

**ARIANTY SERVICES LIMITED**

**Report and Financial Statements**

**Year ended 30 September 2010**

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**DIRECTORS' REPORT**

The directors present their Annual Report and the audited Financial Statements of Arianty Services Limited ('the Company'), registration no 4054601, for the year ended 30 September 2010

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 415A of the Companies Act 2006

**BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The principal activity of the Company was the development of a computer system and the provision of leasing and other services. The directors consider that the Company has performed satisfactorily given the prevailing economic climate and will continue to do so.

During 2000, the Company entered into a series of lease agreements for computer hardware and software.

Mortgage Trust Limited ("MTL") has provided administration services to the Company. 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 has provided administration services.

The Company's profit and loss account is shown on page 4. The result after tax has improved from a result of £nil to a profit of £1,000. No dividend was paid during the current or preceding years.

**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 2.

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.

**DIRECTORS**

The directors throughout the year and subsequently were:

J G Gemmell

J Fairrie

R G Baker (resigned 30 September 2010)

**AUDITORS**

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

No notice from members under section 488 of the Companies Act 2006 having been received, the directors intend that the auditors, Deloitte LLP, shall be deemed to be reappointed in accordance with section 487(2) of the Act.

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



J G Gemmell

Secretary,

18 January 2011

**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,
- 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 AUDITORS' REPORT TO THE MEMBERS OF ARIANTY SERVICES LIMITED**

We have audited the Financial Statements of Arianty Services Limited for the year ended 30 September 2010 which comprise the profit and loss account, the balance sheet, the statement of movement in shareholders' deficit and the related notes 1 to 14. 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 in an auditors' 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 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 (APB'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.

### **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 2010 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.

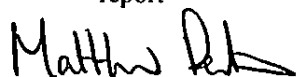
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the 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
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



Matthew Perkins (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

Birmingham, United Kingdom

18 January 2011

# ARIANTY SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2010

	Note	2010 £000	2009 £000
Interest receivable and similar income	3	2	-
Interest payable and similar charges	4	(2)	(2)
Net interest expense		-	(2)
Operating income	5	935	936
Operating expenses		(934)	(934)
Operating profit, being profit on ordinary activities before taxation	6	1	-
Tax on profit on ordinary activities	7	-	-
Profit on ordinary activities after taxation	10	1	-

All activities derive from continuing operations

There are no recognised gains or losses other than the profit for the current year and the result for the preceding year

## STATEMENT OF MOVEMENT IN SHAREHOLDERS' DEFICIT

YEAR ENDED 30 SEPTEMBER 2010

	2010 £000	2009 £000
Profit attributable to shareholders	1	-
Opening shareholders' deficit	(11)	(11)
Closing shareholders' deficit	(10)	(11)

# ARIANTY SERVICES LIMITED

## BALANCE SHEET

30 SEPTEMBER 2010

	Note	£000	2010 £000	£000	2009 £000
<b>ASSETS EMPLOYED</b>					
<b>CURRENT ASSETS</b>					
Debtors falling due within one year	8	810		948	
Debtors falling due after more than one year	8	47		817	
Cash at bank		-		13	
			857		1,778
			857		1,778
<b>FINANCED BY</b>					
<b>SHAREHOLDERS' DEFICIT</b>					
Called up share capital	9	-		-	
Profit and loss account	10	(10)		(11)	
			(10)		(11)
<b>CREDITORS</b>					
Amounts falling due within one year	11	820		972	
Amounts falling due after more than one year	11	47		817	
			867		1,789
			857		1,778

These Financial Statements were approved by the Board of Directors on 17 January 2011

Signed on behalf of the Board of Directors



J Fairrie  
Director

**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2010**

**1. 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 years. The Financial Statements have been prepared on a going concern basis as described in the Directors' Report.

**Accounting convention**

The Financial Statements are prepared under the historical cost convention.

**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.

**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.

**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.

**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, the accounts of which are publicly available.

**Leasing**

Arianty Services has entered into various lease agreements whereby equipment leased to it has been shown in the accounts under finance lease creditors. In turn, a computer system has been leased out by Arianty Services under similar arrangements and amounts owed under the lease agreements are shown in the accounts as finance lease debtors. The nature of these arrangements is that a margin is made on these transactions and this margin has been recognised in the accounts on a straight line basis over the life of the lease.

**2. 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.

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

Interest receivable includes £2,000 (2009: £nil) in respect of interest received on loans to other group companies.

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2010 £000	2009 £000
Internal funding costs	2	2

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2010

5. OPERATING INCOME

Contributions to operating income and profit on ordinary activities before taxation were derived from the Company's principal activities, which were carried out in the United Kingdom

6. OPERATING PROFIT, BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010 £000	2009 £000
Operating profit is after charging		
Gross finance lease rentals payable	900	900
Finance charges payable in respect of finance leases	18	18
Auditors' remuneration - audit services	3	3
Administration fee	12	12
Corporate service fee – ATC Capital Markets (UK) Ltd	1	1

The Company has no employees and the directors received no remuneration during the year apart from that disclosed above. The Company pays an administration fee to MTS to provide services to the Company. 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 auditors in respect to non-audit services in these financial statements has been taken.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Tax charge for the year

	2010 £000	2009 £000
Current tax		
Corporation tax	-	-

b) Factors affecting the current tax charge

	2010 £000	2009 £000
Profit before tax	1	-
UK corporation tax at 28% (2009 28%) based on the profit for the year	-	-

The United Kingdom government enacted provisions reducing the standard rate of corporation tax from 28% to 27% with effect from 1 April 2011. Therefore the standard rate of corporation tax applicable to the Company will be 27.5% in the year ending 30 September 2011 and 27% thereafter. The expected impact of this change on the values at which deferred tax amounts are expected to crystallise has been accounted for in the year ended 30 September 2010.

The government has announced its intention to make further reductions in the rate of corporation tax in future years. The effect of any such changes on deferred tax balances will be accounted for in the period in which any such changes are enacted.



**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2010**

**8. DEBTORS**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Amounts due from group undertakings	2	2
Other debtors	38	30
Net investment in finance leases (note a)	770	916
	<u>810</u>	<u>948</u>
<b>Amounts falling due after more than one year</b>		
Net investment in finance leases (note a)	47	817
<b>Total debtors</b>	<u>857</u>	<u>1,765</u>
<b>a) Net investment in finance leases comprises:</b>		
Total amounts receivable	833	1,768
Less unearned income allocated to future periods	(16)	(35)
	<u>817</u>	<u>1,733</u>

During the year the Company received rentals in relation to the finance lease of £936,000 (2009 £936,000)

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

**9. CALLED UP SHARE CAPITAL**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Allotted		
1 ordinary shares of £1 each (fully paid)	<u>1</u>	<u>1</u>

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2010

10. RESERVES

	Profit and loss account £000
At 1 October 2008	(11)
Result for the financial year	-
At 30 September 2009	(11)
Profit for the financial year	1
At 30 September 2010	(10)

11. CREDITORS

	2010 £000	2009 £000
<b>Amounts falling due within one year:</b>		
Finance leases (note 12)	770	916
Amounts due to group undertakings	36	34
Other creditors	11	18
Accruals and deferred income	3	4
	<u>820</u>	<u>972</u>
<b>Amounts falling due after more than one year:</b>		
Finance leases (note 12)	<u>47</u>	<u>817</u>

12. FINANCE LEASES

	2010 £000	2009 £000
<b>Future capital payments under finance leases are as follows:</b>		
Within one year	770	916
In more than one year, but not more than five years	47	817
Total capital payments	<u>817</u>	<u>1,733</u>

**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2010**

**13. RELATED PARTY DISCLOSURES**

The Company has identified the following transactions which are required to be disclosed under the terms of Financial Reporting Standard 8, "Related Party Transactions" ("FRS8")

**Transactions with MTL Group**

The Company has entered into a number of lease arrangements with MTS, a group under common control as defined by FRS8 to provide a customised computer system. At the balance sheet date, the Company owed £817,000 (2009 £1,733,000) and was owed £817,000 (2009 £1,733,000) in relation to these arrangements. During the year the Company paid £900,000 (2009 £900,000) to MTS and received £936,000 (2009 £936,000) from MTS in relation to these lease arrangements. During the year the Company paid £12,000 (2009 £12,000) to MTS in relation to the servicing fee.

**Transactions with Paragon Finance PLC (PF)**

At the balance sheet date PF, a Company under common control as defined by FRS8, was owed £11,000 (2009 £18,000) by the Company in relation to payments made on behalf of the Company, which is included in other creditors.

**14. ULTIMATE PARENT COMPANY**

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

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 as the ultimate controlling party.

Copies of the consolidated financial statements may be obtained from the Company Secretary, St Catherine's Court, Herbert Road, Solihull, West Midlands, B91 3QE.