

**ARIANTY NO. 1 PLC**

**Report and Financial Statements**

**Year ended 30 September 2015**

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## STRATEGIC REPORT

### BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Arianty No.1 PLC ('the Company') is a wholly owned subsidiary of Arianty Holdings Limited. The shares in Arianty Holdings Limited are held by ATC Capital Markets (UK) Limited under a Declaration of Trust for charitable purposes. The directors regard The Paragon Group of Companies PLC ('the Group') as the ultimate controlling party.

The Company was set up to provide the funding of mortgage loans acquired by the Group by using a revolving credit facility. Subsequently, the mortgage loans were sold to fellow group companies. During the year the Company operated in the United Kingdom, its principal activities are the provisions of first mortgage loans. 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 income has increased from £942,000 to £1,072,000 (2014 : decreased from £1,957,000 to £942,000). This was principally due to the write back of intercompany provisions. The retained profit has increased from £5,000 to £149,000. This was mainly due to the increase in the Company's net interest income and a decrease in operating expenses during the year.

The balance sheet on page 6 of the Financial Statements shows the Company's financial position at the year end. Net assets have increased due to the retained profit for the year. Assets subject to non-recourse finance have increased due to the write back of intercompany provisions. Details of amounts owed from other group companies are shown in note 11.

No interim dividend was paid during the year (2014: £nil). No final dividend is proposed (2014: £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

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, and a discussion of critical accounting estimates is set out in note 3.

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. 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

20 January 2016

## 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 Arianty No.1 PLC, a company registered in England and Wales with registration no: 03946857, for the year ended 30 September 2015.

### DIRECTORS

The directors throughout the year and subsequently were:

R D Shelton

R J Woodman

J Fairrie

D P Stolp (alternate to J Fairrie)

K G Allen ( appointed 12 May 2015)

### AUDITOR

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

The directors of the Company's parent company, having considered the new requirements for rotation of auditors and the length of service of Deloitte LLP conducted an audit tender process during the financial year. KPMG LLP were selected as a result of this process, and have expressed their willingness to take office.

Having regard to the benefits of all Group entities sharing the same auditor, the directors resolved that KPMG LLP should also be appointed as auditors of the Company and a resolution for the appointment of KPMG LLP as the auditors of the Company in place of Deloitte LLP 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

20 January 2016

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.

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARIANTY NO. 1 PLC

We have audited the Financial Statements of Arianty No. 1 PLC for the year ended 30 September 2015 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

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

### **Opinion on Financial Statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2015 and of its profit 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 matter 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.



Kieren Cooper (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Birmingham, United Kingdom

20 January 2016

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 30 SEPTEMBER 2015**

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Interest receivable					
Mortgages			31		41
Other	5		4		5
			<u>35</u>		<u>46</u>
Income from assets subject to non-recourse funding					
Income from funding vehicles		5,282		6,172	
Expense from funding vehicles		<u>(4,245)</u>		<u>(5,276)</u>	
			1,037		896
Net interest income			<u>1,072</u>		<u>942</u>
Operating expenses			<u>(901)</u>		<u>(1,063)</u>
Operating profit / (loss), being profit / (loss) on ordinary activities before taxation	7		171		(121)
Tax on profit / (loss) on ordinary activities	8		<u>(22)</u>		<u>126</u>
Profit on ordinary activities after taxation	13		<u>149</u>		<u>5</u>

All activities derive from continuing operations.

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

**BALANCE SHEET****30 SEPTEMBER 2015**

	Note	2015 £000	2015 £000	2014 £000	2014 £000
<b>ASSETS EMPLOYED</b>					
<b>FIXED ASSETS</b>					
Assets subject to non-recourse funding	9	241,726		260,448	
Non-recourse finance	9	(231,419)		(250,548)	
		<u>10,307</u>		<u>9,900</u>	
Loans to customers	10	<u>1,011</u>		<u>1,198</u>	
			11,318		11,098
<b>CURRENT ASSETS</b>					
Debtors falling due within one year	11	166		83	
Cash at bank		<u>12</u>		<u>48</u>	
			178		131
			<u>11,496</u>		<u>11,229</u>
<b>FINANCED BY</b>					
<b>SHAREHOLDERS' FUNDS</b>					
Called up share capital	12	12		12	
Profit and loss account	13	<u>1,573</u>		<u>1,424</u>	
			1,585		1,436
<b>PROVISIONS FOR LIABILITIES</b>					
	14		1		1
<b>CREDITORS</b>					
Amounts falling due within one year	15	4		70	
Amounts falling due after one year	15	<u>9,906</u>		<u>9,722</u>	
			9,910		9,792
			<u>11,496</u>		<u>11,229</u>

These Financial Statements were approved by the Board of Directors on 20 January 2016.

Signed on behalf of the Board of Directors



J Fairrie  
Director

**NOTES TO THE ACCOUNTS****YEAR ENDED 30 SEPTEMBER 2015****1. RESTRICTION ON OPERATIONS**

The ability of the Company to engage in any activity other than those associated with the purchase, servicing and subsequent securitisation of mortgages is restricted by agreements entered into by the Company with, among others, Mortgage Trust Limited ("MTL") as servicer and Citicorp Trustee Company Ltd as security agent.

Under the terms of the servicing agreement, MTL was appointed to service the mortgages. The business of MTL was transferred to Mortgage Trust Services PLC ("MTS") on 1 October 2003, under the novation agreement then dated, and consequently, since that date, MTS have been the servicer.

**2. ACCOUNTING POLICIES**

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

**Accounting convention**

The Financial Statements are prepared under the historical cost convention.

**Format of financial statements**

The Company has complied with Financial Reporting Standard Number 5, "Reporting the Substance of Transactions" and, having met the conditions laid down in the Standard, has adopted "linked presentation" in respect of mortgage advances managed on behalf of other financial institutions.

**Loans to customers**

Loans to customers are considered to be 'loans and receivables' as defined by Financial Reporting Standard 26 - 'Financial Instruments: Recognition and Measurement' (FRS 26). They are therefore accounted for on the amortised cost basis.

Such loans are valued at inception as amount of initial advance, which is the fair value at that time, inclusive of procurement fees paid to brokers or other business providers and less initial fees paid by the customer. Thereafter they are valued at this amount less the cumulative amortisation calculated using the Effective Interest Rate ('EIR') method. The loan balances are then reduced where necessary by a provision for balances which are considered to be impaired.

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

**Impairment of loans and receivables**

Loans and receivables are reviewed for indications of possible impairment throughout the year and at each balance sheet date, in accordance with FRS 26. Where loans exhibit objective evidence of impairment, the carrying value of the loans is reduced to the net present value of their expected future cash flows, including the value of the potential realisation of any security, discounted at the original EIR. Loans are assessed collectively, compared by risk characteristics and account is taken of any impairment arising due to events which are believed to have taken place but have not been specifically identified at the balance sheet date.

**Servicing fees**

Servicing fees are payable by the Company to MTS under the terms of a servicing agreement. The servicing fee is calculated on the outstanding mortgage portfolio as defined in the servicing agreement. MTS is also entitled to a deferred consideration based on the excess earnings as defined in the mortgage sale agreement.



**NOTES TO THE ACCOUNTS****YEAR ENDED 30 SEPTEMBER 2015****2. ACCOUNTING POLICIES (CONTINUED)****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 timing differences that result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing 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 the Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Deferred purchase consideration**

Under the mortgage sale agreements profits of First Flexible No.4 plc ("FFL4"), First Flexible No.5 Plc ("FFL5"), First Flexible No. 6 Plc ("FFL6"), Paragon Mortgages (No. 7) Plc ("PM7") and Paragon Mortgages (No.8) Plc ("PM8") are paid to the Company as originator of the loans by way of deferred purchase consideration. In turn, profits of the Company are paid to MTS by way of deferred purchase consideration. Deferred purchase consideration is recognised in which it becomes payable and is paid when sufficient cash resources allow.

**FRS 29 disclosure**

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

**Revenue**

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

**Fee and commission income**

Other income includes administration fees charged to borrowers, which are credited to the profit and loss account when the related service is performed.

**Cash flow statement**

The Company has taken advantage of the exemption granted by Financial Reporting Standard 1 - 'Cash Flow Statements' and does not therefore provide a cash flow statement as it is a wholly owned subsidiary of Arianty Holdings Limited, in which these results are included, the accounts of which are publicly available.

**Related party disclosures**

Under the provisions of Financial Reporting Standard No. 8 ("FRS8"), the Company has taken advantage of the exemption provided (for subsidiary undertakings whose voting rights are 100% controlled within the group) from disclosing group related party transactions. The consolidated financial statements of Arianty Holdings Limited, in which these results are included, are publicly available.

## NOTES TO THE ACCOUNTS

## YEAR ENDED 30 SEPTEMBER 2015

## 3. CRITICAL ACCOUNTING ESTIMATES

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

**Impairment losses on loans to customers**

Impairment losses on loans are calculated based on statistical models. The key assumptions revolve around estimates of future cash flows from customers' accounts, their timing and, for secured accounts, the expected proceeds from the realisation of the property. These key assumptions are based on observed data from historical patterns and are updated regularly based on new data as it becomes available.

In addition the directors consider how appropriate past trends and patterns might be in the current economic situation and make any adjustments they believe are necessary to reflect the current conditions.

The accuracy of the impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results or assumptions which differ from the actual outcomes.

In particular, if the impact of economic factors such as employment levels on customers is worse than is implicit in the model then the number of accounts requiring provision might be greater than suggested by the model, while falls in house prices, over and above any assumed by the model might increase the provision required in respect of accounts currently provided.

**Effective interest rates**

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

**Fair values**

Where financial assets and liabilities are carried at fair value, in the majority of cases this can be derived by reference to quoted market prices. Where such a quoted price is not available the valuation is based on cash flow models, based, where possible on independently sourced parameters. The accuracy of the calculation would therefore be affected by unexpected market movements or other variances in the operation of the models or the assumptions used.

**NOTES TO THE ACCOUNTS****YEAR ENDED 30 SEPTEMBER 2015****4. FINANCIAL RISK MANAGEMENT**

The Company's operations were financed principally by a revolving credit facility and, to a lesser extent, by a mixture of share capital and loans from other group companies. The Company drew down the facility to acquire loans. In addition, various financial instruments, for example debtors and accruals, arise directly from the Company's operations.

The principal risks arising from the Company's financial instruments are credit risk. The board of the Company's holding company reviews and agrees policies for all companies in the Group managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year and since the year end.

**Credit risk**

The Company's credit risk is primarily attributable to its loans to customers. The maximum credit risk at 30 September 2015 approximates to the carrying value of loans to customers (note 10). There are no significant concentrations of credit risk due to the large number of customers included in the portfolios.

The acquired secured loans are secured by first charges over residential properties in the United Kingdom. Despite this security, in assessing credit risk an applicant's ability to repay the loan remains the overriding factor in the decision to lend by the originator.

Mortgages Trust Services PLC, a fellow group company continues to administer the mortgages on behalf of Arianty No. 1 PLC and the collections process is the same as that utilised for all companies in the group.

In order to control credit risk relating to counterparties to the Company's financial instruments, the board of the Company's holding company determines on a group basis, which counterparties the group of companies will deal with, establishes limits for each counterparty and monitors compliance with those limits.

**5. INTEREST RECEIVABLE - OTHER**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from group companies	<u>4</u>	<u>5</u>

**NOTES TO THE ACCOUNTS****YEAR ENDED 30 SEPTEMBER 2015****6. DIRECTORS AND EMPLOYEES**

Directors' remuneration from the Company during the year is stated in note 7.

The Company had no employees in the current or preceding years. All administration is performed by employees of the Group. The directors of the Company, with the exception of J Fairre 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 PROFIT / (LOSS), BEING PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Operating profit / (loss) is after charging:		
Servicing fees payable	1	1
Auditor remuneration – audit	4	4
Directors' fees	1	1
	<hr/>	<hr/>

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 2015

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

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

	2015 £000	2014 £000
Current tax		
Corporation tax	(79)	168
Prior period charge	101	-
Group relief	-	(293)
	<u>22</u>	<u>(125)</u>
Deferred tax (note 14)		
Origination and reversal of timing differences	-	(1)
	<u>22</u>	<u>(126)</u>

## b) Factors affecting the current tax charge / (credit)

	2015 £000	2014 £000
Profit / (loss) before tax	171	(121)
UK corporation tax at 20.5% (2014: 22%) based on the profit / (loss) for the year	35	(27)
Effects of:		
Prior period adjustment	101	-
Movement on short term timing differences	-	1
Provisions and expenses not deductible for tax purposes	(114)	(99)
	<u>22</u>	<u>(125)</u>

During the year ended 30 September 2013 the Government enacted provisions reducing the rate of corporation tax from 23.0% to 21.0% with effect from 1 April 2014 and 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 enacted after the year end.

Therefore the standard rate of corporation tax applicable to the Company for the year ended 30 September 2014 was 22.0%, the rate for the year ended 30 September 2015 was 20.5%, the rate in the year ending 30 September 2016 is expected to be 20.0%, the rate in the years ending 30 September 2017 and 30 September 2018 is expected to be 19.0%, the rate in the year ending 30 September 2020 is expected to be 18.5% and the rate in subsequent years is expected to be 18.0%. The expected impact on deferred tax balances of the changes to 21.0% and 20.0% was accounted for in the year ended 30 September 2013 and the expected impact of the changes to 19.0% and 18.0% will be accounted for in the year ending 30 September 2016.

## NOTES TO THE ACCOUNTS

## YEAR ENDED 30 SEPTEMBER 2015

## 9. ASSETS SUBJECT TO NON-RECOURSE FINANCE

	2015 £000	2014 £000
Securitised mortgage advances	231,387	246,963
Other related assets	10,339	13,485
	<u>241,726</u>	<u>260,448</u>
Non-recourse funding	(231,419)	(250,548)
	<u>10,307</u>	<u>9,900</u>

The Company provides mortgages for independent providers of finance, being FFL4, FFL5, FFL6, PM7 and PM8 on which the Company receives net income from the mortgages after the claims of providers of finance have been satisfied in full. The Company has the right, but not the obligation, to provide further mortgages on similar terms, subject always to FFL4, FFL5, FFL6, PM7 and PM8's ability to finance and insure such assets.

In accordance with Financial Reporting Standard Number 5 "Reporting the substance of transactions" these mortgages have been included in these accounts using linked presentation, whereby the non-recourse finance is shown deducted from the mortgage debtors.

The directors confirm that:

- (a) The Company is not obliged to support any losses of its independent providers of finance, nor does it intend to do so; and
- (b) The providers of finance have agreed in writing that they will only seek repayment of the finance, as to both principal and interest, to the extent sufficient funds are generated by or attached to the mortgages they have financed and they will not seek recourse in any other form.

The Company has no option or obligation to purchase the mortgages concerned.

## 10. LOANS TO CUSTOMERS

Loans to customers at 30 September 2015 and 30 September 2014, which are all denominated and payable in sterling, were first mortgages which are secured on residential property within the United Kingdom and are categorised as loans and receivables as defined by FRS 26.

Mortgage loans have a contractual term of up to thirty years, the borrower is entitled to settle the loan at any point and in most cases such early settlement does take place. All borrowers are required to make monthly payments, except where an initial deferred period is included in the contractual terms.

All the mortgage loans are pledged as collateral for liabilities at 30 September 2015 and 30 September 2014.

	2015 £000	2014 £000
Balance at 1 October 2014	1,198	1,197
Other debits	32	43
Repayments and redemptions	(219)	(42)
Balance at 30 September 2015	<u>1,011</u>	<u>1,198</u>

Other debits include primarily interest charged to customers on loans outstanding, impairment movements on these loans and other changes in the amortised cost of the assets caused by the effective interest rate method.

## NOTES TO THE ACCOUNTS

## YEAR ENDED 30 SEPTEMBER 2015

## 11. DEBTORS

	2015 £000	2014 £000
Amounts falling due within one year:		
Amounts due from group undertakings	87	83
Corporation tax	79	-
	<u>166</u>	<u>83</u>

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

## 12. CALLED UP SHARE CAPITAL

	2015 £	2014 £
Allotted:		
50,000 ordinary shares of £1 each (25p called up and paid)	<u>12,500</u>	<u>12,500</u>

## 13. COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES

	Share capital £000	Profit and loss account £000	Shareholders' funds £000
At 1 October 2013	12	1,419	1,431
Profit for the financial year	-	5	5
At 30 September 2014	<u>12</u>	<u>1,424</u>	<u>1,436</u>
Profit for the financial year	-	149	149
At 30 September 2015	<u>12</u>	<u>1,573</u>	<u>1,585</u>

An interim dividend of £nil per share was paid during the year (2014: £nil per share). No final dividend is proposed (2014: £nil).

## NOTES TO THE ACCOUNTS

## YEAR ENDED 30 SEPTEMBER 2015

## 14. PROVISIONS FOR LIABILITIES

## Deferred tax

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

	2015 £000	2014 £000
Balance at 1 October 2014	1	2
Profit and loss credit (note 8)	-	(1)
Balance at 30 September 2015	<u>1</u>	<u>1</u>
The net deferred tax liability for which provision has been made is analysed as follows:		
Other timing differences	<u>1</u>	<u>1</u>

## 15. CREDITORS

	2015 £000	2014 £000
Amounts falling due within one year:		
Corporation tax	-	66
Accruals and deferred income	<u>4</u>	<u>4</u>
	<u>4</u>	<u>70</u>
Amounts falling due after more than one year:		
Deferred purchase consideration (note 16)	<u>9,906</u>	<u>9,722</u>

## 16. RELATED PARTY TRANSACTIONS

## Transactions with the Mortgage Trust group

Under an agreement entered into on 28 December 2000 with MTL, a company under common control as defined by FRS 8, the Company bought mortgages intraday which were originated by MTL at net book value. MTL also provided credit and threshold margin support for these mortgages.

The business of MTL was transferred to MTS on 1 October 2003, under the novation agreement then dated, and consequently, since that date, MTS have been the servicer.

At the balance sheet date the Company had bought £2,641m (2014: £2,641m) of mortgages from MTL. The Company owed £9.906m (2014: £9.722m) to MTS at the balance sheet date in relation to deferred purchase consideration. During the year the Company paid £0.71m (2014: £9.172m) in relation to deferred purchase consideration.

See note 9 for details of the mortgages subject to non-recourse funding.



**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2015**

**17. ULTIMATE PARENT UNDERTAKING**

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

The shares in Arianty Holdings Limited are held by ATC Capital Markets (UK) Limited under a Declaration of Trust for charitable purposes. 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.