

Paragon Treasury plc

Report and Financial Statements

Period 30 October 2014 to

31 March 2015

Company Number: 09288564

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Paragon Treasury plc

Report and financial statements for the period ended 31 March 2015

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Directors

Dilip Kavi (appointed 30 October 2014)
Marion Hall (appointed 30 October 2014)

Secretary and registered office

Marion Hall, Case House, 85-89 High Street, Walton on Thames, Surrey, KT12 1DZ

Company number

09288564

Auditor

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Bankers

Natwest, 38 Strand, London, WC2H 5JB

Solicitors

Devonshires, 30 Finsbury Circus, London, EC2M 7DT

Paragon Treasury Plc

Strategic report for the period ended 31 March 2015

The directors present their Strategic Report, Report of the Directors and the audited financial statements for Paragon Treasury plc (PTP) for the 5 month period 30 October 2014 to 31 March 2015.

Business review

The income statement shows a profit of £Nil for the period. This is in line with PTP's role as a special purpose lending vehicle not seeking to generate financial returns.

On 21 January 2015 PTP issued a £250m bond and £25m was retained on the same day for future issuance. The future issuance must take place before 21 January 2020. The bond issue has a coupon rate of 3.625% and was raised to help the group fund the development of new homes, and to refinance existing loans. At issue the yield was 3.626% and there was a £40,500 discount to be amortised over the life of the bond. PTP therefore received £224,959,500 which was on-lent to Elmbridge Housing Trust (EHT) and Richmond upon Thames Churches Housing Trust (RuTCHT), two subsidiaries of Paragon Community Housing Group Limited (Paragon).

Principal risks and uncertainties

As PTP on-lends to Paragon, the main risk facing PTP is that these companies will be unable to make their interest or principal payments when they fall due. This is mitigated through a secured loan agreement, backed by social housing assets owned by EHT & RuTCHT. These assets are subject to regulation by the Homes and Communities Agency (HCA) and therefore offer a level of protection in terms of regulatory scrutiny. If there are any payments not made to PTP, it has the right to enforce the security under the loan.

A contribution to the assessment of the scale of risk is Moody's Investor Services credit rating of A2 for both the Paragon Group (which includes; Paragon, EHT, RuTCHT, Paragon Development and Construction Services Ltd –PDCSL, as well as PTP) and the bond issue.

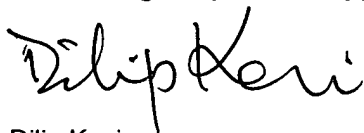
Risk management objectives and policies

Paragon's treasury function is responsible for the management of the funds and control of the associated risks. Its activities are governed by the Group's Board and the Investment Committee and they are responsible for overseeing treasury strategy and risk management for all the Group's entities including PTP.

Interest rate risk/hedging

PTP borrows funds on a fixed rate basis from the capital markets and then on-lends these to EHT & RuTCHT at the same fixed rate. As such PTP does not bear any interest rate risk, apart from the underlying credit risk with EHT & RuTCHT which is discussed above. PTP does not undertake any hedging activities and it does not have any derivatives.

The strategic report was approved by order of the Board



Dilip Kavi
Director

23 July 2015

Paragon Treasury Plc

Report of the directors for the period ended 31 March 2015

The directors present their report together with the audited financial statements for the five month period 30 October 2014 to 31 March 2015.

Overview and principal activities

PTP was incorporated on 30 October 2014. PTP is a wholly owned subsidiary of Paragon. PTP is a special purpose funding vehicle, used to secure funding for EHT & RuTCHT. PTP obtains finance directly from capital markets and on-lends this to the group headed by Paragon. All associated expenses are borne by the underlying borrowers.

Financial Instruments

PTP has no financial instruments other than those related to the bond. The directors consider that PTP has a low level of risk exposure to interest rate risk and credit risk.

Results and dividends

The income statement is on page 6 and shows the result for the year.

The directors do not recommend the payment of a dividend.

Future developments

The Directors do not anticipate any changes in the Company's principal activity.

Employees

PTP does not employ any staff.

Political and charitable contributions

The Company made no political or charitable donations, nor did it incur any political expenditure during the period.

Annual General Meeting

The Annual General Meeting will be held on 11 September 2015.

Directors and their interests

The Directors of the Company who held office during the period are as follows:

Dilip Kavi	(appointed 30 October 2014)
Marion Hall	(appointed 30 October 2014)

None of the Directors who held office during the year had any interest in the shares of the Company.

Paragon Treasury Plc

Report of the directors for the period ended 31 March 2015 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the directors' report, strategic 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the income statement of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

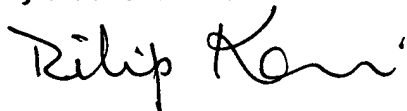
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



Dilip Kavi
Director

23 July 2015

Paragon Treasury plc

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON TREASURY PLC

We have audited the financial statements of Paragon Treasury plc for the period 30 October 2014 to 31 March 2015 which comprises; the income statement, the balance sheet, the statement of change in equity and the related notes. 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) including FRS 102 "The Financial Reporting Standard" applicable in the UK and Republic of Ireland.

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 auditors

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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 31 March 2015 and of its result for the period 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 period for which the financial statements are prepared is consistent with the financial statements.

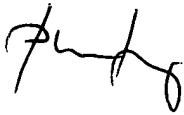
Paragon Treasury plc

Independent auditor's report (*continued*)

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.



*Philip Rego (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom*

Date *23 July 2015*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Paragon Treasury plc

Income Statement for the period ended 31 March 2015

	Note	5 month period ended 31 March 2015 £
Revenue	4	1,556,908
Operating expenses	5	(12)
Interest payable and other finance costs	6	(1,556,896)
Gross profit		-
Taxation	7	-
Profit on ordinary activities for the financial year		-

All amounts relate to continuing activities.

The notes on pages 9 to 13 form part of these financial statements.

Paragon Treasury plc

Balance sheet
at 31 March 2015

Company number 09288564

Note 2015
£

Current assets

Debtors: receivable after more than one year	8	222,428,575
Debtors: receivable within one year	8	1,541,878
Cash at bank and in hand		12,488

223,982,941

Creditors: amounts falling due within one year	9	(1,541,866)
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Total assets less current liabilities		222,441,075
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Creditors: amounts falling due after more than one year		(222,428,575)
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12,500

Capital and reserves

Called up share capital	10	12,500
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Total Shareholders' funds		12,500
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The financial statements were approved by the Board of Directors and authorised for issue on 23 July 2015



Dilip Kavi
Director

Marion Hall
Secretary



The notes on pages 9 to 13 form part of these financial statements.

Paragon Treasury plc

Statement of change in equity for the period ended 31 March 2015

	Note	5 month period ended 31 March 2015 £
Statement of change in equity		
Contributions by and distributions to shareholders		
£1 ordinary shares issued and paid		12,500
Comprehensive income for the period		
Profit for the period		-
		12,500

The notes on pages 9 to 13 form part of these financial statements.

Paragon Treasury plc

Notes forming part of the financial statements for the period ended 31 March 2015

1 Accounting policies

This is the first accounting period from date of incorporation, 30 October 2014 to 31 March 2015. The financial statements have been prepared in accordance with the applicable accounting standards and under the historical cost accounting rules. The directors have chosen to adopt FRS102 prior to the mandatory implementation for the March 2016 financial statements.

The following principal accounting policies have been applied:

Going concern

On the basis of their assessment of the Company's financial position and resources, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the preparation of the annual financial statements.

Disclosure exemptions adopted

As a qualifying entity as defined in FRS102, the directors are taking advantage of the reduced disclosure framework and have not presented a cashflow statement.

Financial instruments

The company has applied the requirements of sections 11 and 12 of FRS 102. In accordance with the FRS, Financial Instruments are classified as basic. The Bond is initially recorded at transaction price and on subsequent measurement is carried on the balance sheet at amortised cost using the effective interest method. The Bond discount is amortised over the life of the instrument.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Taxation

The charge for taxation is based on the profit or loss for the financial year. The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Key sources of estimation uncertainty

There is no estimation uncertainty. The on-lent funding to EHT & RuTCHT is under a secured loan agreement, backed by housing assets owned by EHT & RuTCHT.

Revenue

The revenue shown in the income statement represents interest receivable on loans to EHT & RuTCHT, plus amounts invoiced to cover the administrative expenses incurred during the period. Also included is any amortisation on bond issue costs due from EHT & RuTCHT. Interest receivable is recognised on an accruals basis. All revenue comes from group entities.

Paragon Treasury plc

Notes forming part of the financial statements
for the period ended 31 March 2015

2 Income statement

During the period the company recharged interest paid on loans to EHT & RuTCHT. Consequently, PTP made neither a profit nor a loss.

An audit fee of £5,000 was borne by the entities with the underlying borrowings.

3 Directors' emoluments

The directors are employed by Paragon. They do not receive remuneration for their duties as directors of the Company. Any employment costs are retained by Paragon and disclosed in the financial statements of the group as appropriate.

The Company has no directly employed personnel.

4 Interest receivable

	2015 £
Interest due from other group entities	1,541,866
Release of issue costs payable by other group entities	15,030
	<u>1,556,896</u>

5 Operating expenses

	2015 £
Bank charges	12
	<u></u>

6 Interest payable and other finance costs

	2015 £
Bond interest payable	1,541,866
Amortisation on bond issue costs	15,030
	<u>1,556,896</u>

7 Taxation on ordinary activities

	2015 £
Current tax	-
UK Corporation tax	-
	<u></u>
Profit on ordinary activities before taxation	-
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Paragon Treasury plc

Notes forming part of the financial statements
for the period ended 31 March 2015

8 Debtors

	2015 £
<i>Amounts receivable after more than one year</i>	
Long term 32 year loan to other group entities	224,959,500
Less: issue costs	<u>(2,530,925)</u>
	<u>222,428,575</u>
<i>Amounts receivable in less than one year</i>	
Amounts due from other group entities	<u>1,541,878</u>

Included in amounts receivable after more than one year, is a 32 year loan facility made to other group entities. The loan, which has a coupon rate of 3.625% will be repaid by 2047 and will be paid in equal instalments over the last 5 years of the bond, from 2042 to 2047. The loan is secured via security trustee on the assets of EHT & RuTCHT. The discount of £40,500 will be amortised over the life of the bond.

9 Creditors

	2015 £
<i>Amounts falling due in less than one year</i>	
Interest payable to 2047 Bond investors	<u>1,541,866</u>
<i>Amounts falling due after more than one year</i>	
32 year Fixed Rate Bond	224,959,500
Less: bond issue costs	<u>(2,530,925)</u>
	<u>222,428,575</u>
Bonds are repayable, as follows:	
In five years or more	<u>224,959,500</u>

The set up costs and discount on issue costs are being borne by EHT & RuTCHT over the 32 year term.

The Bond matures in 2047 with interest charged at a fixed coupon of 3.625%, amortising in the last 5 years. Issue costs will amortise over the life of the bond.

Risk management objectives and policies

Paragon's treasury function is responsible for the management of the funds and control of the associated risks. Its activities are governed by the Group's Board and the Group's Investment Committee and is responsible for all the treasury issues in all of the Group's legal entities.

Interest rate risk

The Company has no exposure to interest rate risk as all amounts owed to external 2047 Bond investors are at a fixed rate of interest as is the interest receivable amount due from EHT and RuTCHT on amounts lent under the Bond Loan Agreement.

There are no other interest bearing assets or liabilities.

Paragon Treasury plc

Notes forming part of the financial statements
for the period ended 31 March 2015

9 Creditors (continued)

Credit risks and uncertainties

PTP is dependent on receipt of funds from EHT & RuTCHT in order to meet its contractual obligations under the Bond Loan Agreement in relation to the 2047 Bond. The credit risk is that EHT & RuTCHT, as the main counterparties, fail to reimburse PTP. The Directors consider the credit risk to be very low owing to the fact that EHT & RuTCHT are strong businesses, with a strong asset base, that consistently generates a surplus, supported by a regulator with strong oversight and are part of the Paragon Group which has an investor grade credit rating of A2.

The maximum credit risk currently faced by the Company is £225,000,000 being the issued amount of funds raised from external investors by the 2047 Bond issuance, and on-lent to EHT & RuTCHT.

10 Share capital

	2015 £
<i>Allotted and issued</i>	
50,000 ordinary shares of £1 each	50,000
<i>Issued share capital paid up</i>	
50,000 Ordinary shares of £1, part paid 25 pence	12,500

Upon incorporation PTP had issued 50,000 ordinary shares of £1 each of which £12,500 was paid up to provide working capital to establish the business.

All shares rank *pari passu* in all regards.

11 Related party transactions

All intra-group transactions have taken place in the normal course of business. There are no other related party transactions requiring disclosure.

12 Group structure

PTP is a wholly owned subsidiary undertaking of Paragon. The results of PTP have therefore been consolidated within the parent accounts, which are available on request from:

The Secretary
Paragon Community Housing Group
Case House
85-89 High Street
Walton-on-Thames
Surrey
KT12 1DZ

Paragon Treasury plc

**Notes forming part of the financial statements
for the period ended 31 March 2015 (*continued*)**

13 Legislative provisions

PTP is incorporated under the Companies Act 2006.

14 Ultimate parent undertaking

Paragon is the ultimate parent undertaking and controlling entity of PTP by 100% shareholding.