

ARIANTY HOLDINGS LIMITED

Report and Financial Statements

Year Ended 30 September 2016

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STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Arianty Holdings Limited ('the Company') is a holding company and its main trading subsidiaries are Arianty No.1 plc ("ARI1"), First Flexible No.1 plc ("FFL1"), First Flexible No.2 plc ("FFL2"), First Flexible No.3 plc ("FFL3") First Flexible No.4 plc ("FFL4"), First Flexible No.5 plc ("FFL5") and Arianty Services Limited ("ARIS").

During the year the Company operated in the United Kingdom, the principal activities of the Group during the year under review are the provision of first mortgage loans secured on residential properties. There have been no significant changes in the Group'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 Group's activities in the next year.

Under the terms of the servicing agreement, Mortgage Trust Limited ("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 has been the servicer.

The Group's consolidated income statement is shown on page 6, the loss after tax for the year was consistent at £10,000 (2015: £10,000)

The balance sheet on page 7 of the financial statements shows the value of investments the Company currently holds. Net assets have decreased due to the loss for the year. Details of amounts owed from and to other group companies are shown in notes 14 and 17.

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

The Paragon 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group comprises securitisation companies and has been structured so as to avoid, in as far as is possible, all forms of financial risk with its outstanding term loan match-funded to maturity. An analysis of the Group's exposure to risk, including financial risk, and the steps taken to mitigate these risks are set out in note 5.

After considering the above, the directors have a reasonable expectation that the Group 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 Paragon 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 Paragon Group's activities. The Company operates in accordance with group policies, which are described in the Paragon 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 Paragon Group. The Paragon 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 for Arianty Holdings Limited, a company registered in England and Wales with registration no: 04062132, 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 during the period and subsequently were:

R D Shelton

R J Woodman

J Fairrie

D P Stolp (resigned 1 November 2016)

K G Allen

J P Nowacki (appointed 21 November 2016)

J A Harvey (appointed 21 November 2016)

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

The directors have taken all necessary steps to make themselves and the Company's auditor aware of any information needed in preparing the audit of the Annual Report and Financial Statements for the period, and, as far as each of the directors is aware, there is no relevant audit information of which the auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 (2) of the Companies Act 2006.

INDEPENDENT AUDITOR

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

DIRECTORS' REPORT (CONTINUED)

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 5 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 period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU 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 the Group, and of the profit or loss of the Group 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent 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 AUDITORS' REPORT TO THE MEMBERS OF ARIANTY HOLDINGS LIMITED

We have audited the Group and parent company's Financial Statements of Arianty Holdings Limited for the year ended 30 September 2016 which comprise the consolidated income statement, the Group and Company balance sheet, the statement of movement in equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 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 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.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and Company's affairs as at 30 September 2016 and of the Group's result for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Simon Clark (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

ARIANTY HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 £000	2015 £000
Interest receivable	7	7	6
Interest payable	8	(9)	(8)
Net interest expense		<u>(2)</u>	<u>(2)</u>
Operating expenses	9	<u>(11)</u>	<u>(10)</u>
Operating loss being loss on ordinary activities before taxation		<u>(13)</u>	<u>(12)</u>
Tax on loss on ordinary activities		3	2
Loss on ordinary activities after taxation	16	<u><u>(10)</u></u>	<u><u>(10)</u></u>

The loss for the current and preceding years relate entirely to continuing operations.

There are no other items of comprehensive income in either the current or preceding years.

GROUP AND COMPANY BALANCE SHEETS

30 SEPTEMBER 2016

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
ASSETS EMPLOYED					
NON-CURRENT ASSETS					
Investment in subsidiary undertakings	13	75	75	75	75
CURRENT ASSETS					
Other receivables	14	164	154	164	154
Cash and cash equivalents		1	1	1	1
		<u>165</u>	<u>155</u>	<u>165</u>	<u>155</u>
Total assets		<u>240</u>	<u>230</u>	<u>240</u>	<u>230</u>
FINANCED BY					
EQUITY SHAREHOLDERS' FUNDS					
Called up share capital	15	-	-	-	-
Profit and loss account	16	17	27	17	27
Total equity		<u>17</u>	<u>27</u>	<u>17</u>	<u>27</u>
CURRENT LIABILITIES					
Other liabilities	17	223	203	223	203
		<u>240</u>	<u>230</u>	<u>240</u>	<u>230</u>

These financial statements of the Group and Company (registered number 04062132) were approved by the Board of Directors on 26 January 2017.

Signed on behalf of the Board of Directors



J Fairrie
Director

STATEMENT OF MOVEMENT IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016

Group and Company

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>	-	-	-
Loss for the year	-	(10)	(10)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(10)	(10)
Opening equity	-	27	27
Closing equity	-	17	17

YEAR ENDED 30 SEPTEMBER 2015

Group and Company

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>	-	-	-
Loss for the year	-	(10)	(10)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(10)	(10)
Opening equity	-	37	37
Closing equity	-	27	27

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2016

1. GENERAL INFORMATION

Arianty Holdings Limited ('the Company') is a company domiciled in the United Kingdom and incorporated in England and Wales under the Companies Act 2006 with company number 04062132. 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.

The Company and its subsidiary entity ('the Group', are both controlled by The Paragon Group of Companies PLC and included within the consolidated accounts of the Group headed by that company ('the Paragon Group').

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

2. ADOPTION OF NEW AND REVISED REPORTING STANDARDS

In the preparation of these financial statements, other than in respect of the transition to IFRSs as adopted by EU as explained in note 3, no new reporting standards are being applied for the first time.

International Financial Reporting Standards and Interpretations in issue, but not effective, do not address matters relevant to the Group's accounting and reporting.

3. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with IFRSs as adopted by the European Union. In the financial years reported upon this means that the financial statements accord also with International Financial Reporting Standards as approved by the International Accounting Standards Board.

On transition to IFRSs in the year the Company has applied International Financial Reporting Standard ('IFRS') 1 – 'First-time Adoption of IFRS'. An explanation of how the transition to IFRSs has affected the reported financial position and performance of the Group is provided in note 2.

The Company, as a company with wholly owned subsidiaries is required to prepare accounts under section 399 of the Companies Act 2006. However, due to restrictions on the Company's control of the assets and liabilities of its subsidiary company, the criteria for the inclusion of the subsidiary in the consolidated accounts set out in IFRS 10 – 'Consolidated Financial Statements' are not met. Hence the group accounts of the Company are the same as its individual company accounts.

The particular accounting policies applied are described below.

Accounting convention

The Financial Statements are prepared under the historical cost convention.

Going concern

The Financial Statements have been prepared on a going concern basis as described in the Strategic Report, 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.

Basis of consolidation

The consolidated accounts deal with the accounts of the Company and its subsidiary made up to 30 September 2016.

Fixed assets – investments in subsidiaries

The investment in the subsidiary companies is shown at cost less provision for impairment.

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.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2016

3. ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Balances shown as cash at bank in the balance sheet comprise demand deposits and short-term deposits with banks with initial maturities of not more than 90 days.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of temporary differences. Temporary 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 financial statements.

Revenue

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

4. TRANSITION TO IFRS

As stated in note 3, these are the first financial statements prepared by the Company in accordance with IFRSs. The accounting policies used in drawing up the financial statements for the year ended 30 September 2016 are set out in note 3 and these have also been applied in preparing the comparative information presented in these financial statements.

In preparing the accounts of the Company no adjustments have been made to the amounts presented in the balance sheet under old UK GAAP. The consolidated accounts differ from those presented under UK GAAP by the exclusion of the results, assets and liabilities of ARI1, FFL1, FFL2, FFL3 FFL4, FFL5 and ARIS, as explained in note 3.

The financial position of the Company at 1 October 2014, the date of transition to IFRSs was the same as that at 30 September 2016 and 30 September 2015.

5. 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.

6. REVENUE

	Group 2016 £000	Group 2015 £000
Interest receivable (note 7)	7	6

7. INTEREST RECEIVABLE

	Group 2016 £000	Group 2015 £000
Interest from related parties	7	6

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2016

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Group 2016 £000	Group 2015 £000
Interest payable to group companies	2	2
Interest payable to related parties	7	6
Total interest on financial liabilities	<u>9</u>	<u>8</u>
Other finance costs	-	-
	<u>9</u>	<u>8</u>

9. OPERATING EXPENSES

	Group 2016 £000	Group 2015 £000
Operating profit is after charging:		
Auditor remuneration (note 11)	8	8
Other administrative costs	3	2
	<u>11</u>	<u>10</u>

The Group utilises employees and facilities of the Paragon group in its operations, and hence has no employees of its own.

10. KEY MANAGEMENT REMUNERATION

Directors' remuneration from the Group during the year is listed below:

	Group 2016 £000	Group 2015 £000
Directors' fees	<u>3</u>	<u>2</u>

The Group had no employees in the current period. All administration is performed by employees of related companies under the servicing agreement described in note 18. The directors of the Company, with the exception of J Fairrie, D P Stolp and J P Nowacki, are employed by Paragon Finance PLC, a fellow group company, and their remuneration is disclosed within the financial statements of that company, which do not form part of this Report.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2016

11. AUDITOR REMUNERATION

The analysis of fees payable to the Company's auditors and their associates, excluding irrecoverable VAT, required by the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 is set out below.

	2016 £000	2015 £000
Audit fee of the company	6	6
Other services		
Audit of subsidiary undertakings pursuant to legislation	-	-
Total fees	6	6
Irrecoverable VAT	2	2
Total cost to the Group	8	8

Fees paid to the auditors and their associates for non-audit services to the Company are not disclosed because the consolidated accounts of the Paragon Group are required to disclose such fees on a consolidated basis.

12. LOSS ATTRIBUTABLE TO MEMBERS OF ARIANTY HOLDINGS LIMITED

The Company's loss after tax for the financial year amounted to £10,000 (2015: £10,000). A separate income statement has not been prepared for the Company under the provisions of section 408 of the Companies Act 2006.

The Company has no other items of comprehensive income for the year ended 30 September 2016 and the year ended 30 September 2015.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2016

13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Group & Company 2016 £000	Group & Company 2015 £000
Balance at 1 October 2015 and 30 September 2016	75	75

Listed below is the subsidiary company of the Group which is incorporated in England and Wales:

Company	Principal activity	Description of shares held	Proportion of nominal value of issued shares held	Year end Status
Arianty No.1 PLC	Mortgage warehouse	Ordinary £1 shares	100%	Trading
Arianty Services Ltd	Leasing	Ordinary £1 shares	100%	Trading
First Flexible No.1 PLC	Mortgage securitisations	Ordinary £1 shares	100%	Trading
First Flexible No.2 PLC	Mortgage securitisations	Ordinary £1 shares	100%	Trading
First Flexible No.3 PLC	Mortgage securitisations	Ordinary £1 shares	100%	Trading
First Flexible No.4 PLC	Mortgage securitisations	Ordinary £1 shares	100%	Trading
First Flexible No.5 PLC	Mortgage securitisations	Ordinary £1 shares	100%	Trading

During the period ended 30 September 2016 the Company received £nil in dividend income from its subsidiaries.

14. OTHER RECEIVABLES

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Current assets				
Amounts owed by group undertakings	7	8	7	8
Corporation tax	3	2	3	2
Other debtors	153	144	153	144
Prepayments and accrued income	1	-	1	-
	<u>164</u>	<u>154</u>	<u>164</u>	<u>154</u>

15. CALLED UP SHARE CAPITAL

	Company 2016 £	Company 2015 £
Allotted:		
1 ordinary share of £1 (fully paid)	<u>1</u>	<u>1</u>

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2016

16. PROFIT AND LOSS ACCOUNT

The Group	£000
At 1 October 2014	37
Loss for the financial year	(10)
At 30 September 2015	27
Loss for the financial year	(10)
At 30 September 2016	17
The Company	£000
At 1 October 2014	37
Loss for the financial year	(10)
At 30 September 2015	27
Loss for the financial year	(10)
At 30 September 2016	17

No final dividend for the year ended 30 September 2016 (2015: £nil) is proposed.

17. OTHER LIABILITIES

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Current liabilities:				
Amounts due to group companies	61	58	61	58
Amounts owed to Paragon Group companies	154	137	154	137
Accruals and deferred income	8	8	8	8
	223	203	223	203

18. 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 the Mortgage Trust Group

Under the terms of the servicing agreements, MTL was appointed to service the 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 has been the servicer.

At the balance sheet date the Company was owed £153,000 (2015: £144,000) by MTS in relation to monies owed to the Company, which is included in other debtors.

Transactions with Paragon Finance PLC (PF)

At the balance sheet date PF, a Company under common control as defined by IAS 24, was owed £154,000 (2015: £137,000) by the Company in relation to payments made on behalf of the Company, which is included in other creditors.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2016

19. ULTIMATE PARENT COMPANY

On 10 October 2008 ATC Capital Markets (UK) Limited replaced Wilmington Trust SP Services (London) Limited as trustees under a declaration of trust for charitable purposes. The directors regard The Paragon Group of Companies PLC as the ultimate controlling party.

The smallest and largest group in which the Company is consolidated is that of the Paragon Group of Companies PLC.

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