

SPV SECURITIES LIMITED

Report and Financial Statements

Year ended 30 September 2014

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STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

SPV Securities Limited ('the Company') is a wholly owned subsidiary of The Paragon Group of Companies PLC ('the Group') and was set up to purchase asset backed loan notes of fellow group companies. These are the 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 5, the retained profit has fallen from £110,000 to a retained loss of £99,000. This was principally due to interest receivable decreasing in the current year compared to the preceding year and to an increase in interest payable on intercompany loans during the year.

The balance sheet on page 6 of the Financial Statements shows the Company's financial position at the year end. Net assets have decreased due to the retained loss for the year. Details of amounts owed to other group companies are shown in note 13.

The directors recommend no final dividend (2013: £nil) which, given the interim dividend of £nil per share (2013: £550,000), means a total dividend for the year of £nil per share (2013: £550,000).

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. A discussion of critical accounting estimates is set out in note 2.

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



R J Woodman

Director

23 January 2015

STRATEGIC REPORT

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Approved by the Board of Directors

and signed on behalf of the Board



R J Woodman

Director

23 January 2015

DIRECTORS' REPORT

The directors present their Annual Report and the audited Financial Statements of SPV Securities Limited, registration no: 06904002, for the year ended 30 September 2014.

DIRECTORS

The directors throughout the year and subsequently were:

N Keen (resigned 13 May 2014)

R D Shelton

J G Gemmell (resigned 30 June 2014)

J A Harvey

R J Woodman

AUDITOR

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

No notice from members under section 488 of the Companies Act 2006 having been received, the directors intend that the auditor, Deloitte 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 Schedule 7 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.

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.

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



R J Woodman

Director

23 January 2015

**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 year. 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.

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 of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPV SECURITIES LIMITED

We have audited the Financial Statements of SPV Securities Limited for the year ended 30 September 2014 which comprise the profit and loss account, the statement of movement in shareholder's funds, the balance sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Peter Birch (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Birmingham, United Kingdom

23 January 2015

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2014

	Note	2014 £000	2013 £000
Interest receivable and similar income	4	3,161	3,181
Interest payable and similar charges	5	(3,206)	(2,914)
Net interest (expense) / income		(45)	267
Operating expenses		(82)	(72)
Operating (loss) / profit, being (loss) / profit on ordinary activities before taxation	7	(127)	195
Tax on (loss) / profit on ordinary activities	8	28	(85)
(Loss) / profit on ordinary activities after taxation	12	(99)	110

All activities derive from continuing operations.

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

STATEMENT OF MOVEMENT IN SHAREHOLDER'S FUNDS

YEAR ENDED 30 SEPTEMBER 2014

	2014 £000	2013 £000
(Loss) / profit attributable to shareholder's	(99)	110
Dividend paid	-	(1,100)
Net movement in shareholder's funds	(99)	(990)
Opening shareholder's funds	138	1,128
Closing shareholder's funds	39	138

BALANCE SHEET**30 SEPTEMBER 2014**

	Note	2014 £000	2014 £000	2013 £000	2013 £000
ASSETS EMPLOYED					
FIXED ASSETS					
Investments	9		71,284		71,328
CURRENT ASSETS					
Debtors falling due within one year	10	354		348	
			354		348
			<u>71,638</u>		<u>71,676</u>
FINANCED BY					
SHAREHOLDER'S FUNDS					
Called up share capital	11	-		-	
Profit and loss account	12	39		138	
			39		138
CREDITORS					
Amounts falling due within one year	13		71,599		71,538
			<u>71,638</u>		<u>71,676</u>

These Financial Statements were approved by the Board of Directors on 23 January 2015.

Signed on behalf of the Board of Directors



R D Shelton

Director

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES

The Financial Statements are prepared in accordance with applicable UK Accounting Standards. The particular accounting policies adopted are described below. They have been applied consistently throughout the current and preceding year. The Financial Statements have been prepared on a going concern basis as described in the Strategic Report.

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.

Investments

Investments and debt securities are valued at inception as the amount paid, which is the fair value at that time. Thereafter they are valued at this amount plus the cumulative amortisation calculated using the Effective Interest Rate ('EIR') method.

The EIR method spreads the expected net income arising from an investment over its expected life. The EIR is that rate of interest which, at inception, exactly discounts the expected future cash payments and receipts arising from the investments to the initial carrying amount.

Related party disclosures

The Company has taken advantage of the exemption granted by Financial Reporting Standard 8 - 'Related Party Disclosures' and does not therefore provide details of transactions with other group companies as it is a wholly owned subsidiary of The Paragon Group of Companies PLC, the accounts of which are publicly available.

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.

Revenue

The revenue of the Company comprises interest receivable. The accounting policy for the recognition of this element of revenue is described separately within these accounting policies.

FRS 29 disclosure

The Company has taken advantage of the exemption granted by Financial Reporting Standard 29 (IFRS 7) - 'Financial Instruments: Disclosures' and does not therefore provide the disclosures required by the Standard as it is a wholly owned subsidiary of The Paragon Group of Companies PLC, the accounts of which are publicly available.

Cash flow statement

The Company has taken advantage of the exemption granted by Financial Reporting Standard 1 - 'Cash Flow Statements' and does not therefore provide a cash flow statement as it is a wholly owned subsidiary of The Paragon Group of Companies PLC, the accounts of which are publicly available.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2014

2. CRITICAL ACCOUNTING ESTIMATES

Certain balances reported in the Financial Statements are based wholly or in part on estimates or assumptions made by the directors. There is, therefore, a potential risk that they may be subject to change in future periods. The most significant of these is:

Effective interest rates

In order to determine the effective interest rate applicable to the investments an estimate must be made of the expected life of the investments and hence the cash flows relating thereto. These estimates are based on historical data and reviewed regularly. The accuracy of the effective interest rate applied would therefore be compromised by any differences between actual repayments and that predicted.

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 AND SIMILAR INCOME

	2014 £000	2013 £000
Interest received on loan notes issued by other group companies	2,036	1,861
Unwinding of discount on purchase on loan notes in other group companies	1,125	1,320
	<u>3,161</u>	<u>3,181</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £000	2013 £000
Interest payable to group companies	<u>3,206</u>	<u>2,914</u>

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.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2014

7. OPERATING (LOSS) / PROFIT, BEING (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2014 £000	2013 £000
Operating (loss) / profit is after charging:		
Auditor remuneration - audit services	6	5

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) / PROFIT ON ORDINARY ACTIVITIES

a) Tax charge for the year

	2014 £000	2013 £000
Current tax		
Corporation tax	-	46
Group relief	(28)	-
Prior year charge	-	39
	(28)	85

b) Factors affecting the current tax charge

	2014 £000	2013 £000
(Loss) / profit before tax	(127)	195
UK corporation tax at 22% (2013: 23.5%) based on the (loss) / profit for the year	(28)	46
Effects of:		
Prior year charge	-	39
	(28)	85

During the year ended 30 September 2012 the Government enacted provisions reducing the rate of corporation tax from 24.0% to 23.0% from 1 April 2014. During the year ended 30 September 2013 the Government enacted provisions further reducing the rate of corporation tax to 21.0% with effect from 1 April 2014 and 20.0% from 1 April 2015. Therefore the standard rate of corporation tax applicable to the Company for the year ended 30 September 2013 was 23.5%, the rate for the year ending 30 September 2014 was 22.0%, the rate for the year ending 30 September 2015 is expected to be 20.5% and the rate in subsequent years is expected to be 20.0%.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2014

9. INVESTMENTS

	2014 £000	2013 £000
Valuation and Cost		
At 1 October 2013	71,328	60,790
Investment during the year	-	10,000
Other debits	1,125	1,320
Repayment of loans	(1,169)	(782)
At 30 September 2014	<u>71,284</u>	<u>71,328</u>

The investments are asset backed loan notes of group companies which are not subsidiaries of the Company.

The Company holds asset backed loan notes of the following companies:

Paragon Mortgages (No.8) PLC

Paragon Mortgages (No.10) PLC

Paragon Mortgages (No. 14) PLC

Paragon Secured Finance (No. 1) PLC

First Flexible No. 6 PLC

Paragon Mortgages (No. 16) PLC

Paragon Mortgages (No. 17) PLC

Paragon Mortgages (No. 18) PLC

Other debits include primarily interest charged and other changes in the amortised cost of the assets caused by the effective interest rate method.

10. DEBTORS

	2014 £000	2013 £000
Amounts falling due within one year:		
Prepayments and accrued income	<u>354</u>	<u>348</u>

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

Included with the prepayments and accrued income balance is an amount of £354,000 (2013: £348,000) due from fellow subsidiaries of The Paragon Group of Companies PLC.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2014

11. CALLED UP SHARE CAPITAL

	2014 £	2013 £
Allotted:		
2 ordinary shares of £1 each (fully paid)	2	2

12. PROFIT AND LOSS ACCOUNT

	£000
At 1 October 2012	1,128
Profit for the financial year	110
Dividend paid	(1,100)
At 30 September 2013	138
Loss for the financial year	(99)
Dividend paid	-
At 30 September 2014	39

An interim dividend of £nil per share was paid during the year (2013: £550,000). No final dividend is proposed (2013: £nil).

13. CREDITORS

	2014 £000	2013 £000
Amounts falling due within one year:		
Amounts due to group companies	71,593	71,448
Corporation tax	-	85
Accruals and deferred income	6	5
	71,599	71,538

14. 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 The Paragon Group of Companies PLC, a company registered in England and Wales. The Paragon Group of companies PLC acquired the share capital of the Company from Idem Capital Limited during the year.

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