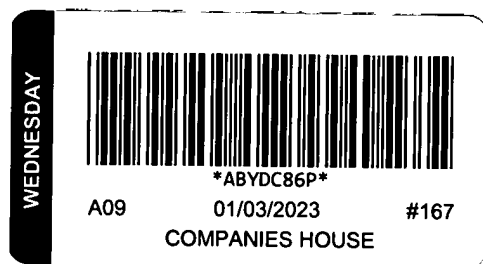


Company Registration No: 05390573

THE BUSINESS MORTGAGE COMPANY LIMITED

Report and Financial Statements

Year ended 30 September 2022



CAUTIONARY STATEMENT

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

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

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

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

STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Business Mortgage Company Limited ('the Company') is a wholly owned subsidiary of Paragon Banking Group PLC ('the Group'). During the year the Company operated in the United Kingdom, the principal activity of the Company is that of a mortgage intermediary and packager. 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.

The results for the year are set out in the profit and loss account on page 11. The operations of the Company have resulted in a loss after tax of £276,987(2021: £605,567).

No interim dividend was paid during the year (2021: £nil). No final dividend is proposed (2021: £nil).

The directors of the Company consider the results for the year to be satisfactory and are regularly monitoring the current market environment to assess likely changes in the level of performance in the coming year.

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 2022 Annual Report of Paragon Banking Group PLC, which does not form part of this Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The main risks and uncertainties to which the Company is exposed are a reduction in the level of buy to let mortgage lending as well as the demand for buy to let and commercial properties in the United Kingdom.

The UK economy in the current year has been impacted by a number of significant pressures, initially the ongoing impacts of the Covid pandemic and latterly inflationary pressures, rising interest rates and geopolitical impacts resulting from Russian actions in Ukraine. These factors have caused major economic disruption within the UK and global economy with their ultimate impacts remaining uncertain, over both the short and longer terms.

The Company has established processes in place and proved on a through-the-cycle basis which will allow it to support its customers through any adverse economic conditions and optimise outcomes for both customers and investors.

The performance of the Company is subject to analysis against plan, with key variances being analysed in detail on a monthly basis. The identification of performance trends allows for management to manage broker relationships to ensure that business volumes are maximised.

The Company does not utilise derivative financial instruments.

ENVIRONMENT

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any impacts that might result from the Group's activities. The Company operates in accordance with Group policies, which are described in the Paragon Banking Group PLC Annual Report, which does not form part of this Report. Further information can also be found in the Group's 2022 Responsible Business Report (published on Paragon Banking Group PLC website), 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 the Paragon Banking Group PLC Annual Report, with supplementary information included in the Group's 2022 Responsible Business Report, neither of which forms part of this Report.

STRATEGIC REPORT (CONTINUED)

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

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

A handwritten signature in black ink, appearing to read 'A J Warren', with a stylized, cursive script.

A J Warren

Director

27 January 2023

DIRECTORS' REPORT

The directors present their Annual Report and the audited Financial Statements of The Business Mortgage Company Limited, registration no: 05390573, for the year ended 30 September 2022.

DIRECTORS

The directors throughout the year and subsequently were:

A J Warren

J A L Simpson

C R Rowntree

AUDITOR

The directors have taken all reasonable steps to make themselves and the Company's auditor, KPMG LLP, aware of any information needed in preparing the audit of the Annual Report and Financial Statements for the year, and, as far as each of the directors is aware, there is no relevant audit information of which the auditor is unaware.

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

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

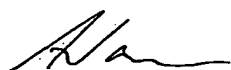
INFORMATION PRESENTED IN OTHER SECTIONS

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

- Commentary on the likely future developments in the business of the Company is included in the Strategic Report
- A description of the Company's financial risk management objectives and policies, and its exposure to risks arising from its use of financial instruments are set out in note 17 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



A J Warren

Director

27 January 2023

Registered office: Regus House, Malthouse Avenue, Cardiff Gate Business Park, Cardiff,
Mid Glamorgan, Wales, CF23 8RU

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 Strategic Report and Directors' Report that complies with that law and those regulations.

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

We confirm that to the best of our knowledge:

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

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

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

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



A J Warren

Director

27 January 2023

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE BUSINESS MORTGAGE COMPANY LIMITED**

Opinion

We have audited the Financial Statements of The Business Mortgage Company Limited ("the Company") for the year ended 30 September 2022 which comprise the profit and loss account, the statement of movements in equity, the balance sheet and the related notes 1 to 20, including the accounting policies in note 19.

In our opinion the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of the company's loss 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 THE BUSINESS MORTGAGE COMPANY LIMITED (CONTINUED)**

Our risk assessment procedures included:

- Enquiring of directors, Internal Audit and inspection of policy documentation as to the high-level policies and procedures of the Paragon Group (of which this company is a part) to prevent and detect fraud, including the Internal Audit function, and the Company's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee and Risk Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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, taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that the Company 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.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted and approved by the same user and those including specific descriptors.

Identifying and responding to risks of material misstatement due to non-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 from inspection of the Company's regulatory and legal correspondence 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.

Firstly, 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.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: money laundering, financial crime, certain aspects of company legislation recognising the financial nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE BUSINESS MORTGAGE COMPANY LIMITED (CONTINUED)**

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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 THE BUSINESS MORTGAGE COMPANY LIMITED (CONTINUED)**

Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Michael Davidson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

27 January 2023

THE BUSINESS MORTGAGE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £	2021 £
TURNOVER	2	732,003	649,653
Cost of sales		(218,634)	(162,935)
GROSS PROFIT		513,369	486,718
Administrative expenses		(887,549)	(1,214,668)
OPERATING LOSS	3	(374,180)	(727,950)
Interest receivable and similar income	4	93,182	79,648
Interest payable and similar charges	5	(11,615)	(10,620)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(292,613)	(658,922)
Tax on loss on ordinary activities	6	15,626	53,355
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	16	(276,987)	(605,567)

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.

THE BUSINESS MORTGAGE COMPANY LIMITED

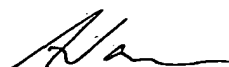
BALANCE SHEET

30 SEPTEMBER 2022

	Note	2022 £	2021 £
FIXED ASSETS			
Intangible assets	7	1,646,100	1,791,008
Property, plant and equipment	8	-	10,234
Investments	9	250	250
		<u>1,646,350</u>	<u>1,801,492</u>
CURRENT ASSETS			
Debtors	10	2,063,889	2,148,908
Cash at bank and in hand		86,720	86,611
		<u>2,150,609</u>	<u>2,235,519</u>
CURRENT LIABILITIES			
Creditors - amounts falling due within one year	12	(358,082)	(321,147)
NET CURRENT ASSETS		<u>1,792,527</u>	<u>1,914,372</u>
NET ASSETS		<u>3,438,877</u>	<u>3,715,864</u>
CAPITAL AND RESERVES			
Called up share capital	15	2,012,502	2,012,502
Reserves	16	1,426,375	1,703,362
EQUITY SHAREHOLDERS' FUNDS		<u>3,438,877</u>	<u>3,715,864</u>

The financial statements were approved by the Board of Directors on 27 January 2023.

Signed on behalf of the Board of Directors:



A J Warren
Director

THE BUSINESS MORTGAGE COMPANY LIMITED

STATEMENT OF MOVEMENTS IN EQUITY

YEAR ENDED 30 SEPTEMBER 2022

	Share capital	Capital reconstruction reserve	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£	£
<i>Total comprehensive income for the year</i>					
Loss for the year	-	-	-	(276,987)	(276,987)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(276,987)	(276,987)
<i>Transactions with owners</i>					
Issue of shares	-	-	-	-	-
Cancellation of intercompany loan	-	-	-	-	-
Total contribution by owners	-	-	-	-	-
Net movement in equity in the year	-	-	-	(276,987)	(276,987)
Opening equity	2,012,502	(4,029,629)	26,659,230	(20,926,239)	3,715,864
Closing equity	2,012,502	(4,029,629)	26,659,230	(21,203,226)	3,438,877

THE BUSINESS MORTGAGE COMPANY LIMITED

STATEMENT OF MOVEMENTS IN EQUITY

YEAR ENDED 30 SEPTEMBER 2021

	Share capital	Capital reconstruction reserve	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£	£
<i>Total comprehensive income for the year</i>					
Loss for the year	-	-	-	(605,567)	(605,567)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(605,567)	(605,567)
<i>Transactions with owners</i>					
Issue of shares	-	-	-	-	-
Cancellation of intercompany loan	-	-	-	-	-
Total contribution by owners	-	-	-	-	-
Net movement in equity in the year	-	-	-	(605,567)	(605,567)
Opening equity	2,012,502	(4,029,629)	26,659,230	(20,320,672)	4,321,431
Closing equity	2,012,502	(4,029,629)	26,659,230	(20,926,239)	3,715,864

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2022

1. GENERAL INFORMATION

The Business Mortgage Company 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 05390573. The address of the registered office is Regus House, Malthouse Avenue, Cardiff Gate Business Park, Cardiff, Mid Glamorgan, Wales, CF23 8RU. 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.

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 2022

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. TURNOVER

	2022	2021
	£	£
Procurations fees	452,157	383,252
Valuation fees	279,846	266,401
	<u>732,003</u>	<u>649,653</u>

3. OPERATING LOSS

	2022	2021
	£	£
Operating loss is stated after charging:		
Amortisation of intangibles (note 7)	144,908	537,800
Depreciation on tangible fixed assets (note 8)	10,234	61,595
Auditor remuneration - audit services	<u>20,436</u>	<u>17,616</u>

Non audit fees provided to the Company 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.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£	£
Interest receivable from group companies	93,102	79,635
Investment income	<u>80</u>	<u>13</u>
	<u>93,182</u>	<u>79,648</u>

Interest receivable arises from financial assets held at amortised cost.

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2022

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £	2021 £
Interest payable to group companies	11,482	9,365
Discounting on lease liabilities	133	1,255
	<u>11,615</u>	<u>10,620</u>

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

6. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Tax credit for the year

	2022 £	2021 £
Current tax		
Corporation tax	-	-
Group relief	(47,200)	(83,974)
Adjustment in respect of prior periods	30,695	30,695
	<u>(16,505)</u>	<u>(53,279)</u>
Deferred tax (note 11)		
Origination and reversal of timing differences	787	959
Rate change	92	(1,035)
	<u>879</u>	<u>(76)</u>
Tax credit on loss on ordinary activities	<u>(15,626)</u>	<u>(53,355)</u>

b) Factors affecting the tax credit for the year

	2022 £	2021 £
Loss before tax	<u>(292,613)</u>	<u>(658,922)</u>
UK corporation tax at 19% (2021: 19%) based on the loss for the year	(55,596)	(125,195)
Effects of:		
Expenses not deductible for tax purposes	9,183	42,180
Change in tax rate	92	(1,035)
Prior period adjustments	30,695	30,695
Tax credit for the year	<u>(15,626)</u>	<u>(53,355)</u>

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2022

6. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

The standard rate of corporation tax in the UK applicable to the Company in the period was 19.0% (2021: 19.0%), based on currently enacted legislation. During the previous period, legislation was substantively enacted, that will increase the rate to 25% with effect from 1 April 2023. Consequently, temporary differences at the balance sheet date will either reverse at 22% in the year ended 30 September 2023 or 25% in subsequent years.

7. INTANGIBLE ASSETS

	Goodwill £	Other intangible assets £	Total £
Cost			
At 1 October 2021 and 30 September 2022	<u>7,646,100</u>	<u>6,618,349</u>	<u>14,264,449</u>
Accumulated depreciation			
At 1 October 2021	6,000,000	6,473,441	12,473,441
Charge for the year	-	144,908	144,908
At 30 September 2022	<u>6,000,000</u>	<u>6,618,349</u>	<u>12,618,349</u>
Net book value			
At 30 September 2022	<u>1,646,100</u>	<u>-</u>	<u>1,646,100</u>
At 30 September 2021	<u>1,646,100</u>	<u>144,908</u>	<u>1,791,008</u>

NOTES TO THE ACCOUNTS - ANALYSIS
YEAR ENDED 30 SEPTEMBER 2022

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 October 2021	106,499	135,744	242,243
Additions	-	-	-
Disposals	(106,499)	(135,744)	(242,243)
At 30 September 2022	-	-	-
Accumulated depreciation			
At 1 October 2021	96,265	135,744	232,009
Charge for the year	10,234	-	10,234
Disposals	(106,499)	(135,744)	(242,243)
At 30 September 2022	-	-	-
Net book value			
At 30 September 2022	-	-	-
At 30 September 2021	10,234	-	10,234

The carrying values of right of use of assets, in respect of leases where the Company is the lessee, is the balance in land and buildings above.

9. INVESTMENTS

	£
At 1 October 2021 and 30 September 2022	250

The Company's fixed asset investment relates to an investment in the share capital of the following companies:

The Business Mortgage Company Services Limited

TBMC Group Limited

Country of incorporation: England and Wales

Principal activity: Other financial intermediation

Equity shareholding: 100%

The investment in The Business Mortgage Company Services Limited and TBMC Group Limited is held directly by The Business Mortgage Company Limited.

In the opinion of the directors, the value of the above investments is not less than the amount shown above.

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2022

10. DEBTORS

	2022 £	2021 £
Amounts falling due within one year:		
Amounts due from group companies	1,852,588	1,926,977
Trade debtors	63,505	73,256
Deferred tax (note 11)	147,796	148,675
	<u>2,063,889</u>	<u>2,148,908</u>

The fair value of the above items are not considered to be materially different to their carrying values.

11. DEFERRED TAX

The movements in the net asset for deferred tax are as follows:

	2022 £000	2021 £000
Balance at 1 October 2021	148,675	148,599
Profit and loss charge (note 6)	(787)	(959)
Rate change (note 6)	(92)	1,035
Balance at 30 September 2022	<u>147,796</u>	<u>148,675</u>

The net deferred tax asset for which provision has been made is analysed as follows:

Other timing differences	<u>147,796</u>	<u>148,675</u>
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12. CREDITORS

	2022 £	2021 £
Amounts falling due within one year:		
Amounts due to group companies	271,127	235,838
Lease payables (note 13)	-	-
Other creditors and accruals	86,955	85,309
	<u>358,082</u>	<u>321,147</u>

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2022

13. LEASE PAYABLES

	2022 £	2021 £
Leasing Liabilities fall due		
In more than five years	-	-
In more than two but less than five years	-	-
In more than one year but less than two years	-	-
In more than one year	-	-
In less than one year (note 12)	-	-
	-	-

14. LEASING ARRANGEMENTS

As Lessee

The Company's use of leases as a lessee, relates to the rent of an office building. Under International Financial Reporting Standards ('IFRS') 16 these have been accounted for as right of use assets and corresponding lease liabilities under IFRS 16.

The average term of the current building leases from inception is 10 years (2021: 10 years).

Disclosures relating to these leases are set out in these financial statements as follows.

Disclosure	Note
Depreciation on right of use assets	3
Interest expense on lease liabilities	5
Additions to right of use assets	8
Carrying amount of right of use assets	8

The lease for the office building expired on 30 November 2021 and the Company did not extend or renew it.

The Company entered into a new agreement at a different property. This is classed as a service lease and is not accounted for under IFRS 16.

There was no subleasing of any right of use asset and the total cash flows relating to leasing as a lessee were £nil (2021: £32,510).

15. CALLED UP SHARE CAPITAL

	2022 £	2021 £
Allotted:		
2,000,002 ordinary shares of £1 each (fully paid)	2,000,002	2,000,002
49,998 ordinary shares of £1 each (25p called up and paid)	12,500	12,500
	2,012,502	2,012,502

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2022

16. RESERVES

	Capital reconstruction reserve £	Capital contribution reserve £	Profit and loss account reserve £	Total £
At 1 October 2020	(4,029,629)	26,659,230	(20,320,672)	2,308,929
Loss for the financial year	-	-	(605,567)	(605,567)
At 30 September 2021	(4,029,629)	26,659,230	(20,926,239)	1,703,362
Loss for the financial year	-	-	(276,987)	(276,987)
At 30 September 2022	(4,029,629)	26,659,230	(21,203,226)	1,426,375

The capital reconstruction reserve was created on the hive across of the assets and trade of TBMC (2) Limited to the Company on 27 February 2009 and represents the difference between the purchase consideration paid and the book value of the assets at that date.

No interim dividend was paid during the year (2021: £nil). No final dividend is proposed (2021: £nil).

NOTES TO THE ACCOUNTS – FINANCIAL RISK

YEAR ENDED 30 SEPTEMBER 2022

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.

17. FINANCIAL RISK MANAGEMENT

The directors do not consider that the Company is exposed to any significant financial risks. The Company is not exposed to any currency risks. The Paragon Group of Companies PLC (the “Group”) holds sufficient cash resources to support The Business Mortgage Company Limited’s obligations in the foreseeable future, with this being subject to regular cash flow forecasting to ensure sufficient cash resources continue to be held. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2022

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.

18. 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.

On 31 December 2020, EU-adopted International Financial Reporting Standards ('IFRS') was brought into UK law and become UK-IAS, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. In preparing these financial statements in accordance with FRS 101, the Company Financial Statements transitioned to UK-adopted international accounting standards (as described above) in its first financial year commencing after 1 January 2021. There is no impact on recognition, measurement or disclosure in the period reported as a result of this change.

The particular accounting policies adopted have been set out in note 19.

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.

19. ACCOUNTING POLICIES

The particular accounting policies applied are described below.

Accounting convention

The Financial Statements have been prepared under the historical cost convention.

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.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2022

19. ACCOUNTING POLICIES (Continued)

Going concern (continued)

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 2022, 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 the increased cost of living, rising interest rates and the impacts of Russia's intervention in Ukraine, as well as the long-term after effects of the Covid pandemic. To evaluate these impacts a number of different scenarios with impacts of varying duration and severity were examined. In common with the Group's approach to IFRS 9, the economics used in the forecasting process were updated in October 2022 based on updated external projections.

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.

Turnover

Turnover is generated from the following sources - procurement fees earned on completed Buy to Let Mortgages and Commercial Mortgages, fees received via cases completed using eConveyancer sourcing system and fees received for valuations undertaken on properties. Procurement fees are recognised based upon application levels and expected completion rates and valuation fees are recognised as earned. All turnover is derived from activities carried out wholly in the United Kingdom.

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.

Deferred taxation

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

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.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2022

19. ACCOUNTING POLICIES (CONTINUED)

Leases

For leases where the Company is the lessee a right of use asset is recognised in property plant and equipment on the inception of the lease based on the discounted value of the minimum lease payments at inception. A lease liability of the same amount is recognised at inception, with the unwinding of the discount included in the interest payable.

Leases where the Company is lessor are accounted for as operating or finance lease in accordance with IFRS 16 – ‘Lease’. A finance lease is one which transfers substantially all of the risks and rewards of the ownership of the asset concerned. Any other lease is an operating lease.

Rental income and costs on operating leases are charged or credited to the profit and loss account on a straight-line basis over the lease term. The associated assets are included within property plant and equipment.

Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the purchase consideration over the fair values of the acquired assets, including intangible assets, is held on the balance sheet and reviewed annually to determine whether any impairment has occurred.

As permitted by IFRS 1, the Company has elected not to apply IFRS 3 – ‘Business Combinations’ to combinations taking place before the transition date to IFRS (1 October 2014). Intangible assets arising on business combinations and not recognised under the UK GAAP applying to the Company at the time of acquisition have been recognised on transition to IFRS, as required by IFRS 1.

Other intangible assets acquired in business combinations include brands and business networks and are capitalised in accordance with the requirements of IFRS 3 – ‘Business Combinations’. Such assets are stated at attributed cost less accumulated amortisation. Amortisation is provided in equal instalments over a 12.3 year period from date of acquisition.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset, on a straight line basis, over the its expected useful life, as follows:

Fixtures, fittings and equipment	3 or 4 years straight line
Motor vehicles	4 years straight line

Loans

Interest bearing loans are recorded at the fair value of the proceeds received, net of directly attributable issue costs and any repayments made to date. Finance charges are accounted for on an accruals basis and are added to the carrying value of the loan to the extent that they have not been settled at the balance sheet date.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2022

19. 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
- The requirement to provide comparative period reconciliations in respect of fixed assets
- The requirement to provide comparative period reconciliations in respect of intangible 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 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.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate and ultimate parent undertaking and controlling party of the Company is Paragon Banking Group PLC, a company registered in England and Wales. This is the largest and smallest group of which the Company is a member and for which consolidated financial statements are drawn up. Copies of the Group’s financial statements are available from that company’s registered office at 51 Homer Road, Solihull, West Midlands, B91 3QJ.