

**FRIARY NO.2 MORTGAGES HOLDINGS LIMITED**  
**REGISTRATION NO. 09000679**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2018**



**Directors' report and financial statements  
for the year ended 31 December 2018**

<b>Contents</b>	<b>Pages</b>
Officers and professional advisors	1
Annual Directors' report	2
Directors' responsibilities statement	4
Independent auditor's report	5
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10

**Officers and professional advisors  
for the year ended 31 December 2018**

**Directors**

Intertrust Directors 1 Limited  
Intertrust Directors 2 Limited  
Helena Whitaker

**Secretary**

Intertrust Corporate Services Limited

**Registered Office**

35 Great St Helen's  
London  
EC3A 6AP

**Auditor**

Deloitte LLP  
Statutory Auditor  
5 Callaghan Square  
Cardiff  
CF10 5BT

## **Annual directors' report for the year ended 31 December 2018**

The directors present their report and the audited financial statements for Friary No.2 Mortgages Holdings Limited (the "Company") for the year ended 31 December 2018 in accordance with International Financial Reporting Standards ("IFRSs").

The Company is a company limited by shares incorporated in the United Kingdom and registered in England and Wales.

The Company qualifies as a small company in accordance with sections 381-383 of the Companies Act 2006 (the "Act") and the Directors' Report has therefore been prepared taking into consideration the entitlement to small companies exemptions provided in sections 414B (as incorporated to the Act by the Strategic Report and Directors' Report Regulations 2013) and 415A of the Act.

### **Principal activities**

The principal activity of the Company is to act as a holding company of Friary No.2 plc (the "Subsidiary" )

The Subsidiary was established as a special purpose entity ("SPE") to raise funding by the issue of mortgage backed floating rate notes and use the proceeds of the notes to purchase a portfolio of mortgage loans.

### **Results and dividends**

There have been no recognised gains and losses for the current or prior financial year.

The directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: nil).

### **Future developments**

The directors expect that the Notes issued by the Subsidiary will be redeemed within the next 12 months of the date of signing and that the Subsidiary and subsequently, the Company, will be wound up shortly afterwards.

### **Key performance indicators (KPIs)**

Given the nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the Company.

### **Directors and their interests**

The directors who served during the year and up to the date of signing the financial statements were as follows:

Intertrust Directors 1 Limited  
Intertrust Directors 2 Limited  
Helena Whitaker

### **Third party indemnities**

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the directors' report and financial statements.

### **Company secretary**

The company secretary during the year and subsequently was Intertrust Corporate Services Limited.

**Annual directors' report  
for the year ended 31 December 2018 (continued)**

**Principal risks and uncertainties**

The directors do not consider the Company to be exposed to principal risks or uncertainties.

Risks in respect of the macroeconomic and geopolitical environment are included within the Group Annual Report and Accounts.

**Employees**

The Company employed no employees during the year ended 31 December 2018 (2017: Nil).

**Statement of disclosure of information to auditor**

The directors confirm that so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Act.

**Auditor**

The auditor, Deloitte LLP, have expressed their willingness to continue in office as auditor. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed re-appointed subject to any resolution to the contrary.

**Statement of going concern**

Having considered the expectation of the Subsidiary's Notes redeeming within the next 12 months and the subsequent winding up of the Subsidiary and the Company shortly afterwards, these financial statements have been prepared on a basis other than a going concern basis.

On behalf of the Board:



Helena Whitaker  
Per pro Intertrust Directors 1 Limited  
As Director of Friary No.2 Mortgages Holdings Limited  
25 June 2019

## **Directors' responsibilities statement for the year ended 31 December 2018**

The directors are responsible for preparing the Annual Directors 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 IFRSs as adopted by the European Union. 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 the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 Act. 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 Friary No.2 Mortgages Holdings Ltd  
for the year ended 31 December 2018**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of Friary No.2 Mortgage Holdings Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its position for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Friary No.2 Mortgages Holdings Ltd (the 'Company') which comprise:

- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter – Financial statements prepared other than on a going concern basis**

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

**Independent auditor's report to the members of Friary No.2 Mortgages Holdings Ltd  
for the year ended 31 December 2018 (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Independent auditor's report to the members of Friary No.2 Mortgages Holdings Ltd**

**for the year ended 31 December 2018 (continued)**

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

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

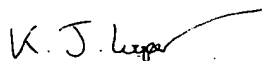
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

**Use of our report**

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.



Kieren Cooper (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Cardiff, United Kingdom  
25 June 2019

**Statement of Financial Position**  
**As at 31 December 2018**

	Notes	2018 £	2017 £
<b>Assets</b>			
Non-current assets:			
Investment in subsidiary	5	12,501	12,501
Current assets:			
Cash and cash equivalents	6	1	1
<b>Total assets</b>		<b>12,502</b>	<b>12,502</b>
<b>Liabilities</b>			
Non-current liabilities:			
Amounts owed to related parties	7	12,499	12,499
<b>Total liabilities</b>		<b>12,499</b>	<b>12,499</b>
<b>Equity</b>			
Ordinary shares	8	1	1
Retained earnings	9	2	2
<b>Total equity</b>		<b>3</b>	<b>3</b>
<b>Total equity and liabilities</b>		<b>12,502</b>	<b>12,502</b>

**Statement of Changes in Equity  
for the year ended 31 December 2018**

	<b>Share Capital £</b>	<b>Retained Profit £</b>	<b>Total £</b>
Balance at 1 January 2018	1	2	3
Share capital issued in the period	-	-	-
Profit and total comprehensive income for the year	-	-	-
<b>Balance at 31 December 2018</b>	<b>1</b>	<b>2</b>	<b>3</b>

**Statement of Changes in Equity  
for the year ended 31 December 2017**

	<b>Share Capital £</b>	<b>Retained Profit £</b>	<b>Total £</b>
Balance at 1 January 2017	1	2	3
Share capital issued in the period	-	-	-
Profit and total comprehensive income for the year	-	-	-
<b>Balance at 31 December 2017</b>	<b>1</b>	<b>2</b>	<b>3</b>

The accounting policies and notes on pages 10 to 12 form part of these financial statements.

The financial statements have been delivered with no income statement in accordance with the provisions under section 444(5) of the Act applicable to companies subject to the small companies' regime.

The directors acknowledge responsibility for:

- i) ensuring the Company keeps accounting records which comply with Section 386 of the Act, and
- ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year in accordance with the requirements of Section 393 of the Act, and which otherwise comply with the requirements of the Act relating to accounts, so far as applicable to the Company.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements of Friary No.2 Mortgages Holdings Limited were approved by the Board of Directors and authorised for issue on 25 June 2019 and were signed on its behalf by:



Helena Whitaker  
Per pro Intertrust Directors 1 Limited  
As Director of Friary No.2 Mortgages Holdings Limited

**Notes to the financial statements  
For the year ended 31 December 2018****1. Accounting policies**

The Company is a private limited liability company, limited by shares, incorporated in the United Kingdom and registered in England and Wales with its registered office at 35 Great St. Helen's, London, EC3A 6AP. The nature of the Company's operations and principal activity are set out in the Annual director's report.

**(a) Basis of preparation**

The financial statements of the Company have been prepared in accordance with EU Endorsed IFRSs, Financial Reporting Interpretations Committee (IFRIC) interpretations and the Act applicable to companies reporting under IFRS.

These financial statements reflect the results of the Company for the financial year to 31 December 2018.

The preparation of financial statements in conformity with IFRS can require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies - no significant judgements or estimates were present in the preparation of these accounts.

IFRS 15: Revenue from contracts with customers is effective for accounting periods commencing on or after 1 January 2018. The adoption of this standard has not had any impact on the financial statements.

IFRS 16: Leases is effective for accounting periods commencing on or after 1 January 2019. The Company does not have any lease arrangements within the scope of the standard and therefore its adoption is not expected to impact the financial statements.

The Company has adopted IFRS 9 Financial Instruments with effect from 1 January 2018, however, there has been no impact to the financial statements for the year ended 31 December 2018.

**(b) Accounting convention**

The financial statements have been prepared using the historical cost convention.

**(c) Going concern**

Having considered the expectation of the Subsidiary's Notes redeeming within the next 12 months and the subsequent winding up of the Subsidiary and the Company shortly afterwards, these financial statements have been prepared on a basis other than a going concern basis.

**(d) Investment in subsidiary**

Investment in subsidiary is held at cost less impairment. The directors review the potential impairment of the investment annually and consider the subsidiary's net assets as well as other qualitative factors.

**(e) Cash flows**

There were no cash flows in the year ended 2018 or 2017, therefore a statement of cash flows has not been presented.

## Notes to the financial statements

### For the year ended 31 December 2018

#### 2. Segmental reporting

A business segment is defined as a group of assets and operations providing products and services that are subject to different risks and returns from those of other business segments. The Company considers that business segments are its primary reporting format for segment analysis. Business segments are based on the Company's management and internal reporting structures. The Company only has one business segment, and therefore no segmental analysis is required to be presented.

No segmental analysis is presented on geographical lines because all of the Company's activities are in the United Kingdom.

#### 3. Directors' emoluments

The directors did not receive any emoluments in respect of their services to the Company in the year (2017: £nil).

#### 4. Auditor's remuneration

Audit fees for the year to 31 December 2018 were £2.2k (2017: £2.1k) and were borne by Principality Building Society and not recharged to the Company.

#### 5. Investment in subsidiary

	2018	2017
	£	£
Investment in subsidiary	12,501	12,501

Investment in a subsidiary is the investment in Friary No.2 plc, a company registered in the UK with its registered address at 35 Great St Helen's, London, EC3A 6AP.

The Company holds all of the issued share capital of the Subsidiary.

#### 6. Cash and cash equivalents

	2018	2017
	£	£
Cash and bank balances	1	1

Cash and bank balances are held by Intertrust Management Limited in a client account and is accessible by the Company on demand.

#### 7. Amounts owed to related parties

	2018	2017
	£	£
Payment to Friary No.2 plc	12,499	12,499

In accordance with a Holdings Payment Agreement dated 29 April 2014 between the Company and Principality Building Society (PBS), an amount to the sum of £12,499.50 was received from PBS which was used to acquire 49,998 ordinary shares of £1 each in Friary No.2 plc, such shares being quarter paid up.

#### 8. Share capital

	2018	2017
	£	£
Authorised, issued and fully paid:		
1 Ordinary Share of £1	1	1

## **Notes to the financial statements For the year ended 31 December 2018**

### **9. Retained earnings**

Retained earnings comprises a £2 capital contribution from PBS to the Company, which was used to subscribe for two ordinary shares of £1 each in the Subsidiary on incorporation.

### **10. Ultimate parent undertaking**

The immediate parent Company is Intertrust Corporate Services Limited which holds the one issued share in the Company on trust for the benefit of certain charities. For accounting purposes, the Company's ultimate parent and controlling party is Principality Building Society, Principality House, Queen Street, Cardiff, CF10 3FA.

The Company's results are included within the consolidated financial statements of Principality Building Society. These financial statements are separate financial statements and the exemption from consolidation has been used. *Principality Building Society is incorporated within the United Kingdom and the financial statements comply with IFRSs and have been produced for public use. The consolidated financial statements are obtainable on the website ([www.principality.co.uk](http://www.principality.co.uk)) and are available on request from the Corporate Communications Team at Principality House, The Friary, Cardiff, CF10 3FA, Tel: 029 2077 3208.*