

**FIRST FLEXIBLE NO. 4 PLC**

**Report and Financial Statements**

**Year ended 30 September 2016**

SATURDAY



A31 \*A62HE120\* #71  
18/03/2017  
COMPANIES HOUSE

**STRATEGIC REPORT  
BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

First Flexible No. 4 PLC ('the Company') is a wholly owned subsidiary of Arianty Holding Limited, which is a wholly controlled subsidiary of The Paragon Group of Companies PLC ('the Group') and was set up to provide finance for its mortgage loan assets, by issuing mortgage backed floating rate loan notes and using the proceeds to purchase mortgage loans from other group companies.

The Company operated in the United Kingdom, its principal activities were the provision of first mortgage loans. During 2014 the loans were sold to fellow subsidiaries of the Group and the proceeds were used to repay the outstanding notes. The Company continues to manage its residual assets. 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 profit and loss account on page 5, the Company's net interest stayed consistent during the year as an expense of £6,000. The result after tax has fallen from a profit of £29,000 to a loss of £6,000. This was principally due to the clear out of accruals in the preceding year due to the sale of the company's loan assets during 2014.

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

No interim dividend was paid during the year (2015: £nil). No final dividend is proposed (2015: £nil).

The Group manages its operations on a centralised basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group's mortgage lending operation, which includes the Company, is discussed in the Group's Annual Report, which does not form part of this Report.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's primary financial assets and liabilities are with other group companies; therefore the directors do not consider that the Company is exposed to any significant cash flow, credit or liquidity risks.

After considering the above, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. This is further supported by the Group holding sufficient cash resources to support the Company's obligations as they fall due. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

**ENVIRONMENT**

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with group policies, which are described in the Group's Annual Report, which does not form part of this Report.

**EMPLOYEES**

The Company has no employees. All operational services are provided by employees of the Group. The Group's employment policies are described in its Annual Report, which does not form part of this Report.

Approved by the Board of Directors

and signed on behalf of the Board



K G Allen

Director

26 January 2017

**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 First Flexible No. 4 PLC, a company registered in England and Wales with registration no: 04176542, for the year ended 30 September 2016.

**CORPORATE GOVERNANCE**

The directors have been charged with governance in accordance with the transactional documentation detailing the mechanism and structure of the transaction. The structure of the Group is such that the 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.

**DIRECTORS**

The directors throughout the year and subsequently were:

J Fairrie

J A Harvey

D P Stolp (resigned 1 November 2016)

K G Allen

**AUDITOR**

The directors have taken all reasonable steps to make themselves and the Company's auditors, 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 auditors are 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

26 January 2017

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.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 their profit or loss for that period.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company, 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.

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



Pandora Sharp

Company Secretary

26 January 2017

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST FLEXIBLE NO. 4 PLC**

We have audited the Financial Statements of First Flexible No. 4 PLC for the year ended 30 September 2016 which comprise the profit and loss account, the balance sheet, the statement of movement in equity and the related notes 1 to 15. 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 101 Reduced Disclosure Framework.

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

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 30 September 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

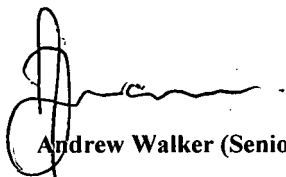
### **Opinion on other matters prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



**Andrew Walker (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH

26 January 2017

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 30 SEPTEMBER 2016**

|   | Note | 2016<br>£000 | 2015<br>£000 |
|---|------|--------------|--------------|
| Interest receivable and similar income  |      | 4            | 3            |
|   |      | <u>4</u>     | <u>3</u>     |
| Interest payable and similar charges  | 5    | (10)         | (9)          |
| Net interest expense  |      | <u>(6)</u>   | <u>(6)</u>   |
| Operating (expenses) / income   |      | (1)          | 42           |
| Operating (loss) / profit, being (loss) / profit on ordinary activities before taxation | 7    | (7)          | 36           |
| Tax on (loss) / profit on ordinary activities   | 8    | 1            | (7)          |
| (Loss) / profit on ordinary activities after taxation                                   | 11   | <u>(6)</u>   | <u>29</u>    |

All activities derive from continuing operations.

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

**BALANCE SHEET**

**30 SEPTEMBER 2016**

|                                     | Note | 2016<br>£000 | 2016<br>£000 | 2015<br>£000 | 2015<br>£000 |
|-------------------------------------|------|--------------|--------------|--------------|--------------|
| <b>ASSETS EMPLOYED</b>              |      |              |              |              |              |
| <b>CURRENT ASSETS</b>               |      |              |              |              |              |
| Debtors falling due within one year | 9    |              | <u>76</u>    |              | <u>83</u>    |
| <b>FINANCED BY</b>                  |      |              |              |              |              |
| <b>EQUITY SHAREHOLDERS' DEFICIT</b> |      |              |              |              |              |
| Called up share capital             | 10   | 12           |              | 12           |              |
| Profit and loss account             | 11   | <u>(158)</u> |              | <u>(152)</u> |              |
|                                     |      |              | (146)        |              | (140)        |
| <b>CREDITORS</b>                    |      |              |              |              |              |
| Amounts falling due within one year | 13   |              | <u>222</u>   |              | <u>223</u>   |
|                                     |      |              | <u>76</u>    |              | <u>83</u>    |

These Financial Statements were approved by the Board of Directors on 26 January 2017.

Signed on behalf of the Board of Directors



J Fairrie

Director

## STATEMENTS OF MOVEMENT IN EQUITY

## YEAR ENDED 30 SEPTEMBER 2016

|  | Share capital<br>£000 | Profit and loss<br>account<br>£000 | Total<br>equity<br>£000 |
|--|-----------------------|------------------------------------|-------------------------|
| <i>Total comprehensive income for the year</i> |                       |                                    |                         |
| Loss for the year                              | -                     | (6)                                | (6)                     |
| Other comprehensive income                     | -                     | -                                  | -                       |
| Total comprehensive income for the year        | -                     | (6)                                | (6)                     |
| Opening equity                                 | 12                    | (152)                              | (140)                   |
| Closing equity                                 | 12                    | (158)                              | (146)                   |

## YEAR ENDED 30 SEPTEMBER 2015

|  | Share capital<br>£000 | Profit and loss<br>account<br>£000 | Total<br>equity<br>£000 |
|--|-----------------------|------------------------------------|-------------------------|
| <i>Total comprehensive income for the year</i> |                       |                                    |                         |
| Profit for the year                            | -                     | 29                                 | 29                      |
| Other comprehensive income                     | -                     | -                                  | -                       |
| Total comprehensive income for the year        | -                     | 29                                 | 29                      |
| Opening equity                                 | 12                    | (181)                              | (169)                   |
| Closing equity                                 | 12                    | (152)                              | (140)                   |



**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2016**

**1. GENERAL INFORMATION**

First Flexible No.4 PLC ('the Company') is a company domiciled in the United Kingdom and incorporated in England and Wales under the Companies Act 2006 with company number 04176542. The address of the registered office is 51 Homer Road, Solihull, West Midlands, B91 3QJ. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

These financial statements are presented in pounds sterling, which is the currency of the economic environment in which the Company operates.

**2. ACCOUNTING POLICIES**

The Financial Statements have been prepared in accordance with applicable UK accounting standards. Disclosures have been made in accordance with Financial Reporting Standard 101 – 'Reduced Disclosure Framework' ('FRS 101').

As permitted by FRS 100 – 'Application of Financial Reporting Requirements' ('FRS 100') the Company has applied the measurement and recognition requirements of International Financial Reporting Standards (IFRS) as adopted by the EU, 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 its transition to FRS 101 the Company has applied IFRS 1 – 'First-time Adoption of IFRS' whilst ensuring its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and performance of the Company is provided in note 3.

**Going concern**

The Financial Statements have been prepared on a going concern basis. 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.

**Accounting convention**

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

**Current tax**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred taxation**

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

**Amounts owed by or to group companies**

The balances owed by or to other group companies are carried at the current amount outstanding less any provision.

**Revenue**

The revenue of the Company comprises of interest receivable.

**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**Disclosures**

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

- The requirement to produce a cash flow statement and related notes
- The requirement to provide comparative period reconciliations in respect of share capital
- 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 The Paragon Group of Companies 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.

**3. TRANSITION TO FRS 101**

As stated in note 2 these are the first financial statements prepared by the Company in accordance with FRS 100 and FRS 101. The accounting policies used in drawing up the financial statements for the year ended 30 September 2016 are set out in note 2 and these have also been applied in preparing the comparative information presented in these financial statements.

In preparing these accounts the Company has not been required to adjust amounts presented in its balance sheet under old UK GAAP. This is a result of the old UK Accounting Standards principally affecting the Company’s accounting, FRS 25 – ‘Financial Instruments: Presentation’ and FRS 26 ‘Financial Instruments: Recognition and Measurement’ being equivalent to their IFRS counterparts IAS 32 ‘Financial Instruments: Presentation and IAS 39.

**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.

**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2016**

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

|                                     | <b>2016</b> | <b>2015</b> |
|-------------------------------------|-------------|-------------|
|                                     | <b>£000</b> | <b>£000</b> |
| Interest payable to group companies | 10          | 9           |

**6. DIRECTORS AND EMPLOYEES**

Directors received no remuneration for the services provided to the Company during either the current or the preceding year.

The Company had no employees in the current or preceding year. All administration is performed by employees of the Group. The directors of the Company, with the exception of J Fairrie and D P Stolp, are employed by Paragon Finance PLC, and their remuneration is disclosed within the financial statements of that company, which do not form part of this Report.

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

|  | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |
| Operating (loss) / profit is after charging: |             |             |
| Auditor remuneration - audit services        | 1           | 1           |

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.

## NOTES TO THE ACCOUNTS

## YEAR ENDED 30 SEPTEMBER 2016

## 8. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

## a) Tax (credit) / charge for the year

|   | 2016<br>£000 | 2015<br>£000 |
|---|--------------|--------------|
| Current tax   |              |              |
| Corporation tax                                     | (1)          | 8            |
| Total current tax                                   | <u>(1)</u>   | <u>8</u>     |
| Deferred tax (note 12)                              |              |              |
| Origination and reversal of timing differences      | -            | (1)          |
| Total deferred tax                                  | <u>-</u>     | <u>(1)</u>   |
| Tax charged on loss / profit on ordinary activities | <u>(1)</u>   | <u>7</u>     |

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

|   | 2016<br>£000 | 2015<br>£000 |
|---|--------------|--------------|
| (Loss) / profit before tax  | (7)          | 36           |
| UK corporation tax at 20% (2015: 20.5%) based on the (loss) / profit for the year | <u>(1)</u>   | <u>7</u>     |

During the year ended 30 September 2013 the UK Government enacted provisions reducing the rate of corporation tax from 21.0% to 20.0% from 1 April 2015.

During the year ended 30 September 2015 the Government announced provisions further reducing the rate of corporation tax to 19.0% with effect from 1 April 2017 and to 18.0% from 1 April 2020 which were substantially enacted during the year. The tax rate applying from 1 April 2020 was further reduced to 17% during the year.

Therefore the standard rate of corporation tax applicable to the Company for the year ended 30 September 2016 was 20.0%, the rate in the year ended 30 September 2017 is expected to be 19.5%, the rate in the years ending 30 September 2018 and 30 September 2019 are expected to be 19.0%, the rate in the year ending 30 September 2020 is expected to be 18.0% and the rate in subsequent years is expected to be 17.0%. The expected impact on deferred tax balances of the changes to 19.0% and 17.0% was accounted for in the year ended 30 September 2016.

**NOTES TO THE ACCOUNTS**  
**YEAR ENDED 30 SEPTEMBER 2016**

**9. DEBTORS**

|                                      | <b>2016</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> |
|--------------------------------------|----------------------------|----------------------------|
| Amounts falling due within one year: |                            |                            |
| Other debtors (note 14)              | 75                         | 83                         |
| Corporation tax                      | 1                          | -                          |
|                                      | <u>76</u>                  | <u>83</u>                  |

**10. CALLED UP SHARE CAPITAL**

|  | <b>2016</b><br><b>£</b> | <b>2015</b><br><b>£</b> |
|--|-------------------------|-------------------------|
| Allotted:                                    |                         |                         |
| 50,000 ordinary shares of £1 each (25p paid) | 12,500                  | 12,500                  |
|  | <u>12,500</u>           | <u>12,500</u>           |

**11. PROFIT AND LOSS ACCOUNT**

|                               | <b>£000</b>  |
|-------------------------------|--------------|
| At 1 October 2014             | (181)        |
| Profit for the financial year | 29           |
| At 30 September 2015          | <u>(152)</u> |
| Loss for the financial year   | (6)          |
| At 30 September 2016          | <u>(158)</u> |

**12. PROVISION FOR LIABILITIES**

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

|                                 | <b>2016</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> |
|---------------------------------|----------------------------|----------------------------|
| Balance at 1 October 2015       | -                          | 1                          |
| Profit and loss charge (note 8) | -                          | (1)                        |
| Balance at 30 September 2016    | <u>-</u>                   | <u>-</u>                   |

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

|                          |          |          |
|--------------------------|----------|----------|
| Other timing differences | <u>-</u> | <u>-</u> |
|--------------------------|----------|----------|

**NOTES TO THE ACCOUNTS**  
**YEAR ENDED 30 SEPTEMBER 2016**

**13. CREDITORS**

|                                      | <b>2016</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> |
|--------------------------------------|----------------------------|----------------------------|
| Amounts falling due within one year: |                            |                            |
| Amounts due to group companies       | 221                        | 211                        |
| Corporation tax                      | -                          | 8                          |
| Other creditors                      | -                          | 3                          |
| Accruals and deferred income         | 1                          | 1                          |
|                                      | <u>222</u>                 | <u>223</u>                 |

**14. RELATED PARTY TRANSACTIONS**

The Group has identified the following transactions which are required to be disclosed under the terms of IAS 24 - 'Related Party Disclosures' ('IAS 24').

**Transactions with Mortgage Trust Services PLC (MTS) group**

At the balance sheet date MTS, a Company under common control as defined by IAS 24. The Company was owed £75,000 (2015: £83,000) by MTS, which is included in other debtors. During the year the Company earned £4,000 (2015: £3,000) from MTS in relation to interest charged on the balance owing.

**15. ULTIMATE PARENT COMPANY**

The immediate parent undertaking is Arianty Holdings Limited. The smallest and largest group into which the Company is consolidated is that of The Paragon Group of Companies PLC, registered in England and Wales.

The directors regard The Paragon Group of Companies PLC as the ultimate controlling party.

Copies of the consolidated financial statements may be obtained from the Company Secretary, 51 Homer Road, Solihull, West Midlands, B91 3QJ.