

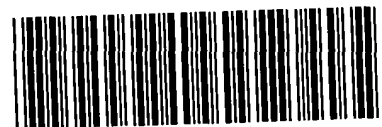
Company Registration No: 07737522

IDEM CAPITAL HOLDINGS LIMITED

Report and Financial Statements

Year ended 30 September 2020

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STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Idem Capital Holdings Limited ('the Company') is a wholly owned subsidiary of Paragon Banking Group PLC ('the Group'). The Company acts as a holding company and operates in the United Kingdom. The movements on fixed assets investments are as detailed in note 14 and these comprise the holdings in other group companies. 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 income statement on page 7, the result after tax has decreased from a profit of £28,026,000 to a profit of £71,000. This was mainly due to a decrease in the amount of dividends the Company received from its subsidiaries and the increase in the intercompany provisions.

The balance sheet on page 8 of the Financial Statements shows the value of investments the Company currently holds. As a result of the loss for the year and the interim dividend paid during the year net assets have fallen to a net liability position. Details of amounts owed from and to other group companies are shown in notes 16 and 21.

On 14 February 2019 the Company reduced its share capital from £130,001,000 to £100.

The directors recommend no final dividend (2019: £nil) and interim dividend of £12,500 per share (2019: interim dividend of 15.4 pence per share in December 2018 before the company reduced its share capital and £35,000 per share in September 2019 after the share capital reduction).

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 assets of the Company are located entirely in the United Kingdom and its results are therefore impacted by the economic environment within the UK. A material downturn in economic performance could increase the numbers of customers who default on loans and / or cause the values of the properties over which the Company enjoys security to fall.

The UK economy in the current year has been impacted significantly by the effects of the Covid-19 virus. This has caused major economic disruption within the UK and global economy but has also driven governments and regulators to offer unprecedented levels of support to businesses and consumers, aimed at mitigating its impact.

The Company has put contingency plans in place to ensure that it can continue to service its customers and to satisfy its obligations under the funding structure. However, should the pandemic have significant long-term impacts on the UK economy then this would significantly impact the Company's future cash flows and performance.

Together with continuing uncertainty arising the potential impact economic impact of the UK's withdrawal from the European Union, the Covid-19 pandemic has made the long-term economic prospects for the UK and their impacts on the Company much difficult to forecast.

An analysis of the Company's exposure to risk, including financial risk, and the steps taken to mitigate these risks are set out in note 4.

GOING CONCERN

The performance of the Company is subject to analysis against plan, with key variances being analysed in detail on a monthly basis. This monitoring, particularly of credit and liquidity measures has been enhanced at Group level in response to the Covid-19 situation.

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.

STRATEGIC REPORT (CONTINUED)

GOING CONCERN (CONTINUED)

In compiling the most recent forecast, for the period commencing 1 October 2020, particular attention was paid to the potential consequences of Covid-19 on the Group's operations, customers, funding and prospects, both in the short and longer term. This included consideration of a number of different scenarios with impacts of varying duration and severity. In common with the Group's approach to IFRS 9, the economics used in the forecasting process were updated in October in light of the continuing development of the Covid-19 crisis, based on updated external projections. Future business activity was reforecast reflecting the potential impacts of the pandemic on markets and products.

After considering the Company's position, the economic environment and the forecasts described 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.

BOARD AND STAKEHOLDERS

The Board of the Company is mindful of its duty to act in good faith and to promote the success of the Paragon Banking Group PLC group of companies (the 'Paragon Group') for the benefit of its shareholders and with regard to the interests of all of its stakeholders and, in particular, the interests of the Company's noteholders. The Board confirms that, for the year ended 30 September 2020, it has acted to promote the success of the Company for the benefit of its members as a whole and continues to have due regard to the following matters (as per section 172 of the Companies Act 2006):

- a. The likely consequences of any decision in the long-term;
- b. The interests of the Company's employees;
- c. The need to foster the Company's business relationships with suppliers, customers and others;
- d. The impact of the Company's operations on the community and the environment;
- e. The desirability of the Company maintaining a reputation for high standards of business conduct; and
- f. The need to act fairly as between members of the Company.

As part of the Paragon Group, stakeholder engagement, for stakeholder groups where there is substantial common identity between the non-shareholder stakeholders of the Company and of the Paragon Group, takes place at a group level and the Company looks to group initiatives for guidance and takes them into account in its decision making. The Company follows Paragon Group policies and procedures as mentioned above, including those relating to standards of business conduct, the environment, the community and other stakeholders. More detail may be found in the Paragon Group's 2020 Annual Report and Accounts.

STRATEGIC REPORT (CONTINUED)

BOARD AND STAKEHOLDERS (CONTINUED)

As a securitisation entity the decision-making powers of the Board of Directors are limited. 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. However, in considering items of business the Board makes autonomous decisions on their own merits, after due consideration of the long-term success of the Company, those factors set out in section 172 of the Companies Act 2006, where relevant, and the stakeholders impacted.

Board meetings are held periodically where the directors consider Company business, including its results and performance.

More information on the Company's impact on individual stakeholder groups is set out below.

SHAREHOLDERS

The Company is a wholly owned subsidiary of Paragon Banking Group PLC, the ultimate parent company of the Group. The interests of the Company's shareholders thus coincide with those of the shareholders of the Group (s172 (1)(f)).

ENVIRONMENT

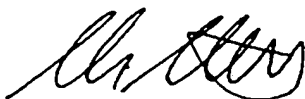
The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with group policies, which are described in the 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

28 January 2021

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 Idem Capital Holdings Limited, a Company registered in England and Wales with registration no: 07737522, for the year ended 30 September 2020.

DIRECTORS

The directors throughout the year and subsequently were:

R J Woodman

D Newcombe

R D Shelton

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.

A resolution for the re-appointment of KPMG LLP as the auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

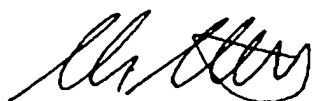
INFORMATION PRESENTED IN OTHER SECTIONS

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 4 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

28 January 2021

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. The directors are required to prepare accounts for the Company in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

International Accounting Standard 1 – 'Presentation of Financial Statements' requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- make an assessment of the Company's ability to continue as a going concern;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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 the Company's profit or loss for the year.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company 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.

The directors confirm that, to the best of their knowledge, the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

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



K G Allen

Director

28 January 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IDEM CAPITAL HOLDINGS LIMITED

Opinion

We have audited the financial statements of Idem Capital Holdings Limited for the year ended 30 September 2020 which comprise the Income Statement, the Balance Sheet, the Statements of Movements in Equity and the related notes 1 to 23, including the accounting policies in note 3.

In our opinion the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); 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").

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IDEM CAPITAL HOLDINGS LIMITED (CONTINUED)

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.

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

28 January 2021

IDEM CAPITAL HOLDINGS LIMITED

INCOME STATEMENT

YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Interest receivable	6	2,916	3,478
Interest payable and similar charges	7	(3,138)	(368)
Net interest income		(222)	3,110
Other operating income	8	750	25,500
Total operating income		528	28,610
Operating expenses	9	(10)	(10)
Provision for losses	12	(491)	15
Operating profit being profit on ordinary activities before taxation		27	28,615
Tax credit / (charge) on profit on ordinary activities	13	44	(589)
Profit on ordinary activities after taxation for the financial year	19	71	28,026

The loss for the current year and the profit for the preceding year relate entirely to continuing operations.

There were no other items of comprehensive income in either the current or preceding years.

IDEM CAPITAL HOLDINGS LIMITED

BALANCE SHEET

30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Assets employed			
Non-current assets			
Investment in subsidiary undertakings	14	50,426	55,572
		<u>50,426</u>	<u>55,572</u>
Current assets			
Other receivables	16	1,584	937
		<u>1,584</u>	<u>937</u>
Total assets		<u>52,010</u>	<u>56,509</u>
Financed by			
Equity shareholders' funds			
Called-up share capital	17	-	-
Reserves	18	19	1,198
Total equity		<u>19</u>	<u>1,198</u>
Current liabilities			
Current tax liabilities	20	-	589
Other liabilities	21	51,991	54,722
		<u>51,991</u>	<u>55,311</u>
Total liabilities		<u>51,991</u>	<u>55,311</u>
		<u>52,010</u>	<u>56,509</u>

These financial statements of the Group and Company (registered number 07737522) were approved by the Board of Directors on 28 January 2021.

Signed on behalf of the Board of Directors



K G Allen

Director

IDEM CAPITAL HOLDINGS LIMITED

STATEMENT OF MOVEMENTS IN EQUITY

YEAR ENDED 30 SEPTEMBER 2020

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Profit for the year	-	71	71
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	71	71
<i>Transactions with owners</i>			
Dividends	-	(1,250)	(1,250)
Net movement in equity in the year	-	(1,179)	(1,179)
Opening equity	-	1,198	1,198
Closing equity	-	19	19

YEAR ENDED 30 SEPTEMBER 2019

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Profit for the year	-	28,026	28,026
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	28,026	28,026
<i>Transactions with owners</i>			
Dividends	-	(23,500)	(23,500)
Reduction in share capital	(130,001)	-	(130,001)
Net movement in equity in the year	(130,001)	4,526	(125,475)
Opening equity	130,001	(3,328)	126,673
Closing equity	-	1,198	1,198

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

1. GENERAL INFORMATION

Idem Capital Holdings Limited is a company domiciled in the United Kingdom and incorporated in England and Wales under the Companies Act 2006 with company number 07737522. The address of the registered office is 51 Homer Road, Solihull, West Midlands, B91 3QJ. The nature of the Group's operations and its principal activities are set out in the Strategic Report 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. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the financial years reported upon this means that the financial statements accord also with International Financial Reporting Standards as approved by the International Accounting Standards Board.

In the preparation of these financial statements, the following accounting standards are being applied for the first time.

- IFRS 16 – 'Leases'

This has had no impact upon the balance sheet or the profit and loss account.

3. ACCOUNTING POLICIES

The particular policies applied are described below.

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, except as required in the valuation of certain financial instruments which are carried at fair value.

(b) Going Concern

Accounting standards require the directors to assess the Company's ability to continue to adopt the going concern basis of accounting. In performing this assessment, the directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them. Particular focus is given to the Group's financial forecasts to ensure the adequacy of resources available for the Company to meet its business objectives on both a short term and strategic basis.

The Group has a formalised process of budgeting, reporting and review. The Group's planning procedures forecast its profitability, capital position, funding requirement and cash flows on a company by company basis. In compiling the most recent forecast, for the period commencing 1 October 2020, particular attention was paid to the potential consequences of Covid-19 on the Group's operations, customers, funding and prospects, both in the short and longer term. This included consideration of a number of different scenarios with impacts of varying duration and severity. In common with the Group's approach to IFRS 9, the economics used in the forecasting process were updated in October in light of the continuing development of the Covid-19 crisis, based on updated external projections. Future business activity was reforecast reflecting the potential impacts of the pandemic on markets and products.

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.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

3. ACCOUNTING POLICIES (CONTINUED)

(c) **Consolidated accounts**

The Company is exempt under Section 400 of the Companies Act 2006 from the obligation to prepare group financial statements, being a wholly-owned subsidiary undertaking of Paragon Banking Group PLC.

(d) **Investments in subsidiaries**

The Company's investments in subsidiary undertakings are valued at cost less provision for impairment.

(e) **Amounts owed by or to group companies**

In the accounts of the Company balances owed by or to other Paragon Group companies are carried at the current amount outstanding less any provision. Where balances owing between Paragon Group companies fall within the definition of either financial assets or financial liabilities given in IAS 32 – 'Financial Instruments: Presentation' they are classified as 'Loans and Receivables' or 'Other financial liabilities', respectively.

(f) **Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of temporary differences. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Tax relating to items taken directly to equity is also taken directly to equity.

(g) **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.

(h) **Revenue**

The revenue of the Company comprises interest receivable and similar charges and other income. The accounting policy for the recognition of each element of revenue is described separately within these accounting policies.

(i) **Dividends**

In accordance with IAS 10 – 'Events after the balance sheet date', dividends payable on ordinary shares are recognised in equity once they are appropriately authorised and are no longer at the discretion of the Company. Dividends declared after the balance sheet date, but before the authorisation of the financial statements remain within shareholders' funds.

4. 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.

5. REVENUE

	Note	2020 £000	2019 £000
Interest receivable	6	2,916	3,478
Other operating income	8	750	25,500
Total revenue		<u>3,666</u>	<u>28,978</u>

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

6. INTEREST RECEIVABLE

	2020 £000	2019 £000
Interest on loans to Paragon Group companies	2,916	3,478

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £000	2019 £000
Interest payable to the Group	-	-
Interest payable to group companies	3,138	368
Total interest on financial liabilities	3,138	368
Other finance costs	-	-

8. OTHER OPERATING INCOME

	2020 £000	2019 £000
Dividend income	750	25,500

9. OPERATING EXPENSES

	Note	2020 £000	2019 £000
Auditor remuneration	11	10	10

The Company utilises employees and facilities of the Paragon Group in its operations, and hence has no employees of its own.

10. KEY MANAGEMENT REMUNERATION

The directors, who are the key management personnel of the Group and the Company, received no remuneration from the Group.

During the period Mr R J Woodman was a director of Paragon Banking Group PLC and his remuneration is set out in the Annual Report of that Company.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

11. AUDITOR REMUNERATION

The analysis of fees payable to the Company's auditors and their associates, excluding irrecoverable VAT, required by the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 is set out below.

	2020 £000	2019 £000
Audit fee of the company	10	10
Total fees	10	10
Irrecoverable VAT	-	-
Total cost to the Group	10	10

Fees paid to the auditors and their associates for non-audit services to the Company are not disclosed because the consolidated accounts of the Paragon Group are required to disclose such fees on a consolidated basis.

12. PROVISION FOR LOSSES

	Note	2020 £000	2019 £000
Impairment of financial assets / (release of provision)			
Investments	14	491	(15)
		491	(15)

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

13. TAX (CREDIT) / CHARGE ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2020 £000	2019 £000
Current tax		
UK Corporation tax on profits of the period	-	589
Group relief	(44)	-
Total current tax	(44)	589
Deferred tax	-	-
Tax (credit) / charge on loss / profit on ordinary activities	(44)	589

The standard rate of corporation tax in the UK applicable to the Company in the period was 19.0% (2019: 19.0%), based on currently enacted legislation. During the period, legislation was substantively enacted, reversing the reduction in the tax rate to 17.0% which had been due to come into effect from April 2020. Consequently, temporary differences which had been expected to reverse at a tax rate of 18% in the current year, or 17% in subsequent years, have either reversed or are expected to reverse at a rate of 19%. The impact of this change has been accounted for in the year.

(b) Factors affecting tax (credit) / charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before taxation	27	28,615
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	5	5,437
Effects of:		
Tax exempt revenues	(142)	(4,845)
Non-deductible expenses / (income)	93	(3)
Tax (credit) / charge for the year	(44)	589

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

14. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company's investments in subsidiary undertakings represent shares in Group companies and funding loans to operating companies.

	Shares £000	Loans £000	Total £000
At 1 October 2018	5,376	28,964	34,340
Investments in subsidiaries	(3)	-	(3)
Loans advanced	-	57,877	57,877
Loans repaid	-	(36,657)	(36,657)
Provision movements	15	-	15
At 30 September 2019	5,388	50,184	55,572
Investments in subsidiaries	(1)	-	(1)
Loans advanced	-	5,440	5,440
Loans repaid	-	(10,094)	(10,094)
Provision movements	(76)	(415)	(491)
At 30 September 2020	5,311	45,115	50,426

The Company's operating subsidiaries, and the nature of the Group's interest in them, are shown in note 15.

15. SUBSIDIARY ENTITIES

Operating subsidiaries where the share capital is held within the Group comprise:

	Holding	Principal Activity
Direct subsidiaries of the Company		
Moorgate Loan Servicing Limited	100%	Asset administration
Paragon Personal Finance Limited	100%	Consumer loan finance
Idem Asset Management Limited	100%	Non-trading
Idem (No. 3) Limited	100%	Asset investment
Idem Capital Securities Limited	100%	Asset investment
Idem Luxembourg (No. 10) ‡	100%	Non-trading

The financial year end of all of the Company's subsidiary companies is 30 September. They are all registered in England and Wales and operate in the UK except:

- those entities marked ‡ which are registered in the Grand Duchy of Luxembourg.

The registered office of each of the entities listed in this note is the same as that of the Company (note 1).

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

16. OTHER RECEIVABLES

	2020 £000	2019 £000
Current assets		
Amounts owed by Paragon Group companies	1,584	937
	<u>1,584</u>	<u>937</u>

Amounts owed by Paragon Group companies and other debtors fall within the definition of financial assets given in IAS 32.

17. CALLED-UP SHARE CAPITAL

The share capital of the Company consists of a single class of £1 ordinary shares.

Movements in the issued share capital in the year were:

	2020 Number	2019 Number
Ordinary shares		
At 1 October 2019	100	130,001,000
Reduction in share capital	-	(130,000,900)
	<u>100</u>	<u>100</u>
At 30 September 2020		

18. RESERVES

	Note	2020 £000	2019 £000
Profit and loss account	19	19	1,198
		<u>19</u>	<u>1,198</u>

IDEM CAPITAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

19. PROFIT AND LOSS ACCOUNT

	2020	2019
	£000	£000
At 1 October 2019	1,198	(3,328)
Profit for the year	71	28,026
Dividends paid	(1,250)	(23,500)
At 30 September 2020	19	1,198

The directors recommend no final dividend (2019: £nil) and interim dividend of £12,500 per share (2019: interim dividend of 15.4 pence per share in December 2018 before the company reduced its share capital and £35,000 per share in September 2019 after the share capital reduction).

20. CURRENT TAX LIABILITIES

	2020	2019
	£000	£000
UK Corporation Tax	-	589
	-	589

21. OTHER LIABILITIES

	2020	2019
	£000	£000
Current liabilities		
Other accruals	10	10
Paragon Group funding	46,293	49,403
Amounts owed to Paragon Group companies	5,688	5,309
	51,991	54,722

Other accruals fall within the definition of 'other financial liabilities' set out in IAS 32 and IAS 39 and their fair values are not considered to be materially different to their carrying values.

The Company's funding from the Group was restructured on its foundation in September 2013 so that the principal funding loan to the subsidiaries of the Company is between Paragon Banking Group and the Company. Drawings on this loan are provided by the Company for asset purchases and investments on a case by case basis by its subsidiaries and the loan is repayable to the extent that applicable funds are generated by the subsidiaries assets. The loan bears interest on a monthly basis at a rate of 6.00% per annum.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

22. RELATED PARTY TRANSACTIONS

During the year the parent company entered into transactions with its subsidiaries and other members of the Paragon Group, which are related parties.

Details of the Company's investments in subsidiaries and the income derived from them are shown in notes 14 and 15.

Paragon Group entities provided funding to the Company, as described in note 21. Interest paid to the Paragon Group by the Company in respect of this funding is £nil (2019: £nil) as disclosed in note 7 was paid by the Company.

Outstanding current account balances with subsidiaries and other Paragon Group companies are shown in notes 16 and 21.

23. ULTIMATE PARENT COMPANY

The smallest and largest group into which the Company is consolidated, and the Company's immediate and ultimate parent company and ultimate controlling party is Paragon Banking Group PLC, a company registered in England and Wales.

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