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## **Chester Asset Securitisation Holdings No.2 Limited**

Annual report and financial statements  
for the year ended December 31, 2017

### **Registered office**

26 New Street  
St Helier  
Jersey  
JE2 3RA

### **Registered number**

00087842

### **Directors**

M. Clarke-Whelan  
J. West  
D. Wynne

### **Company Secretary**

Ocorian Secretaries (Jersey) Limited  
26 New Street  
St Helier  
Jersey  
JE2 3RA

### **Assistant Company Secretary**

Wilmington Trust SP Services (London) Limited  
Third Floor  
1 King's Arms Yard  
London  
EC2R 7AR

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# **Chester Asset Securitisation Holdings No.2 Limited**

## **Contents**

	<b>Page</b>
<b>Directors' report</b>	<b>1 - 2</b>
<b>Statement of directors' responsibility</b>	<b>2</b>
<b>Income statement and other comprehensive income</b>	<b>3</b>
<b>Balance sheet</b>	<b>4</b>
<b>Statement of changes in equity</b>	<b>5</b>
<b>Cash flow statement</b>	<b>6</b>
<b>Notes to the financial statements</b>	<b>7 - 11</b>

# **Chester Asset Securitisation Holdings No.2 Limited**

## **Directors' report**

For the year ended December 31, 2017

The directors present their report and the unaudited financial statements of Chester Asset Securitisation Holdings No.2 Limited ("the Company") for the year ended December 31, 2017.

### **General information**

The Company is a private limited company, limited by shares, incorporated and domiciled in Jersey, Channel Islands (registered number: 00087842).

The principal activity of the Company is investment holding within a securitisation programme designed to provide long term financing for a portfolio of credit card receivables originated by MBNA Limited.

Following the maturity of the loan notes issued by the Company's subsidiary in 2013, the Company ceased trading and is currently dormant, but may become active in the foreseeable future.

For periods up to and including December 31, 2016, Chester Asset Securitisation Holdings No.2 Limited published financial statements in accordance with FRS 102. These financial statements for the year ended December 31, 2017 are the first the Company has prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB). The conversion to IFRS has not resulted in any changes to the 2016 financial performance or position of the Company.

On June 1, 2017, Lloyds Bank plc acquired 100% of the issued share capital of the Company's controlling party, MBNA Limited.

### **Results and Dividends**

The Company was dormant throughout the year, it received no income and incurred no expense during the period and consequently made neither profit nor loss (2016: nil). The directors do not recommend the payment of a final dividend for the year (2016: £nil).

### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the controlling party MBNA Limited and are not managed separately. Further details of risk management policies are contained in note 8 to the financial statements.

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

Given the straightforward 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 business.

### **Audit**

The Company is a private company under the Companies (Jersey) Law 1991 and as such is not required to be audited.

### **Directors**

The directors of the Company are shown on the front cover.

The following changes have taken place between the beginning of the reporting year and the approval of the Annual report and financial statements:

D. Wynne (appointed April 26, 2017)

M. Filer (resigned April 26, 2017)

## **Chester Asset Securitisation Holdings No.2 Limited**

### **Directors' report (continued)**

*For the year ended December 31, 2017*

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

*Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under the 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 the financial statements, the directors are required to:*

- 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 (Jersey) Law 1991*. 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.

The financial statements on pages 1 to 11 were approved by the Board of Directors on April 30, 2018 and signed on its behalf by:



J. West  
Director

## **Chester Asset Securitisation Holdings No.2 Limited**

### **Income statement and other comprehensive income**

For the year ended December 31, 2017

The Company has not traded during the year or the preceding financial year. During these periods, the Company received no income and incurred no expenditure and therefore made neither profit or loss.

## Chester Asset Securitisation Holdings No.2 Limited

### Balance sheet

As at December 31, 2017

	Note	2017 £	2016 £
<b>ASSETS</b>			
Investment in subsidiary undertaking	5	2	2
<b>Total assets</b>		<b>2</b>	<b>2</b>
<b>LIABILITIES</b>			
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>			
Share capital	6	2	2
<b>Total equity</b>		<b>2</b>	<b>2</b>
<b>Total equity and liabilities</b>		<b>2</b>	<b>2</b>

The accompanying notes on pages 7 to 11 of the financial statements are an integral part of these financial statements.

The financial statements on pages 1 to 11 were approved by the Board of Directors on April 30, 2018 and were signed on its behalf by:



J. West  
Director

## Chester Asset Securitisation Holdings No.2 Limited

### Statement of changes in equity

For the year ended December 31, 2017

	Share capital £	Retained earnings £	Total equity £
<b>At January 1, 2016</b>	2	-	2
Profit for the year being total comprehensive income	-	-	-
<b>At December 31, 2016</b>	2	-	2
Other comprehensive income for the year	-	-	-
<b>At December 31, 2017</b>	2	-	2

The accompanying notes on pages 7 to 11 are an integral part of these financial statements.

## **Chester Asset Securitisation Holdings No.2 Limited**

### **Cash flow statement**

For the year ended December 31, 2017

The Company has not traded during the year or the preceding financial year. During these periods the Company has not generated any cash flows from operating, investing or financing activities.



# **Chester Asset Securitisation Holdings No.2 Limited**

## **Notes to the financial statements**

For the year ended December 31, 2017

### **1. Accounting policies**

#### **1.1 Basis of preparation**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

For periods up to and including December 31, 2016, the Company published its financial statements in accordance with FRS 102. These financial statements for the year ended December 31, 2017 are the first the Company has prepared in accordance with applicable IFRS as adopted by the European Union and the Companies (Jersey) Law 1991 as applicable to companies reporting under IFRS. IFRS comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee and its predecessor body.

The financial information has been prepared in accordance with Companies (Jersey) Law 1991 and under the historical cost convention. As stated on page 1, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The Company has not elected to early adopt any new accounting standards. Details of those pronouncements which will be relevant to the Company but which were not effective at December 31, 2017 and which have not been applied in preparing these financial statements are given in note 12. These pronouncements are not expected to have a significant impact on the Company.

#### **1.2 Financial assets and liabilities**

Management determines the classification of its financial assets and financial liabilities at initial recognition. Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

On initial recognition, financial assets are classified into fair value through profit and loss, available-for-sale financial assets, held-to-maturity investments or loans and receivables. Financial liabilities are measured at amortised cost, except if designated at fair value through profit and loss on initial recognition.

#### **1.3 Taxation, including deferred income taxes**

Tax expense can comprise current or deferred tax. Current and deferred tax are credited in the Income statements except to the extent that the tax arises from a transaction or event that is recognised outside the Income statement (either in Other comprehensive income, or directly in Equity), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the Balance sheet. No provision for deferred tax was required in the current or prior period as no timing differences have arisen which would result in deferred tax on assets or liabilities.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

## Chester Asset Securitisation Holdings No.2 Limited

### Notes to the financial statements (continued)

For the year ended December 31, 2017

#### 1. Accounting policies (continued)

##### 1.4 Investment in subsidiary undertaking

Investment in subsidiary undertaking is stated in the Balance sheet at cost less any provision for impairment.

Investment in subsidiary undertaking is reviewed for impairment losses at the end of each period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Income statement and other comprehensive income for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use. For the purposes of assessing impairment, investments are grouped at the lowest level at which cash flows are separately monitored by management.

##### 1.5 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

#### 2. Staff costs

The Company had no employees during the year (2016: nil) and incurred no staff costs (2016: nil).

#### 3. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2016: £nil). The directors consider their services to the Company are incidental to their other responsibilities. (see also note 7).

#### 4. Taxation

The Company is registered in Jersey, Channel Islands, as an income tax paying company. The standard rate of income tax for companies resident in Jersey is 0% for the current year of assessment (2016: 0%).

#### 5. Investment in subsidiary undertaking

	2017 £	2016 £
<b>Cost</b>		
Cost brought forward	2	2
Cost at 31 December	2	2
Provision at 31 December	-	-
<b>Carrying value of investment at 31 December</b>	<b>2</b>	<b>2</b>

Investment in subsidiary undertaking is stated at cost less impairment.

Subsidiary undertaking	Company Interest %	Principal activities	Registered Address
Chester Assets Receivables Dealings Issuer Limited	100.00%	Provision of long term finance	26 New Street, St Helier, Jersey, JE2 3RA

## Chester Asset Securitisation Holdings No.2 Limited

### Notes to the financial statements (continued)

For the year ended December 31, 2017

#### 6. Share capital

	2017 £	2016 £
<b>Allotted, issued and fully paid</b>		
2 (2016: 2) ordinary shares of £1 each	2	2

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any right of redemption.

#### 7. Related party transactions

The issued share capital of the Company is held by Wilmington Trust SP Services (London) Limited ("Wilmington").

Administration and directorial services were provided to the Company by Wilmington.

M. Clarke-Whelan and D. Wynne are directors of Wilmington and the Company's subsidiary Chester Asset Receivables Dealings Issuer Limited ("CARD Issuer"). M. Filer was a director of Wilmington and CARDS Issuer, resigned April 28, 2017 and April 26, 2017 respectively. J. West is a director of CARD Issuer.

##### Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel consider their services to the Company to be incidental to their other activities.

#### 8. Financial risk management

The Company is dormant and therefore is not exposed to any significant credit risk, interest rate risk, liquidity risk, business risk, market risk or foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the controlling party MBNA Limited.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

#### 9. Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern.

In order to maintain or adjust the capital structure, the board of directors may return capital to shareholders, issue new shares, or sell assets. The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity.

## Chester Asset Securitisation Holdings No.2 Limited

### Notes to the financial statements (continued)

For the year ended December 31, 2017

#### 10. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2016: £nil).

#### 11. Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements.

#### 12. Future developments

The following pronouncements are not applicable for the year ending December 31, 2017 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 9 'Financial Instruments'	<p><i>Classification and measurement</i></p> <p>IFRS 9 requires financial assets to be classified into one of the three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost. Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.</p> <p><i>Impairment</i></p> <p>IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.</p> <p>The Company's current accounting policy is materially consistent with the requirements of IFRS 9 and accordingly, no transition adjustment is expected.</p>	Annual periods beginning on or after January 1, 2018
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2018 and effective 1 January 2019 (including IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments). These revised requirements are not expected to have a significant impact on the Company.	

## **Chester Asset Securitisation Holdings No.2 Limited**

### **Notes to the financial statements (continued)**

For the year ended December 31, 2017

#### **13. Ultimate parent undertaking and controlling party**

The issued share capital of the Company is ultimately held by Wilmington in its capacity as trustee of a charitable trust known as the Chester Issuer Charitable Trust. For accounting purpose the smallest group to consolidate these financial statements is Lloyds Bank plc. The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the largest group to consolidate these financial statements. Copies of the financial statements of Lloyds Bank plc and Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

Until June 1, 2017, the Company's ultimate parent company and controlling party was Bank of America Corporation, a company organised and existing under the laws of the State of Delaware in the United States of America.

#### **14. Transition to IFRS**

The conversion to IFRS has not resulted in any classification changes, nor any changes to the 2016 financial performance or position of the Company.