------------------------------------------------------------------|------|--------------|--------------|
| Interest receivable                                               | 4    | -            | -            |
| Interest payable and similar charges                              | 5    | (12)         | (12)         |
| Net interest expense                                              |      | <u>(12)</u>  | <u>(12)</u>  |
| Other operating income                                            |      | -            | -            |
| Total operating expense                                           |      | <u>(12)</u>  | <u>(12)</u>  |
| Operating expenses                                                |      | (3)          | (2)          |
| Operating loss, being loss on ordinary activities before taxation | 7    | <u>(15)</u>  | <u>(14)</u>  |
| Tax on loss on ordinary activities                                | 8    | 3            | 3            |
| Loss on ordinary activities after taxation                        | 11   | <u>(12)</u>  | <u>(11)</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.

# PARAGON CAR FINANCE LIMITED

## BALANCE SHEET

30 SEPTEMBER 2017

|                                     | Note | 2017<br>£000 | 2017<br>£000 | 2016<br>£000 | 2016<br>£000 |
|-------------------------------------|------|--------------|--------------|--------------|--------------|
| <b>ASSETS EMPLOYED</b>              |      |              |              |              |              |
| <b>CURRENT ASSETS</b>               |      |              |              |              |              |
| Debtors falling due within one year | 9    | 1            |              | 14           |              |
| Cash at bank                        |      | 90           |              | 91           |              |
|                                     |      |              | 91           |              | 105          |
|                                     |      |              | 91           |              | 105          |
| <b>FINANCED BY</b>                  |      |              |              |              |              |
| <b>EQUITY SHAREHOLDERS' DEFICIT</b> |      |              |              |              |              |
| Called up share capital             | 10   | 12           |              | 12           |              |
| Profit and loss account             | 11   | (199)        |              | (187)        |              |
|                                     |      |              | (187)        |              | (175)        |
| <b>CREDITORS</b>                    |      |              |              |              |              |
| Amounts falling due within one year | 12   |              | 278          |              | 280          |
|                                     |      |              | 91           |              | 105          |

These Financial Statements were approved by the Board of Directors on 23 January 2018.

Signed on behalf of the Board of Directors



R D Shelton

Director



**PARAGON CAR FINANCE LIMITED**

**STATEMENT OF MOVEMENT IN EQUITY**

**YEAR ENDED 30 SEPTEMBER 2017**

|                                                | Share capital<br>£000 | Profit and loss<br>account<br>£000 | Total<br>equity<br>£000 |
|------------------------------------------------|-----------------------|------------------------------------|-------------------------|
| <i>Total comprehensive income for the year</i> |                       |                                    |                         |
| Loss for the year                              | -                     | (12)                               | (12)                    |
| Other comprehensive income                     | -                     | -                                  | -                       |
| Total comprehensive income for the year        | -                     | (12)                               | (12)                    |
| Opening equity                                 | 12                    | (187)                              | (175)                   |
| Closing equity                                 | 12                    | (199)                              | (187)                   |

**YEAR ENDED 30 SEPTEMBER 2016**

|                                                | Share capital<br>£000 | Profit and loss<br>account<br>£000 | Total<br>equity<br>£000 |
|------------------------------------------------|-----------------------|------------------------------------|-------------------------|
| <i>Total comprehensive income for the year</i> |                       |                                    |                         |
| Loss for the year                              | -                     | (11)                               | (11)                    |
| Other comprehensive income                     | -                     | -                                  | -                       |
| Total comprehensive income for the year        | -                     | (11)                               | (11)                    |
| Opening equity                                 | 12                    | (176)                              | (164)                   |
| Closing equity                                 | 12                    | (187)                              | (175)                   |

**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2017**

**1. GENERAL INFORMATION**

Paragon Car Finance 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 05390290. 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.

**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.

**Cash at bank**

Balances shown as cash at bank in the balance sheet comprise demand deposits and short-term deposits with banks with initial maturities of not more than 90 days.

**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.

**Revenue**

The revenue of the Company comprises of other operating income. The accounting policy for the recognition of this element of revenue is described separately within these accounting policies.

**Fee and commission income**

Other operating income includes administration fees charged to borrowers, which are credited to the profit and loss account when the related service is performed.

**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2017**

**2. ACCOUNTING POLICIES ( CONTINUED)**

**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.

**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 RECEIVABLE**

Interest receivable includes £nil (2016: £nil) in respect of interest received on loans to other group companies.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2017

5. INTEREST PAYABLE AND SIMILAR CHARGES

|                                     | 2017<br>£000 | 2016<br>£000 |
|-------------------------------------|--------------|--------------|
| Interest payable to group companies | 12           | 12           |

6. 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.

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

|                                       | 2017<br>£000 | 2016<br>£000 |
|---------------------------------------|--------------|--------------|
| Operating loss is after charging:     |              |              |
| Auditor remuneration - audit services | 2            | 2            |

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.

8. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Tax credit for the year

|              | 2017<br>£000 | 2016<br>£000 |
|--------------|--------------|--------------|
| Current tax  |              |              |
| Group relief | (3)          | (3)          |

b) Factors affecting the tax credit for the year

|                                                                        | 2017<br>£000 | 2016<br>£000 |
|------------------------------------------------------------------------|--------------|--------------|
| Loss before tax                                                        | (15)         | (14)         |
| UK corporation tax at 19.5% (2016: 20%) based on the loss for the year | (3)          | (3)          |

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2017

8. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

During the year ended 30 September 2015 the Government announced provisions further reducing the rate of corporation tax to 19.0% with effect from 1 April 2017 and to 18.0% from 1 April 2020 which were substantially enacted during the year. The tax rate applying from 1 April 2020 was further reduced to 17% during the year.

Therefore, the standard rate of corporation tax applicable to the Company for the year ended 30 September 2017 is expected to be 19.5%, the rate in the years ending 30 September 2018 and 30 September 2019 are expected to be 19.0%, the rate in the year ending 30 September 2020 is expected to be 18.0% and the rate in subsequent years is expected to be 17.0%. The expected impact on deferred tax balances of the changes to 19.0% and 17.0% was accounted for in the year ended 30 September 2016.

9. DEBTORS

|                                      | 2017<br>£000 | 2016<br>£000 |
|--------------------------------------|--------------|--------------|
| Amounts falling due within one year: |              |              |
| Amounts due from group companies     | -            | 12           |
| Other debtors                        | 1            | 2            |
|                                      | <u>1</u>     | <u>14</u>    |

10. CALLED UP SHARE CAPITAL

|                                                            | 2017<br>£     | 2016<br>£     |
|------------------------------------------------------------|---------------|---------------|
| Allotted:                                                  |               |               |
| 49,998 ordinary shares of £1 each (25p called up and paid) | 12,500        | 12,500        |
| 2 ordinary shares of £1 each (fully paid)                  | 2             | 2             |
|                                                            | <u>12,502</u> | <u>12,502</u> |

11. PROFIT AND LOSS ACCOUNT

|                             | £000         |
|-----------------------------|--------------|
| At 1 October 2015           | (176)        |
| Loss for the financial year | <u>(11)</u>  |
| At 30 September 2016        | (187)        |
| Loss for the financial year | <u>(12)</u>  |
| At 30 September 2017        | <u>(199)</u> |

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2017

12. CREDITORS

|                                      | 2017<br>£000 | 2016<br>£000 |
|--------------------------------------|--------------|--------------|
| Amounts falling due within one year: |              |              |
| Amounts due to group companies       | 275          | 278          |
| Accruals and deferred income         | 3            | 2            |
|                                      | <u>278</u>   | <u>280</u>   |

13. 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 formerly known as The Paragon Group of Companies PLC, a company registered in England and Wales.

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