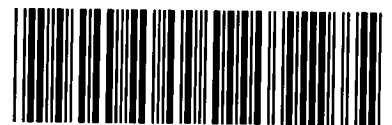


**PRINCIPALITY COVERED BONDS FINANCE (HOLDINGS) LIMITED**

Annual report and financial statements

For the year ended 31 December 2016

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**PRINCIPALITY COVERED BONDS FINANCE (HOLDINGS) LIMITED**

**Annual report and financial statements for the year ended 31 December 2016**

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# **PRINCIPALITY COVERED BONDS FINANCE (HOLDINGS) LIMITED**

## **Officers and registered office**

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### **Directors**

Intertrust Directors 1 Limited  
Intertrust Directors 2 Limited  
Helena Whitaker

### **Company secretary and registered office**

Intertrust Corporate Services Limited  
35 Great St Helen's  
London  
EC3A 6AP

### **Company number**

06691283  
(England and Wales)

**PRINCIPALITY COVERED BONDS FINANCE (HOLDINGS) LIMITED**  
**Company registration No. 06691283**

**Report of the directors for the year ended 31 December 2016**

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The directors present their report together with the unaudited financial statements of Principality Covered Bonds Finance (Holdings) Limited ("the Company") for the year ended 31 December 2016.

The Company qualifies as a small company in accordance with sections 381-382 of the Companies Act 2006 (the "Act"). The directors' report has been prepared taking into consideration the provisions of sections 414B (as incorporated to the Act by the Strategic Report and Directors' Report Regulations 2013) of the Companies Act 2006 (the "Act").

**Principal activity**

The Company was established as a special purpose company to act as a holding company for Principality Designated Member No.1 Limited and Principality Designated Member No.2 Limited (the "Subsidiaries").

The Subsidiaries act as liquidation members of Principality Covered Bonds LLP (the "LLP") a special purpose vehicle established for the acquisition, management and sale of mortgage loans and their related security in connection with covered bonds issued by Principality Building Society (the "Society") under a Global Covered Bond Programme.

The Company has a 80% holding in each of the Subsidiaries.

**Going concern**

On 12 August 2011, £700m of bonds were delisted and £832m of mortgages previously transferred to the LLP were transferred back to the Society and consequently, the LLP ceased trading.

The activities of the Company are dependent upon the future funding strategies within the Society who have indicated that the LLP may engage in trading activities in the future. Therefore, having made such enquiries as the directors considered appropriate, the financial statements of the Company have been prepared on a going concern basis.

**Results and dividend**

The Company did not trade during the year and consequently has made neither profit nor a loss therefore a statement of comprehensive income has not been prepared.

Other than the initial investments in the Subsidiary, the Company has remained dormant.

The directors do not anticipate any changes to the present level of activity, or the nature of the Company's business in the foreseeable future. The Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the Company.

The directors do not recommend the payment of a dividend (2015: £nil).

**Directors**

The directors who served the Company during the year, and subsequently, were as follows:

Intertrust Directors 1 Limited

Intertrust Directors 2 Limited

Claudia Wallace

(Appointed 27 January 2017)

John Paul Nowacki

(Resigned 27 January 2017)

On 9 December 2016, SFM Directors Limited changed its name to Intertrust Directors 1 Limited and SFM Directors (No.2) Limited changed its name to Intertrust Directors 2 Limited.

**PRINCIPALITY COVERED BONDS FINANCE (HOLDINGS) LIMITED**  
**Company registration No. 06691283**

**Report of the directors for the year ended 31 December 2016 (*continued*)**

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**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**

Intertrust Corporate Services Limited (previously SFM Corporate Services Limited, name changed on 9 December 2016) acted as the company secretary during the year and subsequently.

**Share capital**

The Company's authorised and issued share capital consists of £100 comprising 100 ordinary shares of £1 each, of which one share of £1 is issued.

On behalf of the Board



Sue Abrahams  
Per pro **Intertrust Directors 1 Limited**  
Director  
13 September 2017

**Directors' responsibility statement**

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The directors are responsible for preparing the directors' report and the unaudited financial statements in accordance with the Companies Act 2006, 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 (IFRS) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRS as adopted by the European Union and the Act.

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 Companies Act 2006.

The directors 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.

**PRINCIPALITY COVERED BONDS FINANCE (HOLDINGS) LIMITED**  
**Company registration No. 06691283**

**Statement of financial position as at 31 December 2016**

	<b>Note</b>	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
<b>Non-current assets</b>			
Investment in subsidiary undertaking	5	160	160
<b>Current assets</b>			
Cash and cash equivalents	6	1	1
		<u>1</u>	<u>1</u>
<b>Creditors: amount falling due after more than one year</b>	7	(160)	(160)
		<u>1</u>	<u>1</u>
<b>Net assets</b>		<u><u>1</u></u>	<u><u>1</u></u>
<b>Capital and reserves</b>			
Called up share capital	8	1	1
Profit and loss account		-	-
		<u>1</u>	<u>1</u>
<b>Shareholders' funds</b>		<u><u>1</u></u>	<u><u>1</u></u>

The accompanying notes on pages 6 and 7 form part of these financial statements.

For the year ended 31 December 2016 the Company was entitled to audit exemption under Section 477 of the Companies Act 2006 (the "Act").

No members have required the Company to obtain an audit of its accounts for the current year in accordance with section 476 of the Act.

The directors acknowledge responsibility for:

- i) ensuring the Company keeps accounting records which comply with Sections 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.

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

The financial statements were approved and authorised for issue by the directors on 13 September 2017 and are signed on their behalf by:



Sue Abrahams  
Per pro **Intertrust Directors 1 Limited**  
Director

## **PRINCIPALITY COVERED BONDS FINANCE (HOLDINGS) LIMITED**

### **Notes to the financial statements for the year ended 31 December 2016**

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#### **1. Accounting policies**

##### ***General information***

The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of its registered office is 35 Great St. Helen's, London, EC3A 6AP.

##### ***Basis of accounting***

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS IC Interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements are prepared on a going concern basis and under the historical cost convention.

##### ***Basis of preparation - Going concern***

The activities of the Company are dependent upon the future funding strategies within the Society who have indicated that the LLP may engage in trading activities in the future. Therefore, having made such enquiries as the directors considered appropriate, the financial statements of the Company have been prepared on a going concern basis.

##### ***Profit and loss account***

The Company did not trade during the year and has made neither a profit nor a loss. No statement of comprehensive income has therefore been prepared.

##### ***Cash flow statement***

A Cash flow statement has not been prepared on the grounds that the Company is small and has not traded during the year ended 31 December 2016.

##### ***Investments in subsidiary undertakings***

Investments in subsidiary undertakings are carried at cost less any provisions for impairment.

##### ***Group accounts***

The Company is subject to the small companies' regime and has therefore opted not to prepare group accounts under the provisions of section 398 of the Companies Act 2006. Accordingly, the financial statements present information about the Company as an individual undertaking.

#### **2. Segmental reporting**

The Company operates in one business sector and all of the Company's activities are in the UK.

#### **3. Directors and employees**

The Company has no employees (2015: none) and services required are contracted from third parties.

The directors received no remuneration from the Company in respect of qualifying services rendered to the Company during the year (2015: nil).

Corporate services fees, which included the provision of directors, was paid to Intertrust Management Limited (previously Structured Finance Management Limited) and was borne by Principality Building Society.

#### **4. Taxation**

The Company did not trade during the year and therefore there is no tax charge or related tax balances (2015: £nil).

**PRINCIPALITY COVERED BONDS FINANCE (HOLDINGS) LIMITED****Notes to the financial statements for the year ended 31 December 2016 (continued)****5. Investment in subsidiary**

	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
Subsidiary undertakings – at cost	<b>160</b>	<b>160</b>

<b>Subsidiary undertakings</b>	<b>Country of incorporation</b>	<b>Holdings</b>	<b>Proportion of voting rights and shares held</b>	<b>Nature of business</b>
Principality Designated Member No. 1 Limited	United Kingdom	Ordinary shares	80%	Designated Member relating to issue of Covered Bonds
Principality Designated Member No. 2 Limited	United Kingdom	Ordinary shares	80%	Designated Member relating to issue of Covered Bonds

**6. Cash and cash equivalents**

The cash and cash equivalents balance is held by Intertrust Management Limited and is accessible by the Company on demand.

**7. Creditors: amounts falling due after more than one year**

	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
Long term creditor – Principality Covered Bonds LLP	<b>160</b>	<b>160</b>

**8. Share Capital**

	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
<i>Issued and fully paid:</i>		
Ordinary share of £1 each	<b>1</b>	<b>1</b>

**9. Controlling party**

Intertrust Corporate Services Limited (previously SFM Corporate Services Limited), a company registered in England and Wales, holds the entire share capital in the Company on a discretionary trust basis for the benefit of certain charities.

Intertrust Corporate Services Limited is a wholly owned subsidiary of Intertrust Management Limited.

**10. Related party transactions**

During the year fees of £4,012 (2015: £5,402) were paid by Principality Building Society to Intertrust Management Limited in respect of corporate services provided to the Company, including the provision of directors.

At year end corporate services fees of £nil were accrued (2015: £nil).