

THE PARAGON PENSION PARTNERSHIP LP

Report and Financial Statements

Year ended 30 September 2022

CAUTIONARY STATEMENT

Sections of this Annual Report, including but not limited to the General Partner's 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 The Paragon Pension Partnership LP ('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.

GENERAL PARTNER'S REPORT

The General Partner presents its report and the audited financial statements of Paragon Pension Partnership LP ("the Partnership") for the year ended 30 September 2022.

PRINCIPAL ACTIVITY

The principal activity of Paragon Pension Partnership LP is to hold an interest in investment property.

The Partnership was registered SL032153 in Scotland as a limited partnership by the Registrar of Companies for Scotland on 25 August 2017 and is a partnership between Paragon Pension Investments GP Limited, Paragon Banking Group Plc and Paragon Pension Plan Trustees Limited.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The profit and loss account on page 9 shows a result for the year ended 30 September 2022 of £nil.

The balance sheet on page 10 shows the Partnership's financial position at the year end, which shows the acquisition of the property.

The limited partnership is currently in a net asset position. The directors of the General Partner are of the opinion that the limited partnership has adequate resources to continue in operational existence for the foreseeable future. The directors of the General Partner are satisfied with the partnership's results and its financial position and will continue to pursue suitable business opportunities.

PARTNERS

The Partners and their respective interests in the Partnership at the end of the period are as follows:

Paragon Pension Investments GP Limited	-	0.1%
Paragon Pension Plan Trustees Limited	-	0.1%
Paragon Banking Group Plc	-	99.8%

Paragon Pension Investments GP Limited is the General Partner and, as such, has exclusive responsibility for the management of the business of the Partnership.

PRINCIPAL RISKS AND UNCERTAINTIES

The assets of the Partners 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 cause the values of the properties over which the Company enjoys security to fall.

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.

GENERAL PARTNER'S REPORT (CONTINUED)

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a director of the General Partner at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the Partnership's auditor is unaware
2. the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish the Partnership's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

INDEPENDENT AUDITOR

Having regard to the benefits of all Group entities sharing the same auditor, the directors resolved that KPMG LLP should also be appointed as auditor of the Company and a resolution for the appointment of KPMG LLP as the auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

For and on behalf of the General Partner



K G Allen

Director

17 February 2023

Registered office: 1st Floor Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD

STATEMENT OF PARTNERS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

Under the Partnership Agreement dated 16 March 2018, the partners are responsible for the preparation of financial statements for the period ending 30 September 2022 in accordance with the Partnership Agreement dated 16 March 2018 which give a true and fair view of the state of affairs of the partnership and of the profit or loss for that period. They have prepared the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

In preparing those financial statements, the Partners 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 partners 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 General Partners' Report that complies with that law and those regulations.

Responsibility statement of the partners 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

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.

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF THE PARAGON PENSION PARTNERSHIP LP

Opinion

We have audited the financial statements of The Paragon Pension Partnership LP for the year ended 30 September 2022 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 10, including the accounting policies in note 9.

In our opinion the Financial Statements:

- give a true and fair view of the state of the partnership's affairs as at 30 September 2022 and of its result 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 Partnership Agreement dated 16 March 2018.

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 partners' 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 PARTNERS OF THE PARAGON PENSION PARTNERSHIP LP (CONTINUED)

Our risk assessment procedures included:

- Enquiring of directors, Internal Audit and inspection of policy documentation as to the Company's high-level policies and procedures 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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF THE PARAGON PENSION PARTNERSHIP LP (CONTINUED)

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.

Other information

The partners are responsible for the other information, which comprises the general partners' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Matters on which we are required to report by exception

Under the terms of our engagement, we are required to report to you if, in our opinion:

- the partnership has not kept adequate accounting records;
- we have not received all the information and explanations we require for our audit; or
- information specified by the Partnership Agreement regarding partners' remuneration and other transactions is not disclosed.

We have nothing to report in these respects.

Partners' responsibilities

As explained more fully in their statement set out on page 4, the partners are responsible for: the preparation of financial statements in accordance with the Partnership Agreement dated 16 March 2018, that are intended by them to 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 partnership'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 partnership 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE PARTNERS OF THE PARAGON PENSION PARTNERSHIP LP (CONTINUED)**

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

17 February 2023

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £000	2021 £000
Rental income	2	1,665	1,665
Operating expenses		-	-
Operating profit, being profit on ordinary activities before partners' remuneration and profit shares	3	<u>1,665</u>	<u>1,665</u>
Operating profit, being profit on ordinary activities before partners' remuneration and profit shares		1,665	1,665
Partners' remuneration charged as an expense		<u>(1,665)</u>	<u>(1,665)</u>
Result for the financial year for discretionary division among partners'		<u>-</u>	<u>-</u>

All activities derive from continuing operations.

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

BALANCE SHEET

30 SEPTEMBER 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
ASSETS EMPLOYED					
FIXED ASSETS					
Investment property	4		24,000		24,000
CURRENT ASSETS					
Debtors falling due within one year	5		7		6
			<u>24,007</u>		<u>24,006</u>
FINANCED BY					
LOANS AND OTHER DEBTS DUE TO MEMBERS WITHIN ONE YEAR					
Partners' capital classified as a liability	6	24,000		24,000	
Other amounts	6	-		-	
		<u>24,000</u>		<u>24,000</u>	
CREDITORS					
Amounts falling due within one year	7		7		6
			<u>24,007</u>		<u>24,006</u>
TOTAL PARTNERS' INTERESTS					
Amounts due from partners			-		-
Loans and other debts due to partners	6		24,000		24,000
			<u>24,000</u>		<u>24,000</u>

These financial statements were approved by the General Partner on 17 February 2023, and signed on its behalf by:



K G Allen

Director

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2022

1. GENERAL INFORMATION

The Paragon Pension Partnership LP ('the Partnership') is a company domiciled in the United Kingdom and incorporated in Scotland under the Companies Act 2006 with registration number SL032153. The address of the registered office is 1st Floor Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD. The nature of the Company's operations and its principal activities are set out in the general partner's 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 two sections:

- Analysis – providing further analysis and information on the amounts shown in the primary financial statements
- 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. RENTAL INCOME

	2022	2021
	£000	£000
Rental income	1,665	1,665

3. OPERATING PROFIT, BEING PROFIT ON ORDINARY ACTIVITIES BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES

The Partnership's audit fee was paid by its partners.

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.

4. INVESTMENT PROPERTY

The building was purchased from Paragon Banking Group Plc.

	2022	2021
	£000	£000
Balance at 1 October 2021	24,000	24,000
Additions	-	-
Balance at 30 September 2022	24,000	24,000

As at 31 March 2021 the investment property was fair valued at £26m by independent surveyors who hold a recognised and relevant professional qualification and have recent experience in the location and category of the property. The carrying value of the property is reviewed on an annual basis with the most recent review indicating that the carrying value continued to be appropriate.

5. DEBTORS

	2022	2021
	£000	£000
Amounts falling due within one year:		
Amounts due from designated partners	7	6

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2022

6. LOANS AND OTHER DEBTS DUE TO PARTNERS LESS ANY AMOUNTS DUE FROM PARTNERS IN DEBTORS

	Capital £000	Other £000	Total £000
Amounts due to members	24,000	-	24,000
Amounts due from members	-	-	-
At 1 October 2021	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Partners remuneration charged as an expense	-	1,665	1,665
Members' interests after profit for the year	<u>24,000</u>	<u>1,665</u>	<u>25,665</u>
Capital introduced by members	-	-	-
Repayments of debt	-	-	-
Drawings	-	-	-
Other movements	-	(1,665)	(1,665)
At 30 September 2022	<u><u>24,000</u></u>	<u><u>-</u></u>	<u><u>24,000</u></u>
Being			
Amounts due to members	24,000	-	24,000
Amounts due from members	-	-	-
	<u><u>24,000</u></u>	<u><u>-</u></u>	<u><u>24,000</u></u>

7. CREDITORS

	2022 £000	2021 £000
Amounts falling due within one year:		
Amounts due to group companies	<u><u>7</u></u>	<u><u>6</u></u>

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.

8. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with applicable United Kingdom ('UK') accounting standards.

Under the Partnership (Accounts) Regulations 2008, the Partnership, as a qualifying partnership, is required to prepare and have audited an annual report and financial statements under Part 15 and Chapter 1 of Part 16 of the Companies Act 2006 as if the Partnership was a company formed and registered under the Companies Act.

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 9.

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.

9. ACCOUNTING POLICIES

The particular accounting policies adopted are described below and have been applied consistently throughout the current and prior year.

Accounting convention

The financial statements have been prepared under the historical cost convention.

The Partnership is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Partnership as an individual undertaking and not about its group.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2022

9. ACCOUNTING POLICIES (CONTINUED)

Going concern

The financial statements of the Company for the year ended 30 September 2022 have been prepared on the going concern basis, as defined in IAS 1 – ‘Presentation of Financial Statements’. In order to prepare financial statements on this basis the directors must conclude that the management does not intend to liquidate the Company or cease trading, and that the Company has the ability to continue to trade and will be able to satisfy its liabilities as they fall due. 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 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 of 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.

On the basis of this analysis, the directors have concluded that the Company is able to continue as a going concern for at least twelve months from the date of approval of these financial statements and that therefore it is appropriate to continue to adopt the going concern basis in the preparation of these financial statements.

Profit Allocation

The profit distribution is as follows:

Paragon Pension Investments GP Limited	-	0.1%
Paragon Group Pension Scheme	-	0.1%
Paragon Banking Group Plc	-	99.8%

Rental income

Rental income represents annual rental income from leasing its property to Paragon Banking Group Plc.

Investment property

The investment property represents the head office building acquired from Paragon Banking Group Plc. It is classified as an investment property, as defined by IAS 40 because it is held primarily to generate rental income. The carrying value of the property is determined in accordance with the cost model set out in IAS 40. No depreciation has been provided as the residual value is considered to be in excess of the carrying value.

Taxation

No tax is recorded in the financial statements of the Partnership, as all tax liabilities are liabilities of the Partners, not the Partnership, as a matter of tax legislation.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2022

9. ACCOUNTING POLICIES (CONTINUED)

Disclosures

In preparing these financial statements the Company has taken advantage of the exemptions from disclosure provided by FRS 101 in respect of:

- The requirement to produce a cash flow statement and related notes
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new, but not yet effective IFRSs
- Disclosures in respect of key management personnel
- Disclosures of transactions with a management entity which provides key management personnel services to the Company

As the consolidated financial statements of Paragon Banking Group PLC, the ultimate parent undertaking of the Company, include equivalent disclosures the Company has also taken advantage of these further exemptions provided by FRS 101:

- Certain disclosures required by IFRS 13 – ‘Fair Value Measurement’
- Certain disclosures required by IFRS 7 – ‘Financial Instruments Disclosures’

The Company presently intends to continue to apply these exemptions in future periods.

10. ULTIMATE PARENT COMPANY

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

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