

ARIANTY HOLDINGS LIMITED

Report and Financial Statements

Year Ended 30 September 2020

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 Company and its subsidiaries ('the Group') during the year under review are the provision of first mortgage loans secured on residential properties. The Group is both controlled by Paragon Banking Group PLC and included within the consolidated accounts of the Group headed by that company ('the Paragon Group'). 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 9, the Company's result after tax has reduced from a profit of £39,000 to a loss of £14,000. This was mainly due to no interim dividends received from the Company's subsidiaries during the current year.

The balance sheet on page 10 of the financial statements shows the value of investments the Company currently holds. Net assets have decreased to a net liability position due to the loss for the year. Details of amounts owed to other group companies are shown in note 18.

No interim dividend was paid during the year (2019: £nil). No final dividend is proposed (2019: £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 assets of the Company are located entirely in the United Kingdom and its results are therefore impacted by the economic environment within the UK. A material downturn in economic performance could increase the numbers of customers who default on loans and / or cause the values of the properties over which the Company enjoys security to fall.

The UK economy in the current year has been impacted significantly by the effects of the Covid-19 virus. This has caused major economic disruption within the UK and global economy but has also driven governments and regulators to offer unprecedented levels of support to businesses and consumers, aimed at mitigating its impact.

The Company has put contingency plans in place to ensure that it can continue to service its customers and to satisfy its obligations under the funding structure. However, should the pandemic have significant long-term impacts on the UK economy then this would significantly impact the Company's future cash flows and performance.

Together with continuing uncertainty arising the potential impact economic impact of the UK's withdrawal from the European Union, the Covid-19 pandemic has made the long-term economic prospects for the UK and their impacts on the Company much difficult to forecast.

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.

GOING CONCERN

The performance of the Company is subject to analysis against plan, with key variances being analysed in detail on a monthly basis. This monitoring, particularly of credit and liquidity measures has been enhanced at Group level in response to the Covid-19 situation.

The Group has a formalised process of budgeting, reporting and review. The Group's planning procedures forecast its profitability, capital position, funding requirement and cash flows on a company by company basis.

STRATEGIC REPORT

GOING CONCERN (CONTINUED)

In compiling the most recent forecast, for the period commencing 1 October 2020, particular attention was paid to the potential consequences of Covid-19 on the Group's operations, customers, funding and prospects, both in the short and longer term. This included consideration of a number of different scenarios with impacts of varying duration and severity. In common with the Group's approach to IFRS 9, the economics used in the forecasting process were updated in October in light of the continuing development of the Covid-19 crisis, based on updated external projections. Future business activity was reforecast reflecting the potential impacts of the pandemic on markets and products.

After considering the Company's position, the economic environment and the forecasts described 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.

BOARD AND STAKEHOLDERS

The Board of the Company is mindful of its duty to act in good faith and to promote the success of the Paragon Banking Group PLC group of companies (the 'Paragon Group') for the benefit of its shareholders and with regard to the interests of all of its stakeholders and, in particular, the interests of the Company's noteholders. The Board confirms that, for the year ended 30 September 2020, it has acted to promote the success of the Company for the benefit of its members as a whole and continues to have due regard to the following matters (as per section 172 of the Companies Act 2006):

- a. The likely consequences of any decision in the long-term;
- b. The interests of the Company's employees;
- c. The need to foster the Company's business relationships with suppliers, customers and others;
- d. The impact of the Company's operations on the community and the environment;
- e. The desirability of the Company maintaining a reputation for high standards of business conduct; and
- f. The need to act fairly as between members of the Company.

As part of the Paragon Group, stakeholder engagement, for stakeholder groups where there is substantial common identity between the non-shareholder stakeholders of the Company and of the Paragon Group, takes place at a group level and the Company looks to group initiatives for guidance and takes them into account in its decision making. The Company follows Paragon Group policies and procedures as mentioned above, including those relating to standards of business conduct, the environment, the community and other stakeholders. More detail may be found in the Paragon Group's 2020 Annual Report and Accounts.

As a securitisation entity the decision-making powers of the Board of Directors are limited. 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. However, in considering items of business the Board makes autonomous decisions on their own merits, after due consideration of the long-term success of the Company, those factors set out in section 172 of the Companies Act 2006, where relevant, and the stakeholders impacted.

Board meetings are held periodically where the directors consider Company business, including its results and performance.

More information on the Company's impact on individual stakeholder groups is set out below.

SHAREHOLDERS

The Company has a single shareholder, Intertrust Capital Markets (UK) Limited which holds the entire share capital of the Company on a discretionary trust basis for the benefit of certain charities. However, the transaction documents limit this entity to a nominal interest in the risks and rewards of the business of the Company. The Company itself has only a nominal interest in the risks and rewards of the business of its subsidiary, Arianty No.1 PLC and those risks and rewards attach to non-equity securities and fall to their holders which are companies within the Paragon Group. Hence the Company is considered to be controlled by Paragon Banking Group PLC.

STRATEGIC REPORT (CONTINUED)

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

28 January 2021

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 2020.

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

K G Allen

J P Giles

P H Whitaker

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 reasonable steps to make themselves and the Company's auditor, 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 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 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

28 January 2021
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.

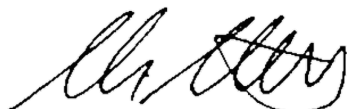
Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and applicable law. The financial statements 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, for the Company's systems of internal control and 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.



K G Allen
Director

28 January 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARIANTY HOLDINGS LIMITED

Opinion

We have audited the Group and parent company's Financial Statements of Arianty Holdings Limited for the year ended 30 September 2020 which comprise the Consolidated Income Statement, Group and Company Balance Sheets, the Statement of Movement in Equity and related notes 1 to 20, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARIANTY HOLDINGS LIMITED (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Michael Davidson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

28 January 2021

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Interest receivable		2	-
Interest payable	6	(2)	(3)
Net interest expense		-	(3)
Other operating income	7	-	50
Total operating income		-	47
Operating expenses	8	(11)	(11)
Provision for losses	11	-	-
Operating (loss) / profit being (loss) / profit on ordinary activities before taxation		(11)	36
Tax on (loss) / profit on ordinary activities	12	(3)	3
(Loss) / profit on ordinary activities after taxation	17	(14)	39

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

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

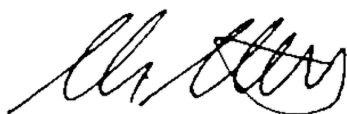
GROUP AND COMPANY BALANCE SHEETS

30 SEPTEMBER 2020

	Note	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
ASSETS EMPLOYED					
NON-CURRENT ASSETS					
Investment in subsidiary undertakings	14	25	25	25	25
CURRENT ASSETS					
Other receivables	15	39	40	39	40
Cash and cash equivalents		1	1	1	1
		<u>40</u>	<u>41</u>	<u>40</u>	<u>41</u>
Total assets		<u>65</u>	<u>66</u>	<u>65</u>	<u>66</u>
FINANCED BY					
EQUITY SHAREHOLDERS' (DEFICIT) / FUNDS					
Called up share capital	16	-	-	-	-
Profit and loss account	17	(4)	10	(4)	10
Total equity		<u>(4)</u>	<u>10</u>	<u>(4)</u>	<u>10</u>
CURRENT LIABILITIES					
Other liabilities	18	69	56	69	56
		<u>65</u>	<u>66</u>	<u>65</u>	<u>66</u>

These financial statements of the Group and Company (registered number 04062132) were approved by the Board of Directors on 28 January 2021.

Signed on behalf of the Board of Directors



K G Allen
Director

STATEMENT OF MOVEMENT IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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	-	(14)	(14)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(14)	(14)
Opening equity	-	10	10
Closing equity	-	(4)	(4)

YEAR ENDED 30 SEPTEMBER 2019

Group and Company

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Profit for the year	-	39	39
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	39	39
Opening equity	-	(29)	(29)
Closing equity	-	10	10

NOTES TO THE ACCOUNTS**YEAR ENDED 30 SEPTEMBER 2020****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 entities ('the Group'), are both controlled by Paragon Banking Group 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. BASIS OF PREPARATION

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.

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.

In the preparation of these financial statements, the following accounting standards are being applied for the first time.

- IFRS 16 – 'Leases'

This has had no impact upon the balance sheet or the profit and loss account.

3. ACCOUNTING POLICIES

The particular accounting policies applied are described below.

Accounting convention

The Financial Statements are prepared under the historical cost convention.

Going concern

Accounting standards require the directors to assess the Company's ability to continue to adopt the going concern basis of accounting. In performing this assessment, the directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them. Particular focus is given to the Group's financial forecasts to ensure the adequacy of resources available for the Company to meet its business objectives on both a short term and strategic basis.

The Group has a formalised process of budgeting, reporting and review. The Group's planning procedures forecast its profitability, capital position, funding requirement and cash flows on a company by company basis. In compiling the most recent forecast, for the period commencing 1 October 2020, particular attention was paid to the potential consequences of Covid-19 on the Group's operations, customers, funding and prospects, both in the short and longer term. This included consideration of a number of different scenarios with impacts of varying duration and severity. In common with the Group's approach to IFRS 9, the economics used in the forecasting process were updated in October in light of the continuing development of the Covid-19 crisis, based on updated external projections. Future business activity was reforecast reflecting the potential impacts of the pandemic on markets and products.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

3. ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

After performing this assessment, the directors concluded that there was a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future, and that therefore it was appropriate for them to continue to adopt the going concern basis in preparing the Annual Report and Accounts. 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 subsidiaries made up to 30 September 2020.

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.

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. 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.

5. REVENUE

	Group 2020 £000	Group 2019 £000
Other operating income (note 7)	-	50
	<u>-</u>	<u>50</u>
	<u>-</u>	<u>50</u>

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group 2020 £000	Group 2019 £000
Interest payable to group companies	-	1
Interest payable to related parties	2	2
Total interest on financial liabilities	<u>2</u>	<u>3</u>
Other finance costs	-	-
	<u>2</u>	<u>3</u>

7. OTHER OPERATING INCOME

	Group 2020 £000	Group 2019 £000
Dividend income	-	50
	<u>-</u>	<u>50</u>

8. OPERATING EXPENSES

	Group 2020 £000	Group 2019 £000
Operating profit is after charging:		
Auditor remuneration (note 10)	10	10
Other administrative costs (note 9)	1	1
	<u>11</u>	<u>11</u>

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

9. KEY MANAGEMENT REMUNERATION

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

	Group 2020 £000	Group 2019 £000
Directors' fees	1	1
	<u>1</u>	<u>1</u>

The Group had no employees in the current period. All administration is performed by employees of related companies under the servicing agreement. The directors of the Company, with the exception of P H Whitaker, 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 2020

10. 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.

	2020 £000	2019 £000
Audit fee of the company	10	10
Other services		
Audit of subsidiary undertakings pursuant to legislation	-	-
Total fees	<u>10</u>	<u>10</u>
Irrecoverable VAT	-	-
Total cost to the Group	<u><u>10</u></u>	<u><u>10</u></u>

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.

11. PROVISIONS FOR LOSSES

	Group 2020 £000	Group 2019 £000
Impairment of financial assets		
Investments in group companies (note 14)	-	38
Loans due to group companies	-	(38)
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

12. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

a) Analysis of debit / (credit) in the year

	Group 2020 £000	Group 2019 £000
Current tax		
Group relief	-	(3)
Adjustment in respect of prior periods	3	-
Total current tax	<u>3</u>	<u>(3)</u>
Deferred tax	-	-
Tax charge on (loss) / profit on ordinary activities	<u><u>3</u></u>	<u><u>(3)</u></u>

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

12. TAX ON LOSS ON ORDINARY ACTIVITIES (Continued)

(b) Factors affecting tax debit / (credit) for the year

The tax assessed for the year is the standard rate of corporation tax in the United Kingdom of 19% (2019: 19.0%). The differences are explained below:

	Group 2020 £000	Group 2019 £000
(Loss) / profit before tax	(11)	36
UK corporation tax at 19.0% (2019: 19.0%) based on the (loss) / profit for the year	(2)	7
Effects of:		
Tax exempt revenues	-	(10)
Creation / utilisation of losses	2	-
Prior year debit	3	-
Tax credit for the year	3	(3)

The standard rate of corporation tax in the UK applicable to the Company in the period was 19.0% (2019: 19.0%), based on currently enacted legislation. During the period, legislation was substantively enacted, reversing the reduction in the tax rate to 17.0% which had been due to come into effect from April 2020. Consequently, temporary differences which had been expected to reverse at a tax rate of 18% in the current year, or 17% in subsequent years, have either reversed or are expected to reverse at a rate of 19%. The impact of this change has been accounted for in the year.

13. (LOSS) / PROFIT ATTRIBUTABLE TO MEMBERS OF ARIANTY HOLDINGS LIMITED

The Company's loss after tax for the financial year amounted to £14,000 (2019: profit after tax of £39,000). 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 2020 and the year ended 30 September 2019.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2020

14. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Group & Company 2020 £000	Group & Company 2019 £000
Valuation		
At 1 October 2019	25	63
Provisions movement (note 11)	-	(38)
At 30 September 2020	25	25

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
First Flexible No.5 PLC	Mortgage securitisations	Ordinary £1 shares	100%	Trading

During the year ended 30 September 2020 the Company received £nil (2019: £50,000) in dividend income from its subsidiaries.

The registered office of each of the entities listed in this note is the same as that of the Company (note 1).

15. OTHER RECEIVABLES

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Current assets				
Amounts due from group companies	39	37	39	37
Corporation tax	-	3	-	3
	39	40	39	40

NOTES TO THE ACCOUNTS
YEAR ENDED 30 SEPTEMBER 2020

16. CALLED UP SHARE CAPITAL

	Company 2020 £	Company 2019 £
Allotted:		
1 ordinary share of £1 (fully paid)	1	1

17. PROFIT AND LOSS ACCOUNT

The Group	£000
At 1 October 2018	(29)
Profit for the financial year	39
At 30 September 2019	10
Loss for the financial year	(14)
At 30 September 2020	(4)
The Company	£000
At 1 October 2018	(29)
Profit for the financial year	39
At 30 September 2019	10
Loss for the financial year	(14)
At 30 September 2020	(4)

No final dividend for the year ended 30 September 2020 (2019: £nil) is proposed.

18. OTHER LIABILITIES

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Current liabilities:				
Amounts due to group companies	13	13	13	13
Amounts owed to related parties (note 19)	45	32	45	32
Accruals and deferred income	11	11	11	11
	69	56	69	56

19. 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 Paragon Banking Group PLC (PBG)

At the balance sheet date PBG, a Company under common control as defined by IAS 24, was owed £45,000 (2019: £32,000) 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 2020

20. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Intertrust Capital Markets (UK) Limited who holds the entire share capital of the Company on a discretionary trust basis for the benefit of certain charities. The directors regard Paragon Banking Group PLC as the ultimate controlling party.

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

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