

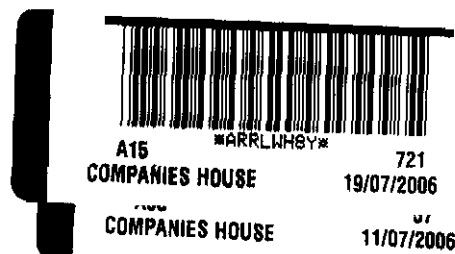
5183076

Auburn Securities 4 plc

Directors' report and
financial statements

Year ended 31 December 2005

Registered number 5183076



Auburn Securities 4 plc

Directors' report and financial statements

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Auburn Securities 4 plc

Directors and other information

Directors

R.G. Baker
M. McDermott
Wilmington Trust SP Services (London) Limited

Secretary

Wilmington Trust SP Services (London) Limited

Bankers

Barclays Bank PLC
London Corporate Banking Centre
54 Lombard Street
London
EC3P 3AH

Solicitors

TLT Solicitors
One Redcliff Street
Bristol
BS99 7JZ

Auditors

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Registered office

c/o Wilmington Trust SP Services (London) Limited
Tower 42 (level 11)
25 Old Broad Street
London
EC2N 1HQ

Auburn Securities 4 plc

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 December 2005.

Principal activities, business review and future developments

The principal activity of the company is the investment in residential and buy-to-let backed securities, secured on properties in the United Kingdom and Northern Ireland. There has been no significant change in those activities during the year.

The company was established in 2004 as a special purpose entity to effect the securitisation of a tranche of mortgage assets from a related entity, Capital Home Loans Limited ("Capital Home Loans"). As part of this transaction, the company purchased a mortgage book and raised third party debt. Capital Home Loans Limited is, under International accounting rules, not permitted to de-recognise the Auburn Securities 4 plc securitised assets, and accordingly, Auburn Securities 4 plc instead recognises an amount owing from Capital Home Loans in respect of the assets securitised. This reflects the actual disposal of the mortgage assets to Auburn Securities plc and their continued recognition by the mortgage originator. Capital Home Loans is obliged to continue to recognise these assets primarily because it retains significant risks and rewards associated with the mortgages – principally through its entitlement to ongoing deferred consideration payable from the net profits arising from the securitised assets, after any loan note obligations are met. The company, however, continues to recognise income and cash-flows equivalent to the income and cash-flows from the underlying mortgage book. Capital Home Loans also continues to administer the mortgage book and loan notes on behalf of the company and further details of this relationship are set out in note 20.

During the year, the company made a profit of Stg£2,781,910, owing principally to the fair value of certain interest rate swaps. It expects to continue to trade at the same level of general activity until such time as the mortgage book is fully repaid or until Capital Home Loans exercises an option to repurchase the mortgage assets (further described in note 8).

Financial instruments

The company's financial instruments comprise amounts due from Capital Home Loans (which are backed by equivalent mortgage assets held by Capital Home Loans), borrowings, comprising non-recourse funding raised from external investors as part of the original securitisation transaction, cash and liquid resources and other sundry instruments such as debtors and creditors arising directly from the company's operations. The company has also entered into interest rate swaps with Capital Home Loans designed to mitigate interest rate risk arising from interest basis mismatches within the company's interest bearing assets and liabilities. Further details on derivative transactions are provided below. The main risks arising from the company's financial instruments held are credit risk, interest rate risk, operational risk, market risk and liquidity risk. The company's administrator reviews and agrees policies for managing each of these risks and they are, broadly, as follows:

Auburn Securities 4 plc

Directors' report *(continued)*

Financial instruments *(continued)*

Credit risk

Credit risk is the risk that counterparties engaging in transactions with the company will not be able to meet their obligations as they fall due. The company has established high level credit policies which are used to control the quality of lending and the management of any amounts in arrears. Additionally, the company provides for loan losses which are known to have been incurred within its asset portfolio, based on a statistical analysis of its historical loan loss write-offs. This process of credit monitoring takes account of external or economic factors and may result in the adjustment of credit policies to suit product or sectoral needs. A summary credit risk analysis has been included in note 18 to these financial statements.

Interest rate risk

Interest rate risk exists when assets and liabilities attract interest rates set according to different bases or which are reset at different times. The company assumes interest rate risk principally from its dealings with its securitised book of residential mortgage loans. This risk is managed within a framework determined by Irish Life & Permanent plc's (the company's ultimate parent undertaking – "IL&P") Assets & Liabilities Committee, however on a day to day basis, the company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Sensitivity to interest rate movements is set out in note 15, which provides the year-end re-pricing profile for the company's financial assets and liabilities. A liability (or negative) gap exists when liabilities re-price more quickly or in greater proportion than assets during a given period. This tends to benefit net interest income when rates are falling. An asset (or positive) gap exists when assets re-price more quickly or in greater proportion than liabilities during a given period. This tends to benefit net interest income when rates are rising. Interest rate sensitivity may vary during re-pricing periods.

Operational risk

This is the potential for financial or reputational loss if key internal controls were to fail. It includes loss from theft, error and systems breakdown. Capital Home Loans' compliance department and its key management are tasked with the monitoring and control of such risk throughout the company. A self-assessment process of risk mapping is conducted formally each year by management, and testing of key areas of these controls is performed periodically and at least quarterly by Capital Home Loans' compliance department and also by IL&P's internal audit department.

Market risk

This is the risk of financial loss from changes in market prices of financial instruments, typically from the movements in interest rates and foreign exchange rates. The company does not engage in any significant level of transactions in foreign currencies. Policy responsibility for the management of market risk lies with the company's ultimate parent undertaking IL&P and this is managed operationally by key financial and operational management at Capital Home Loans, the company's administrator.

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet financial commitments arising from the cash flows generated by its business activities. This risk can arise from mismatches in the timing of cash flows relating to assets and liabilities. Regular reports are submitted to IL&P's ALCO and, where appropriate, to the relevant regulatory authorities. The company's liquidity is managed by IL&P's treasury division, which operates to ALCO guidelines and within certain guidelines set out by the UK Financial Regulator and by the Inland Revenue. These guidelines ensure that the company's funding

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Directors' report *(continued)*

Financial instruments *(continued)*

Liquidity risk (continued)

requirements are sufficient for groups of its nature. The company is also bound by certain financial and liquidity terms attaching to its non-recourse funding which effectively restricts certain of its cash balances on hand. Full details of these have been provided in note 19 to the financial statements.

Derivative transactions

The company has entered into a series of interest rate swaps with Capital Home Loans Limited which effectively transfer interest rate risk associated with the securitised asset portfolios back to the originator, Capital Home Loans. This is a particular requirement of the non-recourse funding raised from the original mortgage securitisation and the terms of this securitisation and the related interest rate swaps are set out in more detail in the notes to these financial statements. These interest rate swaps have been treated as being held for trading purposes in the company's financial statements.

Results and dividends

Details of the results for the year are set out in the income statement on page 14 and in the related notes. No dividends have been paid or proposed for either of the 2005 or 2004 fiscal years.

Directors, secretary and their interests

During the year, no director had any interest in the share capital or debentures or loan stock of the company or group companies.

On 19 December 2005 SPV Management Limited changed its name to Wilmington Trust SP Services (London) Limited.

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare company financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act, 1985.

The company financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the company and the performance for that period. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the company 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 IFRS as adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Auburn Securities 4 plc

Directors' report *(continued)*

Statement of directors' responsibilities in respect of the directors' report and the financial statements *(continued)*

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 its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Policy on payment of creditors

The company is responsible for agreeing terms and conditions under which business transactions with suppliers are conducted. It is the company's policy that payments to suppliers are made in accordance with these terms, normally between 30 and 60 days, provided that the supplier is also complying with all relevant terms and conditions.

Political and charitable contributions

The company made no political or charitable contributions during the year.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act, 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



Wilmington Trust SP Services (London) Limited
Secretary

27 June 2006



KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Report of the independent auditors to the members of Auburn Securities 4 plc

We have audited the financial statements of Auburn Securities 4 plc for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the Statement of Recognised Income and Expense for Auburn Securities 4 plc and the related notes (the "financial statements"). These financial statements have been prepared under the accounting policies as set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act, 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements given a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements in it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors to the members of Auburn Securities 4 plc (*cont*)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act, 1985, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

A handwritten signature in black ink, appearing to be 'KPMG' or a similar stylized name.

*Chartered Accountants
Registered Auditor*

27 June 2006

Auburn Securities 4 plc

Accounting policies

Statement of compliance

The 2005 statutory financial statements set out on pages 8 to 29 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The standards adopted by the company are those endorsed by the European Union and effective (or available for early adoption) at the date the IFRS financial statements are approved by the Board. These are the company's first financial statements prepared in accordance with IFRS. An explanation of how the transition has affected the reporting financial position of the company is provided in note 22.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRS as adopted by the EU. The principal exception is that, as more fully explained below, financial instruments accounting is determined on different bases in 2005 and 2004 due to the transitional provisions of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Measurement and Recognition".

Basis of preparation

Auburn Securities 4 plc is a company incorporated in the United Kingdom.

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, which have been stated at their fair values. The accounting policies that the company has applied in the preparation of the financial statements for the year ended 31 December 2005 have been set out below.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about the carrying amounts of assets and liabilities. Actual results may differ from the estimates made. The estimates and assumptions are reviewed on an ongoing basis and where necessary are revised to reflect current conditions. The principal estimates and assumptions made by management relate to loans and receivables impairment provisions including security valuations and interest rate assumptions. Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

Auburn Securities 4 plc

Accounting policies *(continued)*

Transition to IFRS as adopted by the EU

The company is preparing financial statements in accordance with IFRS as adopted by the EU for the first time and consequently has applied IFRS 1 "First Time Adoption of International Financial Reporting Standards". An explanation of how the transition to IFRS as adopted by the EU has affected the reported financial position and financial performance of the company is provided in note 22. The company has availed of the exemption from retrospective application for the measurement of financial instruments in accordance with IAS 32 and 39 in this regard.

EU Adopted IFRS not yet applied

Relevant standards that have been adopted by the EU which are not yet effective and have not been early adopted in these financial statements are as follows:

- Amendment to IAS 1 – "Capital Disclosures" (effective 1 January 2007). This amendment will require more disclosures regarding the capital structure of the company.
- IFRS 7 "Financial Instruments: Disclosure" is applicable for years commencing on or after 1 January 2007 and has not been applied. The application of IFRS 7 in 2005 would not have affected the balance sheets or income statement as the standard is principally concerned with disclosure.
- Amendment to IAS 39 and IFRS 4 "Financial Guarantee Contracts" (effective 1 January 2006). This amendment requires financial guarantee contracts to be accounted for as financial instruments under IAS 39. The company has identified no such financial guarantee contracts in its operations and consequently does not expect that this amendment will have any impact on the company financial statements.

2004 comparative information

Using the exemptions within IFRS 1, IAS 32 and IAS 39 only became effective from 1 January 2005. Where the implementation of these standards resulted in a change in accounting policy from 1 January 2005, the 2004 comparatives do not reflect the provisions of these standards. The policies applied in respect of such 2004 comparative information are those previously applied under UK GAAP and have been set out at the end of this section (under the heading "2004 accounting policies"). The related 2005 policy has been annotated with an asterisk in the heading to indicate the change in policy. Where there is no asterisk, the 2005 policy has been applied consistently to both periods presented in the accounts.

Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investing or other purposes. Cash and cash equivalents consist of cash and balances with banks that are freely available and non-equity investments with a maturity of three months or less from the date of acquisition.

Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the company has no intention of trading. They are initially recorded at fair value and subsequently measured at amortised cost less an allowance for incurred impairment losses. Income is recognised on an effective interest basis as interest receivable in the income statement.



Auburn Securities 4 plc

Accounting policies *(continued)*

Loans and receivables* *(continued)*

The company assesses impairment of financial assets at each balance sheet date on a case by case basis for assets that are individually significant and collectively for assets that are not individually significant.

Assets are impaired only if there is objective evidence that the result of one or more events that have occurred after the initial recognition of the asset have had an impact on the estimated future cash flows of the assets. For individual assets this includes changes in the payment status of the counterparty. Collective assessment groups together assets that share similar risk characteristics and applies a collective provisioning methodology, based on existing risk conditions or events which have a strong correlation with a tendency to default. This impairment is calculated by comparing the present value of the cash flows discounted at the effective interest rate applicable to the asset (after taking into account security held) with the carrying value in the balance sheet.

Where loans are impaired the written down value of the impaired loan is compounded back to the net realisable balance over time using the original effective interest rate. This is reported through interest receivable within the income statement and represents the unwind of the discount. A write-off is made when all or part of a loan is deemed uncollectible or forgiven. Write-offs are charged against previously established provisions for impairment or directly to the income statement.

Derivatives*

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently classified as financial assets or liabilities held for trading. Where the fair value of a derivative is positive, it is carried as a derivative asset and where negative, as a derivative liability. The gain or loss on re-measurement to fair value at the balance sheet date is recorded in the income statement. All of the company's derivatives held in 2005 were treated as trading for the purposes of this accounting policy.

A derivative may be embedded in another financial instrument, known as a host contract. Where the economic characteristics and risks of an embedded derivative are not closely related to those of the host contract, the embedded derivative is separated from the host and recorded on the balance sheet at fair value. Movements in fair value are posted to the income statement, whilst the host contract is accounted for according to the policy for that class of financial instrument.

Fair values of derivative instruments held by the parent entity were obtained by using discounted cash flow analyses, where appropriate.

Foreign currencies

The company's functional currency is Pounds Sterling. The financial statements are presented in Pounds Sterling, which is also the company's presentation currency.

Foreign currency transactions are translated into Pounds Sterling at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the balance sheet date. Exchange movements on these are recognised in the income statement.

Auburn Securities 4 plc

Accounting policies *(continued)*

Operating leases

Expenditure on operating leases is charged to the income statement on a straight line basis over the lease period.

Securitised assets*

Capital Home Loans has entered into funding arrangements to finance specific loans and receivables it had originated to customers via Auburn Securities 4 plc. Because Capital Home Loans retains a substantial element of the risks and rewards associated with such mortgages following their securitisation, primarily through its entitlement to residual profits after the loan note holders have been paid, these assets do not qualify for de-recognition from Capital Home Loan's financial statements. Accordingly, Auburn Securities 4 plc records an amount owing from Capital Home Loans, equal to the balance of securitised mortgage assets, to reflect the original transfer transaction. The cash flows from this asset exactly mirror the cash flows of the securitised mortgage book and the company continues to record these as it is legally entitled to under the terms of the asset securitisation. The result of this is that the securitised assets are recorded as an amount due from the mortgage originator and the accounting policy set out above on loans and receivables is applied to these assets. Any related funding raised has been recorded as a liability to the loan note holders in these financial statements also as these continue to reflect the company's own obligation to the loan note holders.

Taxation

Taxation comprises both current and deferred tax. Taxation is recognised in the income statement except to the extent it relates to an item which is recognised directly in equity, in which case it is recognised directly in equity. Corporation tax payable is provided on taxable profits at current taxation rates. Deferred tax is provided using the liability method on all temporary differences without discounting and deferred tax assets are recognised when it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax liabilities and assets are offset only where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Dividends

Final dividends on ordinary shares are recognised in equity in the period in which they are approved by the company's shareholder. Interim dividends are recognised in equity in the period in which they are paid.

Financial liabilities

Financial liabilities include debt securities issued. Financial liabilities are initially recorded at fair value and then subsequently measured at amortised cost calculated on an effective interest basis.

Auburn Securities 4 plc

Accounting policies *(continued)*

Interest receivable and payable*

Revenue receivable and payable from loans and receivables as well as financial liabilities are recognised on an effective interest basis. This calculation takes into account interest received or paid, fees and commissions payable and receivable and incremental transaction costs. The effective interest rate is the rate that discounts the expected future cash-flows over the expected life of the instrument to the net carrying amount of the financial asset or liability at initial recognition.

Deferred consideration

Under the terms of an agreement between the company and a related undertaking, Capital Home Loans Limited, the company has a liability for future deferred consideration which is contingent on the occurrence of certain future events. The directors consider that the occurrence of these events cannot be forecast with reasonable accuracy, and accordingly, that such liabilities cannot be quantified. The company's contingent liability for future deferred consideration has been disclosed in note 24 to these financial statements.

2004 accounting policies

As the company has availed of the transitional provisions permitted to apply IAS 32 and 39 only from 1 January 2005, the following accounting policies were applied in the 2004 statutory financial statements instead of those policies indicated with an asterisk above.

Impairment provisions

Specific provisions for impairment losses were made as a result of a detailed period end appraisal of risk. In addition, general provisions were made on a portfolio by portfolio basis to cover the risks, which although not specifically identified were known from experience to exist in the various portfolios. Provisions made during the period, less existing provisions no longer required, and recoveries of bad debts previously written off, were charged against profits.

Off balance sheet financial instruments

The company hedged its exposure to gains and losses from interest rate movements by using interest rate swaps. The swaps were used entirely for hedging and were, therefore, not marked to market but accounted for in the same manner as the underlying transactions.

Mortgage assets

Mortgage advances were stated at cost less provisions made to reduce the value of the assets to the amount that the directors considered was likely ultimately to be recovered, taking into account underlying security values and insurance arrangements.

Auburn Securities 4 plc

Accounting policies *(continued)*

Income and expense recognition

Interest income and expenses were recognised on an accruals basis. Penalty interest earned on redeemed fixed rate mortgages was deferred and credited to the income statement over the remainder of the fixed term. Certain other upfront commissions earned were deferred and credited to the income statement over a three year period. Expenses were, in general, charged to the income statement as accrued. In some cases, expenses incurred in setting up transactions were deferred and charged to the income statement over the lives of the underlying transactions.

Auburn Securities 4 plc

Income statement

for year/period ended 31 December 2005

		Year ended 2005 Stg£	5 month period ended 31 December 2004 Stg£
	<i>Note</i>		
Interest receivable	1	56,314,607	13,889,341
Interest payable	2	(46,317,336)	(11,621,849)
Net interest income - continuing operations		9,997,271	2,267,492
Operating expenses		(4,722,877)	(2,261,387)
Provision for impairment losses on loans and receivables	5	(1,353,167)	-
Profit before tax - continuing operations	3	3,921,227	6,105
Income tax expense	4	(1,139,317)	(1,160)
Profit for the year/period - attributable to equity holders		2,781,910	4,945

The 2004 comparatives do not reflect the provisions of IAS 32 and IAS 39, which became effective only from 1 January 2005.

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Auburn Securities 4 plc

Balance sheet

at 31 December 2005

	Note	2005 Stg£	2004 Stg£
Assets			
Cash at bank – restricted	19	41,372,768	21,912,506
Loans and receivables to customers	5	805,437,574	963,784,716
Deferred tax	6	63,198	-
Prepayments and accrued income	7	1,356	77,106
Derivative asset	11	3,899,133	-
Total assets		850,774,029	985,774,328
Liabilities			
Non-recourse funding	8	828,480,656	972,234,390
Subordinated loan	25	4,296,255	7,400,000
Current tax liability	9	32,775	1,160
Deferred tax liability	6	1,169,740	-
Accruals and deferred income	10	13,995,246	6,121,331
Total liabilities		847,974,672	985,756,881
Shareholders' equity			
Issued share capital	12	12,502	12,502
Retained earnings		2,786,855	4,945
Total equity	13	2,799,357	17,447
Total liabilities and equity		850,774,029	985,774,328

The 2004 comparatives do not reflect the provisions of IAS 32 and IAS 39, which became effective only from 1 January 2005.

On behalf of the board



Wilmington Trust SP Services (London) Limited
Director

27 June 2006

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Auburn Securities 4 plc

Statement of recognised income and expense

For the year/period ended 31 December 2005

	Year ended 31 December 2005 Stg£	5 month period ended 31 December 2004 Stg£
Total recognised income & expense for year	2,781,910	4,945
Attributable to equity shareholders	2,781,910	4,945

Auburn Securities 4 plc

Cash flow statement

For the year/period ended 31 December 2005

	Year ended 31 December 2005 Stg£	5 month period ended 31 December 2004 Stg£
Cashflows from operating activities		
Profit before tax for year/period	3,921,227	6,105
<i>Adjustments for:</i>		
<i>(Increase)/decrease in assets</i>		
Loans and receivables to customers	158,347,142	(963,784,716)
Prepayments and accrued income	75,750	(77,106)
Derivative assets	(3,899,133)	-
<i>Increase/(decrease) in liabilities</i>		
Accruals and deferred income	7,873,915	6,121,331
Non-recourse funding	(143,753,734)	972,234,390
Corporation tax paid	(1,160)	-
Subordinated debt	(3,103,745)	7,400,000
Net cashflows arising from operating activities	19,460,262	21,900,004
Cashflows from financing		
Equity raised	-	12,502
Increase in cash and cash equivalents (including restricted cash – see below)	19,460,262	21,912,506
Analysis of changes in consolidated cash and cash equivalents		
	Year ended 31 December 2005 Stg£	5 month period ended 31 December 2004 Stg£
Restricted cash		
At start of year/period	21,912,506	-
Paid in year/period	19,460,262	21,912,506
At end of year/period	41,372,768	21,912,506

Auburn Securities 4 plc

Notes

forming part of the financial statements

1 Interest receivable including fees and commissions

	Year ended 31 December 2005 Stg£	5 month period ended 31 December 2004 Stg£
Mortgage interest receivable	51,666,001	12,891,170
Deposit interest receivable	1,046,841	228,345
Other income	581,402	49,690
On interest rate swaps	3,020,363	720,136
	<hr/>	<hr/>
	56,314,607	13,889,341
	<hr/>	<hr/>

All of the company's revenues arose in the United Kingdom.

2 Interest payable including fees and commissions

	Year ended 31 December 2005 Stg£	5 month period ended 31 December 2004 Stg£
On mortgage backed loan notes	45,253,944	11,346,961
Amortisation of initial funding costs	448,727	115,000
On subordinated loan	614,665	147,738
Other	-	12,150
	<hr/>	<hr/>
	46,317,336	11,621,849
	<hr/>	<hr/>

3 Profit before tax -- continuing operations

	Year ended 31 December 2005 Stg£	5 month period ended 31 December 2004 Stg£
<i>Included within profit before tax are the following:</i>		
Auditors' remuneration:		
Audit fee	7,143	7,143
Other non-audit work	3,000	3,000
	<hr/>	<hr/>
Deferred consideration	8,104,829	2,149,935
	<hr/>	<hr/>

The directors received no remuneration from the company in the current and preceding financial years. The company has no employees and services required are contracted from third parties.

Auburn Securities 4 plc

Notes (continued)

4 Income tax expense

	Year ended 31 December 2005 Stg£	5 month period ended 31 December 2004 Stg£
Corporation tax at 19% (2004: 19%)	32,775	1,160
Deferred tax (see note 6)	1,106,542	-
	<hr/>	<hr/>
	1,139,317	1,160
	<hr/>	<hr/>
<i>Reconciliation of effective tax charge</i>	2005 Stg£	2004 Stg£
The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below:		
Profit before taxation	3,921,227	6,105
	<hr/>	<hr/>
Profit before taxation by standard rate of corporation tax in UK of 30%	1,176,368	1,832
Tax rate relief for companies beneath certain size threshold	(4,805)	(672)
Temporary timing difference arising on interest rate swap	-	-
Group relief received	(32,246)	-
	<hr/>	<hr/>
Effective tax charge in year	1,139,317	1,160
	<hr/>	<hr/>

5 Loans and receivables to customers

	31 December 2005 Stg£	31 December 2004 Stg£
Loans and receivables to customers	806,712,386	963,784,716
Less: impairment provisions – see below	(1,274,812)	-
	<hr/>	<hr/>
All represented by residential mortgages in the UK	805,437,574	963,784,716
	<hr/>	<hr/>

Auburn Securities 4 plc

Notes (continued)

5 Loans and receivables to customers (continued)

In October 2004, the company purchased Stg£995.9 million of mortgage assets from Capital Home Loans Limited, a wholly owned subsidiary of Irish Life & Permanent plc and a related entity. These assets are a portfolio of United Kingdom residential mortgages, wholly secured on properties in the United Kingdom. In order to fund the purchase of these mortgage assets, the company issued a series of floating rate notes. Under IFRS rules, these are classified as amounts owed from Capital Home Loans, and the original mortgage assets are not de-recognised by the originator. However, the loan loss assessment and actual cash flows occur as if the securitised book were entirely recognised by Auburn Securities 4 plc.

Under the terms of this arrangement, the rights of the providers of the finance for this transaction are limited to the assets purchased and any related income generated by the portfolio, and have no recourse to Capital Home Loans Limited.

Capital Home Loans Limited is not obliged to support any losses which may arise in respect of the related assets. During the term of this transaction, any amounts realised from the mortgage portfolio in excess of that due to the providers of the funding, less any related administrative costs, will be payable to Capital Home Loans Limited in the form of deferred consideration.

All loans and receivables to customers are measured at amortised cost. The fair value of loans and receivables to customers is disclosed in note 14. All of the above loans are secured on residential properties located in the UK and Northern Ireland. A maturity analysis of loans and advances to customers is shown in note 17.

Impairment losses on loans and receivables

	Year ended 31 December 2005 Stg£	5 month period ended 31 December 2004 Stg£
Balance at start of year/period	-	-
Charged/(credited) to income statement	1,353,167	-
Write off in period	(78,355)	-
	<hr/>	<hr/>
Balance at end of year/period	1,274,812	-
	<hr/>	<hr/>

Auburn Securities 4 plc

Notes (continued)

6	Deferred tax assets and liabilities	2005 Stg£	2004 Stg£
	<i>Deferred tax assets</i>		
	At start of year	-	-
	Created in year (see note 4)	63,198	-
		<hr/>	<hr/>
	At end of year	63,198	-
		<hr/>	<hr/>
	<i>Deferred tax liabilities</i>		
	At start of year	-	-
	Created in year (see note 4)	(1,169,740)	-
		<hr/>	<hr/>
	At end of year	(1,169,740)	-
		<hr/>	<hr/>

A deferred tax asset amounting to Stg£63,198 has been recognised as in the opinion of the directors, it is likely that there will be suitable taxable profits against which to set this asset in the foreseeable future. The deferred tax asset arises from a temporary difference between the accounting and tax bases for certain expenses incurred. The deferred tax liability shown above arises from a temporary difference between the accounting and tax bases for certain derivative positions held.

7	Prepayments and accrued income	2005 Stg£	2004 Stg£
	Other debtors	1,356	77,106
		<hr/>	<hr/>
	All amounts fall due within one year.		
8	Non-recourse funding		
		2005 Stg£	2004 Stg£
	Mortgage backed loan notes	830,171,836	974,419,390
	Less: unamortised element of initial funding costs	(1,691,180)	(2,185,000)
		<hr/>	<hr/>
		828,480,656	972,234,390
		<hr/>	<hr/>

On 11 October 2004, the company issued Stg£1 billion in mortgage backed loan notes in order to fund the purchase of a mortgage portfolio. The balance of these notes at 31 December 2005 is shown net of the unamortised portion of initial funding costs incurred in arranging the transaction, which are being written off over the expected life of the transaction.

Auburn Securities 4 plc

Notes (continued)

8 Non-recourse funding (continued)

The floating rate loan notes are secured by a portfolio of mortgage loans which are secured by first charges over residential properties in the United Kingdom. The mortgages were purchased from Capital Home Loans Limited, which is a wholly owned subsidiary of Irish Life & Permanent plc. The mortgage portfolio is administered by Capital Home Loans Limited.

Interest on the notes is payable, monthly in arrears, at the following rates:

Stg£1 billion mortgage backed loan notes	Balance outstanding at end of year	Up to October 2009	After October 2009
Class A1 (Stg£270 million)	Stg£100,171,836	LIBOR + 0.12%	LIBOR + 0.24%
Class A2 (Stg£597.5 million)	Stg£597,500,000	LIBOR + 0.2%	LIBOR + 0.4%
Class M (Stg£15 million)	Stg£15,000,000	LIBOR + 0.25%	LIBOR + 0.5%
Class B (Stg£40 million)	Stg£40,000,000	LIBOR + 0.35%	LIBOR + 0.70%
Class C (Stg£40 million)	Stg£40,000,000	LIBOR + 0.65%	LIBOR + 1.65%
Class D (Stg£25 million)	Stg£25,000,000	LIBOR + 1.05%	LIBOR + 2.05%
Class E (Stg£12.5 million)	Stg£12,500,000	LIBOR + 3.20%	LIBOR + 4.20%

The A1 and A2 notes ("the senior notes") rank pari passu in point of payment and security without preference or priority amongst themselves. The senior notes rank in priority to the M, B, C, D and E notes in point of payment and security.

Optional redemption

Auburn Securities 4 plc may, at its option, redeem all (but not some only) of the notes at their principal amounts outstanding:

- in the event of certain tax changes affecting the notes, the swap agreement or the mortgages comprising the mortgage pool at any time;
- on the interest payment date falling in October 2009 or any interest payment date falling thereafter;
- on any interest payment date on which the aggregate principal amount outstanding of the notes is less than 10% of the total aggregate principal amount outstanding of the notes at the issue date.

Auburn Securities 4 plc

Notes (continued)

9 Current tax liability

	2005 Stg£	2004 Stg£
Payable within one year	32,775	1,160

10 Accruals and deferred income

	2005 Stg£	2004 Stg£
Deferred consideration due to Capital Home Loans	10,254,425	1,475,067
Accruals and deferred income	3,740,821	4,646,264
	<u>13,995,246</u>	<u>6,121,331</u>

11 Derivative financial instruments

	Positive fair value Stg£	Contract/ notional amount Stg£
<i>Derivative assets</i>		
Interest rate swaps with Capital Home Loans Limited	3,899,133	806,712,386

The above interest rate swaps are held for trading in Auburn Securities 4 plc and a net fair value gain of Stg£3,899,133 has been recorded in its income statement for the year to 31 December 2005. In line with the requirements of IFRS 1, the following disclosures for 2004 have been disclosed as reported under previous UK GAAP applied:

During 2004 the company entered into a series of interest rate swap agreements with Capital Home Loans Limited with an expiry date of the earlier of the redemption date of the mortgage backed loan notes or 2039. The notional amount outstanding as at 31 December 2004 was Stg£964,459,487 at an average interest rate of 5.8964 % per annum.

12 Called up share capital

	2005 Stg£	2004 Stg£
<i>Authorised</i>		
Ordinary shares of Stg£1 each	50,000	50,000
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of Stg£1 each	2	2
<i>Allotted, called up and partly paid</i>		
49,998 Ordinary shares of Stg£1 each of which Stg£0.25 has been paid up	12,500	12,500
	<u>12,502</u>	<u>12,502</u>

Auburn Securities 4 plc

Notes (continued)

13 Reconciliation of movement in shareholders' equity

	Share capital Stg£	Retained earnings Stg£	Total equity Stg£
31 December 2005			
At beginning of year	12,502	4,945	17,447
<i>Changes to equity for 2005</i>			
Profit on ordinary activities after taxation	-	2,781,910	2,781,910
	<hr/>	<hr/>	<hr/>
Total shareholders' equity	12,502	2,786,855	2,799,357
	<hr/>	<hr/>	<hr/>
31 December 2004			
At beginning of year	-	-	-
<i>Changes to equity for 2004</i>			
Equity issued	12,502	-	12,502
Profit on ordinary activities after taxation	-	4,945	4,945
	<hr/>	<hr/>	<hr/>
Total shareholders' equity	12,502	4,945	17,447
	<hr/>	<hr/>	<hr/>

14 Fair values of financial instruments in accordance with IAS 39 classification

	Carrying amount Stg£	At amortised cost Fair value Stg£	At fair value through income statement Carrying amount Stg£	Fair value Stg£
Assets				
Cash at bank – restricted	41,372,768	41,372,768	-	-
Loans and receivables to Customers	805,737,574	809,649,891	-	-
Derivative assets	-	-	3,899,133	3,899,133
	<hr/>	<hr/>	<hr/>	<hr/>
	847,110,342	851,022,659	3,899,133	3,899,133
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Non-recourse funding	828,480,656	828,480,656	-	-
Subordinated loan	4,296,255	4,296,255	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	832,776,911	832,776,911	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Auburn Securities 4 plc

Notes (continued)

14 Fair values of financial instruments in accordance with IAS 39 classification (cont.)

The fair values of each of the above financial instruments has been derived by discounting expected future cashflows at prevailing interest rates. For loans and receivables to customers, non-recourse funding and derivative instruments, this involved the estimation of the timing of receipts of cashflows from the underlying mortgage books as the timing of payment for both the non-recourse funding and the derivatives is dependent on the timing of cashflows from the securitised mortgage books. The principal underlying assumptions related to these cashflows are as follows;

- The fair value of loans and receivables to customers was derived by comparing the actual interest income yield from the group and company's fixed rate mortgage books with the current average interest income yield for new fixed rate mortgages with similar profiles and discounting the relevant projected cash flows to fair value. The value of the variable rate mortgage book is assumed to broadly equate to fair value because it is re-set to market rates on a regular basis.
- The fair value of non-recourse funding and subordinated debt is broadly equal to its carrying value because all of the debt is repriced regularly to the prevailing variable interest rate.
- The interest rate swap fair value was derived by discounting expected cash-flows on the swap, which are dependent on the timing of cashflows from the securitised mortgage book. In this regard, the company has made certain assumptions regarding the timing of these cashflows which are based on both contracted mortgage terms and an historical analysis of the timing of average cashflows and effective lives of the underlying mortgages.

15 Interest rate sensitivity gap

The table below summarises the interest rate re-pricing profiles of the company's financial assets and liabilities:

As at 31 December 2005	Up to 1 month Stg£	1 to 3 months Stg£	3 to 12 months Stg£	1 to 2 years Stg£	2 to 3 years Stg£	3 to 4 years Stg£	4 to 5 years Stg£	Over 5 years Stg£	Total Stg£
Cash at bank – restricted	41,372,768	-	-	-	-	-	-	-	41,372,768
Loans and receivables to costs.	675,382,874	12,733,509	4,306,805	59,553,755	36,694,573	11,055,189	2,148,241	3,562,628	805,437,574
Derivative asset	167,553	351,060	1,579,771	1,165,381	493,852	141,516	-	-	3,899,133
Total financial assets	716,923,195	13,084,569	5,886,576	60,719,136	37,188,425	11,196,705	2,148,241	3,562,628	850,709,475
Non-recourse funding	828,480,656	-	-	-	-	-	-	-	828,480,656
Derivative liability	-	-	-	-	-	-	-	-	-
Subordinated loans	4,296,255	-	-	-	-	-	-	-	4,296,255
Total financial liabilities	832,776,911	-	-	-	-	-	-	-	832,776,911
Net interest repricing gap	(115,853,716)	13,084,569	5,886,576	60,719,136	37,188,425	11,196,705	2,148,241	3,562,628	17,932,564
Cumulative repricing gap	(115,853,716)	(102,769,147)	(96,882,571)	(36,163,435)	1,024,990	12,221,695	14,369,936	17,932,564	-

16 Currency exposure

All of the company's assets and liabilities are denominated in sterling, and accordingly, there is no currency exposure for the company.

Auburn Securities 4 plc

Notes (continued)

17 Maturity analysis of assets and liabilities

The tables below analyse the company's assets and liabilities by remaining maturity at 31 December 2005 and 2004.

At 31 December 2005	Up to 1 month Stg£	1 to 3 months Stg£	3 to 12 months Stg£	1 to 5 years Stg£	Over 5 years Stg£	Total Stg£
Assets						
Cash – restricted	41,372,768	-	-	-	-	41,372,768
Loans and receivables to customers	675,382,874	12,733,509	4,306,805	109,451,758	3,562,628	805,437,574
Deferred tax asset	-	-	63,198	-	-	63,198
Prepayments	-2,710	979	3086	-	-	1,355
Derivative assets	167,553	351,060	1,579,771	1,800,749	-	3,899,133
Total assets	716,920,485	13,085,548	5,952,860	111,252,507	3,562,628	850,774,028
Liabilities						
Non-recourse funding	828,480,656	-	-	-	-	828,480,656
Current tax liability	-	-	32,755	-	-	32,755
Deferred tax liability	50,266	105,318	473,931	540,225	-	1,169,740
Accruals and deferred income	3,538,083	-	171,412	10,285,751	-	13,995,246
Subordinated loan	724,452	1,326,039	2,245,764	-	-	4,296,255
Total liabilities	832,793,457	1,431,357	2,923,862	10,825,976	-	847,974,652
At 31 December 2004						
Assets						
Cash – restricted	21,912,506	-	-	-	-	21,912,506
Loans and receivables to customers	894,186,195	965,503	26,112,134	42,520,884	-	963,784,716
Prepayments and accrued income	69,256	-	7850	-	-	77,106
Total assets	916,167,957	965,503	26,119,984	42,520,884	-	985,774,328
Liabilities						
Non-recourse funding	972,234,390	-	-	-	-	972,234,390
Current tax liability	-	-	1160	-	-	1,160
Accruals and deferred income	4,091,886	-	406,640	1,622,805	-	6,121,331
Subordinated liability	-	-	3,103,745	4,296,255	-	7,400,000
Total liabilities	976,326,276	-	3,511,545	5,919,060	-	985,756,881

Auburn Securities 4 plc

Notes (continued)

18 Credit risk analysis

All of the company's loans and receivables are with individual customers who typically do not have a formal credit rating. The underlying security for these mortgages is primarily residential property located throughout the UK. The company makes individual credit risk assessments for each customer at the onset and periodically through the life of each loan. This assessment is monetised in the company's financial statements within the provision for loan losses set out in note 5 to these financial statements.

All restricted cash balances were held with counterparties with a Standard & Poor's rating of AA.

The company has also entered into interest rate swaps with Capital Home Loans, however, this entity does not have a formal credit rating.

19 Other financial commitments

Restricted cash balances

Cash balances held includes restricted cash balances to the value of Stg£41,372,768 (2004: Stg£21,912,506), which must be primarily utilised to make payments due on the company's non-recourse finding in priority to any other use.

20 Ultimate parent undertaking

The company is directly owned by a charitable trust. It was established by a contract as part of an individual mortgage securitisation. This contract governs the relationship between Capital Home Loans, the mortgage originator, Irish Life & Permanent plc, Capital Home Loan's ultimate parent undertaking, and Auburn Securities 4 plc, whose activities are precisely defined in the relevant legal documents. Capital Home Loans is the primary beneficiary of the Auburn Securities 4 plc mortgage securitisation and as such it has the power to indirectly govern the financial and operating policies of the company so as to obtain benefit from its activity. Accordingly, this entity has been consolidated within the Capital Home Loans consolidated financial statements, which are in turn, consolidated within the financial statements of Irish Life & Permanent plc, a company incorporated in the Republic of Ireland. A copy of the consolidated group financial statements and annual report may be obtained from the following address: Irish Life Centre, Lower Abbey Street, Dublin 1, Republic of Ireland.

21 Related party transactions

The group has a related party relationship with its direct parent undertaking Capital Home Loans, with its ultimate parent undertaking, Irish Life & Permanent plc and its directors. The directors undertook no transactions directly with the company during the year.

Auburn Securities 4 plc

Notes (continued)

21 Related party transactions (continued)

The company undertook the following transactions with Capital Home Loans Limited in the year:

	During year ended 31 December 2005	As at 31 December 2005
Deferred consideration due	8,104,829	(10,254,425)
Interest swap amounts due	(3,020,363)	209,449
Other administrative expenses paid	59,198	(8,688)

22 Explanation of transition to IFRS

As stated in the "Statement of Compliance" within the Accounting Policies, these are the company's first consolidated financial statements prepared in accordance with IFRS as adopted by the EU. In preparing the transitional IFRS Balance Sheet, the company has assessed amounts previously reported in the financial statements prepared in accordance with previous GAAP (UK GAAP) in comparison to the requirements of IFRS. The company has availed of the exemption contained in IFRS 1 from the requirement to retrospectively apply the provisions of IAS 32 and 39 and accordingly, there were no material adjustments to the company's financial statements on transition to IFRS. Additionally, having applied the provisions of IAS 32 and 39 from 1 January 2005, the company has not been required to make any further adjustments to the financial statements because

- No significant adjustment was required to the company's loan loss provisioning; and
- The company's income and expense recognition on its interest bearing assets and liabilities is not materially different to what would be recognised using effective interest rate income recognition

23 Significant judgements/estimates made by management

Significant judgements and estimates made by the group which have a significant impact on the financial statements include.

Significant estimate

Key details

Loan loss provisioning

details set out in directors' report and note 5

Valuation of interest rate swaps

The timing of expected cash-flows from the interest rate swaps is dependent on expected cash-flows from the securitised mortgage book. These estimates drive the fair value of the derivatives held for trading and the key underlying assumptions in arriving at this fair value are set out in note 14

Auburn Securities 4 plc

Notes *(continued)*

24 Contingent liability

Under the terms of an agreement with a related undertaking, Capital Home Loans Limited, the company has a liability for future deferred consideration which is contingent on the occurrence of certain future events. The directors consider that the occurrence of these events cannot be forecast with reasonable accuracy, and accordingly, that such liabilities cannot be quantified.

25 Subordinated loan

During 2004, the company received a subordinated loan of Stg£7,500,000 from IL&P priced based on 1 month Libor, with a maturity date of November 2039. Stg£3,103,745 of this has been repaid to date.

26 Approval of financial statements

The board of directors approved these financial statements on 27 June 2006.