Auburn Securities 4 plc

Annual Report and Financial Statements

Year Ended 31 December 2015

CONTENTS

DIRECTORS AND OTHER INFORMATION

Directors

M. H. Filer
M. Clarke
Wilmington Trust SP Services (London) Limited

Solicitors

Rosling King LLP
10 Old Bailey
London
EC4M 7NG

Company Secretary and Registered Office

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

Registered Number: 05183076

Bankers

Barclays Bank plc
Financial Markets Team
Level 28
One Churchill Place
London
E14 5HP

Citibank, N.A. London Branch
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

STRATEGIC REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2015.

Principal activities
The principal activity of the Company is the provision of residential and buy-to-let mortgages, secured on properties in the United Kingdom. There has been no significant change in this activity during the year.

Business review, results and future developments
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 ("CHL"). Since then, the Company has continued to hold the related mortgage assets, the income and capital payments from which have been used to repay debt funding raised as part of the original securitisation transaction. CHL administers the mortgage book and loan notes on behalf of the Company and further details of this relationship are set out in note 18.

The Company has a gross loan balance of £277.2m at 31 December 2015 (2014: £300.6m). This is funded via external securitisation. The directors currently expect the notes in issue to be redeemed within 5 years.

The Company recorded a profit after tax of £193k in 2015 (2014: £26k loss) owing to the fair value movement in the swap derivatives and step-up interest adjustments.

The Company continues to focus on running down its existing loan book via:

- keeping a tight control over its cost base;
- proactive arrears management which is evidenced by its below industry arrears level with accounts over 3 months in arrears by value at 0.28% at 31 December 2015 (2014: 0.43%); and
- high standard of customer services.

The weighted average LTV for the loan book has improved from 60% in December 2014 to 55% in December 2015 consistent with the recent rise seen in the UK house price index.

The redemption rate in 2015 was 7.79% (2014: 7.54%). The increase in redemption rates is due to loan portfolio seasoning, house price increases, improvement in the liquidity in the mortgage market and better general economic conditions in the UK.

Details of the results for the year are set out in the statement of comprehensive income on page 16 and in the related notes.

Key performance indicators
Key performance indicators utilised by the Company were net interest income, net profits, gross loan book value and bad debt provisioning measures, all of which are set out in more detail in the notes to these financial statements. Additionally, the Company closely monitors its loan portfolio arrears performance and its redemption rates which are discussed in the above business review section.

Principal risks and uncertainties
In common with all businesses, the Company faces certain risks and uncertainties. As the Company operates in the financial services industry the majority of its key risks and uncertainties arise from its financial instruments and principally relate to mortgage arrears and associated liquidity and interest rate profile – these risks are discussed in more detail in note 16.

STRATEGIC REPORT - continued

Going concern

It is expected that the Company will continue to have sufficient cash inflows from its current cash resources and its mortgage book to meet its on-going obligations, in particular for its senior non-recourse debt providers.

The Company is dependent on Capital Home Loans ("CHL") to administer the mortgage book and loan notes on behalf of the Company. The Company is considered to be a subsidiary of CHL owing to the specific terms set out in the governing documentation relating to this entity and its securitised assets. On the 31 July 2015 CHL changed ownership from permanent TSB plc ("PTSB"), when its share capital was acquired by Cerberus European Residential Holdings B.V. ("CERH").

The directors of the Company and CHL have considered various matters in evaluating the appropriateness of the going concern basis of preparation for its financial statements. These various matters are set out in the basis of preparation note within the statement of accounting policies.

By order of the Board on 24 June 2016 and signed on behalf by

Andreas Demosthenous for and behalf of Wilmington Trust SP Services (London) Limited
Secretary

DIRECTORS' REPORT - continued

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2015.

Dividends
No dividends have been paid or proposed for either of the 2015 or 2014 financial years.

Directors
The following directors are in office at the date of approval of the financial statements and have held office since 1 January 2015:

M. H. Filer
Wilmington Trust SP Services (London) Limited
M. Clarke

Corporate governance statement
The Company is subject to and complies with UK law comprising the Companies Acts 2006 and the Disclosure and Transparency Rules, and the Listing rules of the UK Listing Authority. The Company does not apply additional requirements to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

The directors are responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator (CHL), to maintain proper books and records of the Company, to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view, to operate effective internal controls in relation to the financial reporting process and to report to the Board.

For further details, refer to the notes to the financial statements particularly note 16 on financial risk management.

According to the UK Listing Authority's Disclosure Rules and Transparency (DTR), if the sole business of the Company relates to the issuing of asset backed securities, the Company is exempt from the requirement to establish an audit committee (under DTR7.1(2)). In this respect, given the predetermined and limited nature of the activities of the Company and the role of the Board, the Company has determined that it is not required to and therefore has not established an audit committee.

Political and charitable contributions
The Company made no political or charitable contributions during the year.

Disclosure of information to auditor
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 auditor is 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 auditor is aware of that information.

Events occurring after balance sheet date

There have not been any reportable subsequent events between the balance sheet date and the date of signing this report that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 December 2015 and for the year then ended.

DIRECTORS' REPORT - continued

Auditor

KPMG LLP has been appointed as auditor of the Company and will continue in office in accordance with the UK Companies Act 2006.

On behalf of the board

Andreas Demosthenous for and behalf of Wilmington Trust SP Services (London) Limited

Secretary
24 June 2016

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic report, the 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 International Financial Reporting Standards (IFRSs) as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006.

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 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 applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMEBERS OF AUBURN SECURITIES 4 PLC

We have audited the financial statements of Auburn Securities 4 PLC for the year ended 31 December 2015 set out on pages 10 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and.
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

INDEPENDENT AUDITOR'S REPORT TO THE MEMEBERS OF AUBURN SECURITIES 4 PLC

- 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

A Simpson

Alexander Simpson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Leeds
LS1 4DA
24 June 2016

ACCOUNTING POLICIES

Statement of compliance
The statutory financial statements set out herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The standards adopted by the Company are those that are effective and adopted by the European Union as of the date of the Company's statement of financial position.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of preparation
Auburn Securities 4 plc ("AS4") is a Company incorporated in the United Kingdom. Its principal activities are outlined in the Strategic report.

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 2015 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 advances 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 19.

Going concern
It is expected that the Company will continue to have sufficient cash inflows from its current cash resources and its mortgage book to meet its on-going obligations, in particular for its senior non-recourse debt providers.

The Company is dependent on Capital Home Loans ("CHL") to administer the mortgage book and loan notes on behalf of the Company. The Company is considered to be a subsidiary of CHL owing to the specific terms set out in the governing documentation relating to this entity and its securitised assets. CHL has incurred losses for the past number of years and expects to register continued losses going forward. On the 31 July 2015 CHL changed ownership from permanent TSB plc ("PTSB"), when its share capital was acquired by Cerberus European Residential Holdings B.V. ("CERH").

On the basis of current financial projections, the Directors of CHL have a reasonable expectation that CHL has adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, note 16 to the financial statements include the Company's financial risk management objectives, policies and processes for managing its capital.

ACCOUNTING POLICIES - continued

Cash and cash equivalents and restricted cash balances
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, bank overdrafts and short term borrowings and non-equity investments with a maturity of three months or less from the date of acquisition.

Restricted cash comprises cash held which is required by the Company's governing documentation to be utilised primarily to repay its non-recourse borrowings. These amounts are separate from any of the Company's own (unrestricted) cash balances in the statement of financial position and in the statement of cash flows.

Loans and advances
Loans and advances 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 income in the statement of comprehensive income. Substantially all of the Company's loans and advances were originated in a securitisation transaction from a related undertaking, Capital Home Loans – however Capital Home Loans did not derecognise those assets on the transaction as it was deemed to have retained control of the underlying assets. Accordingly AS4 has recognised equivalent loans and advances due from Capital Home Loans to the extent of its continued involvement with these assets, and in particular, reflecting its right to receive certain cash flows from those underlying mortgage advances securitised.

The Company assesses impairment of these financial assets at each reporting 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 statement of financial position.

Write-offs are charged against previously established provisions for impairment or directly to the statement of comprehensive income.

Determination of fair value of financial instruments
The Company measures financial instruments, such as, derivative financial instruments, at fair value on initial recognition.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability which is accessible to the Company.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole described as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques such as discounted cash flow method, comparison which similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation

ACCOUNTING POLICIES - continued

Determination of fair value of financial instruments - continued

models for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in note 15.

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 statement of comprehensive income within other operating expense as all of the entity's derivatives on hand are treated as held for trading purposes for the purpose 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 statement of financial position at fair value. Subsequent movements in fair value of the embedded derivative are posted to the statement of comprehensive income, 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 Company were determined by using discounted cash flow analyses, where appropriate. Further details on how such derivatives are fair valued are outlined in note 15.

Segment reporting

A segment is a distinguishable component of the Company which is segregated based on data that the chief operating decision makers receive and use to make key decisions and which is subject to risks and rewards that are different from those of other segments.

Foreign currencies

The financial statements are presented in pounds sterling, which is the Company's functional currency. Except where otherwise indicated financial information presented in pounds sterling has been rounded to the nearest thousand ('000').

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 to pounds sterling at the exchange rates prevailing at the balance sheet date. Exchange movements on these are recognised in the statement of comprehensive income.

Operating leases

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

ACCOUNTING POLICIES - continued

Income tax expense

Income tax expense comprises both current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent it relates to an item which is recognised directly in equity, in which case it is recognised directly in equity. Current tax payable is provided on taxable profits at current taxation rates enacted or substantively enacted at the year end and also includes any adjustments to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, without discounting. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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 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 the period in which they are approved by the Company's shareholder. Interim dividends are recognised in the period in which they are paid.

Financial liabilities

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

Interest income and expense

Interest income and expenses are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or issuance of a financial asset or liability.

Deferred consideration

Under the terms of an agreement between the Company and a related undertaking, the Company has a liability for future deferred consideration which is contingent on the occurrence of certain future events, principally the realisation of excess income by the Company. This instrument is treated as a financial liability carried at amortised cost, however the directors consider that the future net income arising cannot ordinarily be forecast with reasonable accuracy and accordingly the carrying value of the instrument is revised each year to reflect actual contracted cash flows due.

ACCOUNTING POLICIES - continued

New reporting standards not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IAS 1, 'Presentation of financial statements' clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The changes to disclosures are not considered to have a material impact on the presentation of the accounts.

IFRS 9 largely replaces the requirements of the existing financial instruments standard, IAS 39: 'Financial Instruments: Recognition and Measurement'. It addresses the areas of recognition, bases of valuation, income recognition methods, impairment and hedging for financial instruments and will become the standard governing the accounting for Group's loans and advances to customers, borrowings and derivative financial assets and liabilities. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier adoption is permitted. Application of IFRS 9 is expected to have significant impact on Group's results and financial position in line with the wider industry. Overall, impairment under IFRS 9 will increase the complexity of the Group's impairment modelling and result in earlier recognition of credit losses than under IAS 39 which is likely to lead on an increase in total provisions. The Group will make more detailed assessments of the impact over the next 12 months including initiating a project to ensure it is able to comply with the new requirements, including finance, IT and credit risk personnel.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. Its adoption is not expected to have a material impact on its results or financial position.

IFRS 16, 'Leases' will require lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IAS 17, lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The IASB has included an optional exemption for certain short term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after 1 January 2019. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements, although this is not expected to be material.

Annual Improvements to IFRSs 2012 – 2014 cycle. The amendments are not expected to have a material effect on the financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	2015 £'000	2014 £'000
Assets			
Cash at bank - restricted	1	96,809	102,339
Derivative asset	2	2,072	2,066
Loans and advances to customers	3	276,589	299,805
Prepayments and accrued income	4	12	10
Deferred tax asset	5	439	491
Total asset		375,921	404,711
Liabilities			
Bank loans and overdraft	6	79,870	45,000
Non-recourse funding	7	284,271	307,033
Accruals and deferred income	8	13,400	54,491
Total liabilities		377,541	406,524
Equity			
Share capital	9	12	12
Accumulated losses	10	(1,632)	(1,825)
Total equity attributable to equity holders of the Company	10	(1,620)	(1,813)
Total liabilities and equity		375,921	404,711

The financial statements on pages 10 to 37 were approved by the board of directors on 24 June 2016 and were signed on its behalf by:

Andreas Demosthenous for and behalf of Wilmington Trust SP Services (London) Limited
Director

Company Registered Number: 05183076

STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Interest income	11	5,836	6,243
Interest expense	12	(4,383)	(4,752)
Net interest income - continuing operations		1,453	1,491
Other operating expenses		(1,170)	(1,610)
Impairment (losses)/credit on loans and advances	3	(38)	96
Profit/(loss) before income tax - continuing operations	13	245	(23)
Income tax charge	14	(52)	(3)
Total comprehensive profit/(loss) for the year	10	193	(26)
Profit/(loss) attributable to the owners of the Company		193	(26)

STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2015

	Share capital £'000	Accumulated losses £'000	Total equity £'000
31 December 2015			
Balance at beginning of the year	12	(1,825)	(1,813)
Total comprehensive income for the year - profit	-	193	193
Balance at end of year	12	(1,632)	(1,620)
31 December 2014			
Balance at beginning of the year	12	(1,799)	(1,787)
Total comprehensive income for the year - loss	-	(26)	(26)
Balance at end of year	12	(1,825)	(1,813)

STATEMENT OF CASH FLOWS
Year Ended 31 December 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Profit/(loss) before taxation for year	245	(23)
Adjustments for		
(Increase)/decrease in assets		
Loans and advances to customers	23,216	23,829
Prepayments and accrued income	-	1
Derivative assets	(6)	275
Increase/(decrease) in liabilities		
Non-recourse funding	(22,764)	(23,683)
Funding from banks and credit institutions	34,870	-
Accruals and deferred income	(41,091)	1,843
Net cash flows arising from operating activities	(5,530)	2,242
Cash flows from financing activities		
Investment in restricted cash	5,530	(2,242)
Net movement in cash and cash equivalents		
Cash and cash equivalents at 1 January 2015	-	-
Cash and cash equivalents at 31 December 2015	-	-

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Restricted cash balances

Cash balances held includes restricted cash balances to the value of £96.8m (2014 £102.3m), which must be primarily utilised to make payments due on the Company's non-recourse funding priority to any other use.

2 Derivative financial instruments

	Positive/ (negative) fair value 2015 £'000	Notional amount 2015 £'000	Positive/ (negative) fair value 2014 £'000	Notional amount 2014 £'000
Derivative assets				
Interest rate swaps with Capital Home Loans Limited	2,072	276,589	2,066	299,805

The above interest rate swaps are treated as held for trading in AS4 and the movement in fair value for these swaps has been accounted for within net interest income.

3 Loans and advances to customers

	2015 £'000	2014 £'000
Loans and advances to customers	277,184	300,613
Less: impairment provisions - see below	(595)	(808)
All represented by residential mortgages in the UK	276,589	299,805

In October 2004, the Company purchased the rights to certain cash flows from £995.9 million of mortgage assets from CHL. 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 assets are classified as amounts owed from CHL, 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 AS4, (to the extent of its continuing involvement in the loan book).

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 CHL, the mortgage originator.

CHL 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 CHL in the form of deferred consideration.

All loans and advances to customers are measured at amortised cost. The fair value of loans and advances to customers is disclosed in note 15. All of the above loans are secured on residential properties located in the United Kingdom. A maturity and credit risk analysis of loans and advances to customers is shown in note 16.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Loans and advances to customers - continued

Impairment losses on loans and advances	2015 £'000	2014 £'000
Balance at beginning of year	808	1,479
(Credited)/charged to statement of comprehensive income	38	(96)
Amounts written off	(251)	(575)
Balance at end of year	595	808

All of the loans and advances to customers have been pledged as collateral for the Company's non-recourse loan notes received.

	2015 £'000	2014 £'000
Specific provision	582	743
Collective provision	13	65
Balance at end of year	595	808

Included in interest income is a total of £0.02m in 2015 (2014: £0.04m) accrued on impaired financial assets of the Company.

4 Prepayments and accrued income	2015 £'000	2014 £'000
Other debtors	12	10

All amounts fall due within one year.

5 Deferred tax (assets)/liabilities	2015 £'000	2014 £'000
At start of year	(491)	(494)
Credited in year (see note 14)	52	3
At end of year	(439)	(491)
Deferred tax asset - effective interest rate and others	(854)	(905)
Deferred tax liability - derivatives	415	414
At end of year	(439)	(491)

Deferred tax has been calculated using rates enacted or substantively enacted at the balance sheet date. The rate used at 31 December 2015 was 20%/19.25% (2014: 20.25%/20%) depending on when the underlying tax attribute is expected to reverse.

The Budget on 8 July 2015 announced changes in the main UK corporation tax rate. The rate, currently 20%, will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. The reduction in tax rates was included in the 2015- 2016 Finance Act which was substantially enacted for the purposes of IFRS on 26 October 2015.

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Bank loans and overdrafts

	2015 £'000	2014 £'000
Amounts due to PTSB	34,870	-
Amounts due to other banks and credit institutions	45,000	45,000
	79,870	45,000

During 2014 and 2015, certain conditions relating to the credit rating of Permanent TSB plc were not met, and consequently additional cash contributions were received by AS4 from PTSB. These amounts had previously been provided to the Company via CHL, however following the sale of CHL on the 31 July 2015 these amounts are now provided directly by PTSB.

Key terms attaching to these amounts are included in notes 15 and 16.

7 Non-recourse funding

	2015 £'000	2014 £'000
Mortgage backed loan notes	279,996	302,528
Plus: adjustment to effective interest rate	4,275	4,505
	284,271	307,033

On 11 October 2004, the Company issued approximately £1 billion in mortgage backed loan notes in order to fund the purchase of a mortgage portfolio. During 2009, the Company opted to extend certain of its debt arrangements beyond the originally expected maturity, incurring an additional interest margin. The effect of this has been reflected in the balance presented above as is required using the effective interest rate methodology prescribed by IAS 39.

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 CHL, who also administer the mortgage portfolio.

The mortgage backed loan notes are listed on the London Stock Exchange. Maturity date is October 2041.

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

£1 billion mortgage Backed loan notes	Balance outstanding At end of year £'000	Up to October 2009	Post October 2009
Class A1 (£270 million)	-	LIBOR + 0.12%	LIBOR + 0.24%
Class A2 (£597.5 million)	147,496	LIBOR + 0.2%	LIBOR + 0.4%
Class M (£15 million)	15,000	LIBOR + 0.25%	LIBOR + 0.5%
Class B (£40 million)	40,000	LIBOR + 0.35%	LIBOR + 0.70%
Class C (£40 million)	40,000	LIBOR + 0.65%	LIBOR + 1.30%
Class D (£25 million)	25,000	LIBOR + 1.05%	LIBOR + 2.05%
Class E (£12.5 million)	12,500	LIBOR + 3.20%	LIBOR + 4.20%

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Non-recourse funding - continued

The A1 notes are fully repaid and the A2 notes ("the senior notes") rank pari passu in point of payment and security without preference or priority amongst themselves but ahead of the remaining notes. 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:

(a) in the event of certain tax changes affecting the notes, the swap agreement or the mortgages comprising the mortgage pool at any time;

(b) on the interest payment date falling in October 2009 or any interest payment date falling thereafter;

(c) 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.

8 Accruals and deferred income

	2015 £'000	2014 £'000
Deferred consideration	13,098	12,916
Amounts due to Capital Home Loans	-	41,134
Accruals and deferred income	302	441
	13,400	54,491

9 Called up share capital

	2015 £'000	2014 £'000
Authorised:		
50,000 Ordinary shares of £1 each	50	50
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	-	-
Allotted, called up and partly paid		
49,998 ordinary shares of £1 each of which £0.25 has been paid up	12	12
	12	12

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Reconciliation of movement in shareholders' equity

	Share capital £'000	Accumulated losses earnings £'000	Total equity £'000
At 31 December 2015			
At beginning of year	12	(1,825)	(1,813)
Changes in equity for 2015:			
Loss on ordinary activities after taxation	-	193	193
Total shareholders' equity	12	(1,632)	(1,620)
At 31 December 2014			
At beginning of year	12	(1,799)	(1,787)
Changes in equity for 2014:			
Loss on ordinary activities after taxation	-	(26)	(26)
Total shareholders' equity	12	(1,825)	(1,813)

11 Interest income

	2015 £'000	2014 £'000
Mortgage interest receivable	5,454	5,917
Deposit interest receivable	269	270
Fair value movement on interest rate swap	6	-
Other income	107	56
	5,836	6,243

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

12 Interest expense

	2015 £'000	2014 £'000
On mortgage backed loan notes	4,022	4,186
Additional interest released on extension of loan notes	(231)	(244)
Other interest	479	403
Fair value movement on interest rate swap	-	275
CSA interest payable to CHL	68	121
CSA interest payable to PTSB	45	-
On interest rate swaps	-	11
	4,383	4,752

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Profit/(loss) before income tax - continuing operations

	2015 £'000	2014 £'000
Included within profit/(loss) before tax are thé following:		
Auditors' remuneration		
- audit fee	8	4
- other services relating to taxation	7	-
- other non-audit work	12	6
Deferred consideration	964	1,488
Fair value (profit)/losses on interest rate swaps	(6)	275

The directors received no remuneration from the Company for their services as directors in the current and preceding financial years. The Company has no employees and services required are contracted from related parties (see note 18).

14 Income tax charge

	2015 £'000	2014 £'000
Deferred tax (see note 5)	52	3
Total income tax charge	52	3

The tax assessed for the period differs from the standard rate of corporation tax in the United Kingdom of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £'000	2014 £'000
Profit/(loss) before taxation	245	(23)
Loss by standard rate of corporation tax in UK of 20.25% (2014: 21.5%)	50	(5)
Effects of:		
Other	2	8
Effective tax charge in year	52	3

The Company is taxed under the "Temporary Regime" for securitisation companies (S.83, Finance Act, 2005) on the basis that the Company entered into securitisation transactions before 2007 and have not made an election to be taxed under the "Permanent Regime" (SI 2006/3296).

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Fair values of financial statements

	At amortised cost		At fair value through statement of comprehensive income	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
As at 31 December 2015				
Assets				
Cash at bank - restricted	96,809	96,809	-	-
Loans and advances to customers	276,589	257,228	-	-
Derivative assets	-	-	2,072	2,072
	373,398	354,037	2,072	2,072
Liabilities				
Non-recourse funding	284,271	278,008	-	-
Deferred consideration	13,098	-	-	-
Bank loans and overdrafts	79,870	79,870	-	-
	377,239	357,878	-	-

	At amortised cost		At fair value through statement of comprehensive income	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
As at 31 December 2014				
Assets				
Cash at bank - restricted	102,339	102,339	-	-
Loans and advances to customers	299,805	269,825	-	-
Derivative assets	-	-	2,066	2,066
	402,144	372,164	2,066	2,066
Liabilities				
Non-recourse funding	307,033	289,969	-	-
Deferred consideration	12,916	-	-	-
Amounts due to Capital Home Loans	41,134	41,134	-	-
Bank loans and overdrafts	45,000	45,000	-	-
	406,083	376,103	-	-

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Fair values of financial statements - continued

The following table sets out the fair values of financial instruments that the Company holds at 31 December 2015. It categorises these securities into the relevant level on fair value hierarchy.

The fair values of financial instruments are measured according to the following fair value hierarchy:

Level 1 – financial assets and liabilities measured using quoted market prices (unadjusted).
Level 2 – financial assets and liabilities measured using valuation techniques which use observable market data.
Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market data.

	Carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000
As at 31 December 2015					
Assets					
Cash at bank - restricted	96,809	96,809	-	-	96,809
Loans and advances to customers	276,589	-	-	257,228	257,228
Derivative assets	2,072	-	-	2,072	2,072
	375,470	96,809	-	259,300	356,109
Liabilities					
Non-recourse funding	284,271	-	-	278,008	278,008
Deferred consideration	13,098	-	-	-	-
Bank loans and overdrafts	79,870	79,870	-	-	79,870
	377,239	79,870	-	278,008	357,878
As at 31 December 2014					
Assets					
Cash at bank - restricted	102,339	102,339	-	-	102,339
Loans and advances to customers	299,805	-	-	269,825	269,825
Derivative assets	2,066	-	-	2,066	2,066
	404,210	102,339	-	271,891	374,230
Liabilities					
Non-recourse funding	307,033	-	-	289,969	289,969
Deferred consideration	12,916	-	-	-	-
Amounts due to Capital Home Loans	41,134	41,134	-	-	41,134
Bank loans and overdrafts	45,000	45,000	-	-	45,000
	406,083	86,134	-	289,969	376,103

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Fair values of financial statements - continued

Typically the fair values of each of the above financial instruments have been derived by discounting expected future cash flows at prevailing interest rates. For loans and advances to customers, non-recourse funding and derivative instruments, this involved the estimation of the timing of receipts of cash flows 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 cash flows from the securitised mortgage books. The principal underlying assumptions related to these cash flows are as follows:

- The fair value of loans and advances to customers was derived by comparing the actual interest income yield from the Company's fixed rate mortgage books with the current average interest income yield for new mortgages with similar profiles adjusting for the appropriate credit spread differential and discounting the relevant projected cash flows to fair value. Where external evidence of fair value is available, this is used (e.g. bid prices for loan books).
- The fair value of non-recourse funding has been arrived at by adjusting the carrying value of the debt by a similar proportion to the adjustment made in arriving at the fair value of loans and advances to customers on the basis that the funding only has recourse to this mortgage book.
- The interest rate swap fair value was derived by discounting expected cash flows on the swap, which are dependent on the timing of cash flows from the securitised mortgage book. In this regard, the Company has made certain assumptions regarding the timing of these cash flows which are based on both contracted mortgage terms and an historical analysis of the timing of average cash flows and effective lives of the underlying mortgages. Principally, these assumptions were as follows:

  - Remaining life of 5 years;
  - Discount rate: 0.65%;
  - Assumed redemption rate: 6.9% per annum (based on 3 year average)

- These assumptions are, other than the discount rate, which is broadly based on current LIBOR rates plus credit spread applicable to the Company, not based on observable market data, and accordingly are level 3 fair values as set out in the fair value hierarchy in, because they are dependant largely on the assumed performance of the underlying mortgage book as the interest rate swap is specifically designed to reflect the cash flows from the underlying mortgage book. In this regard, management has based these assumptions on its past experience of similar mortgage books originated in Capital Home Loans and on particular recent trends observed specifically in relation to this mortgage book in terms of arrears and expected terms. Currently the directors expect the interest rate swaps to have a remaining life of 5 years. The total amount recognised in the statement of comprehensive income in relation to this fair value estimate in the year was 2015: £6k gain *(2014: £275k loss)*. In terms of sensitivities of the above, any reasonably possible change to the cash flow payment or discount rate assumptions for any of the mortgage books, or derivatives would have an equal and opposite effect of the associated borrowings because of the nature of the sensitivities.

  Derivative valuations were reclassified level 3, due to the unobservable inputs being the significant drivers of the model valuations.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management

(a) Introduction and overview

The Company's financial instruments comprise amounts due from the mortgage originator, (which are backed by equivalent assets held by that entity), 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 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:

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 and arises principally from the Company's loans and advances to customers. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as obligor default risk and sector or geographic risk). 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 both a specific review and 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. Due to the nature of the book, significant new credit exposures to particular sectors or individuals do not typically arise. Credit risk is accordingly monitored largely through the management of arrears on these loans. A summary credit risk analysis has been included below.

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. 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 below, and this provides some detail on 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. As part of the securitisation transactions however, the Company established an interest rate swap, which has the effect of converting the interest basis of all mortgage assets to floating LIBOR which matches the interest rate basis of all the Company's liabilities. The net effect of this interest rate swap is that the Company is effectively left with no interest rate risk, and the table overleaf reflects this.

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. The administrator's compliance department and its key management are tasked with the monitoring and control of such risk on behalf of 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.

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 has limited exposure to foreign exchange rate fluctuations. Interest rate risk management policies are separately documented above.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(a) Introduction and overview - continued

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, however the Company's principal liabilities, its loan notes, are structured specifically so as to mature broadly at the same time as the securitised assets are repaid. Additionally there are other liquidity facilities available to the Company in the event that mortgages do not yield funds. Regular reports on liquidity are submitted where appropriate, to the independent trustee of the Company's loan notes and to the relevant regulatory authorities.

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. Details of these have been provided below and further detail related to the Company's current liquidity position is set out in the basis of preparation note.

Derivative transactions

The Company has entered into a series of interest rate swaps. 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. Credit risk associated with these transactions are managed as part of the Company's adherence to specified procedures as set out in its governing documentation including adhering to a strict priority of payments and making regular reports to the loan note trustees.

Capital management

Because of its special purpose nature, the Company's principal funding comes through its non-recourse debt, which is intended to be repaid fully from the mortgage assets on hand. Capital is considered by management to comprise share capital on hand, retained earnings and any subordinated loans received from time to time, is considered to be sufficient for the particular nature of the Company's activities and is in line with the Company's governing documentation. There have been no changes to the Company's approach to capital management during the year.

(b) Credit risk

(i) **Loans and advances to customers - exposure to credit risk**	2015 £'000	2014 £'000
Total carrying amount - maximum exposure to credit risk	276,589	299,805
Individually impaired	1,790	3,025
Allowance for impairment	(582)	(743)
Carrying amount	1,208	2,282
Collectively impaired	881	1,470
Allowance for impairment	(13)	(65)
Carrying amount	868	1,405
Neither past due nor impaired - carrying amount	264,570	284,763
Includes accounts with renegotiated terms	9,943	11,355
Total carrying amount	276,589	299,805

All of the above loans which are neither past due nor impaired have no arrears arising on them.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(b) Credit risk - continued

(i) Loans and advances to customers - exposure to credit risk - continued

Impaired loans and advances
Impaired loans and advances are loans and securities for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are typically regarded as all loans in arrears for more than three months.

Past due but not impaired loans
These are loans and advances where contractual interest or principal payments are past due but the Company believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Company.

Loans with renegotiated terms
These loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Company has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment
The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Company writes off a loan balance (and any related allowances for impairment losses) when it determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The table below shows an analysis of the Loan to Value for the mortgage portfolio:

	2015 %	2014 %
Less than 50%	34	20
50%- 70%	53	58
71%- 90%	13	21
91%- 100%	-	1
At end of year	100	100

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(b) Credit risk - continued

(i) Loans and advances to customers - continued

The Company monitors concentrations of credit risk by sector and by geographic location within the UK. An analysis of concentrations of credit risk at the reporting date is shown below:

	2015 £'000	2014 £'000
Concentration by sector - carrying amount		
Residential	26,901	29,835
Buy to let	250,283	270,778
Less: Impairment provisions	(595)	(808)
	276,589	299,805
Concentration by location - carrying amount		
London & South East	130,338	143,625
North East	23,485	24,432
North Wales & North West	30,661	22,857
South & South West	46,616	60,541
Midlands	34,915	36,844
Other UK	11,169	12,314
Less: Impairment provisions	(595)	(808)
	276,589	299,805

(ii) Restricted cash on hand

At the year end all of the restricted cash on hand was held with one financial institution counterparty in the UK which is rated by Moodys as P1, S&P as A1 and Fitch as F1 (short term ratings). These ratings conform to the condition as set out by the governing securitisation documentation.

(iii) Derivative assets

All derivative assets on hand at the year-end were held with a related undertaking. This entity does not have an individual credit rating, however is part of a large group, which is rated by Moodys as (B1) and Standard & Poors as (BB-). The existence of this derivative, which eliminates all interest rate risk from this entity, is a requirement of the governing documents for the original securitisation.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(c) Liquidity risk

The tables below analyse the gross cash flows arising on the Company's assets and liabilities by remaining contractual maturity at 31 December 2014 and 2013:

At 31 December 2015	Carrying amount	Gross contractual cash flow	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash – restricted	96,809	96,809	96,809	-	-	-	-
Derivative asset	2,072	2,072	40	80	361	1,591	-
Loans and advances to customers	276,589	347,774	534	1,513	6,387	52,274	287,066
Prepayments and accrued income	12	12	12	-	-	-	-
Total assets	375,482	446,667	97,395	1,593	6,748	53,865	287,066
Liabilities							
Bank loans and overdrafts	79,870	79,870	-	56	48,957	3,491	31,118
Non-recourse funding	284,271	323,671	328	1,105	4,590	43,080	274,568
Accruals and deferred income	13,400	13,400	13,400	-	-	-	-
Total liabilities	377,541	416,941	13,728	1,161	53,547	46,571	305,686
Net cash flows		29,726	83,667	432	(46,799)	7,294	(18,620)

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(c) Liquidity risk - continued

At 31 December 2014	Carrying amount £'000	Gross contractual cash flow £'000	Up to 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000
Assets							
Cash – restricted	102,339	102,339	102,339	-	-	-	-
Derivative asset	2,066	2,066	39	78	352	1,597	-
Loans and advances to customers	299,805	367,388	1,045	1,658	6,247	51,160	307,278
Prepayments and accrued income	10	10	10	-	-	-	-
Total assets	404,220	471,803	103,433	1,736	6,599	52,757	307,278
Liabilities							
Bank loans and overdrafts	45,000	45,000	-	-	45,000	-	-
Non-recourse funding	307,033	352,142	923	1,412	5,133	45,525	299,149
Accruals and deferred income	54,491	54,491	54,491	-	-	-	-
Total liabilities	406,524	451,633	55,414	1,412	50,133	45,525	299,149
Net cash flows		20,170	48,019	324	(43,534)	7,232	8,129

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(d) Interest rate risk

The tables below summarises the interest rate re-pricing profiles of the Company's interest bearing financial assets and liabilities:

As at 31 December 2015	Up to 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Over 5 years £'000	Total £'000
Cash at bank - restricted	96,809	-	-	-	-	-	-	-	96,809
Loans & advances to customers	276,589	-	-	-	-	-	-	-	276,589
Total financial assets	373,398	-	-	-	-	-	-	-	373,398
Bank loans and overdrafts	(79,870)	-	-	-	-	-	-	-	(79,870)
Non-recourse funding	(284,271)	-	-	-	-	-	-	-	(284,271)
Total financial liabilities	(364,141)	-	-	-	-	-	-	-	(364,141)
Net interest repricing gap	9,257	-	-	-	-	-	-	-	9,257
Cumulative repricing gap	9,257	9,257	9,257	9,257	9,257	9,257	9,257	9,257	9,257

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(d) Interest rate risk - continued

As at 31 December 2014	Up to 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Over 5 years £'000	Total £'000
Cash at bank - restricted	102,339	-	-	-	-	-	-	-	102,339
Loans & advances to customers	299,805	-	-	-	-	-	-	-	299,805
Total financial assets	402,144	-	-	-	-	-	-	-	402,144
Bank loans and overdrafts	(45,000)	-	-	-	-	-	-	-	(45,000)
Non-recourse funding	(307,033)	-	-	-	-	-	-	-	(307,033)
Total financial liabilities	(352,033)	-	-	-	-	-	-	-	(352,033)
Net interest repricing gap	50,111	-	-	-	-	-	-	-	50,111
Cumulative repricing gap	50,111	50,111	50,111	50,111	50,111	50,111	50,111	50,111	50,111

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(e) Currency risk
The Company is not exposed to any significant currency risk as all of its financial assets and liabilities are denominated in sterling.

(f) Sensitivity analysis
Because of the interest rate swap structure in place, any movement in interest rates should have no material effect on the Company's statement of comprehensive income because the net impact of the swap is to remove all interest rate risk from the Company. Additionally, as noted elsewhere in these accounts the Company is not exposed to currency risk.

17 Ultimate parent undertaking

The Company was established by a contract as part of an individual mortgage securitisation. This contract governs the relationship between CHL, the mortgage originator and AS4, whose activities are precisely defined in the relevant legal documents. CHL is the primary beneficiary of the operating policies of the Company. Accordingly, AS4 has been consolidated within the CHL consolidated financial statements.

CHL's ultimate parent undertaking is Cerberus European Residential Holdings B.V. whose registered office is at Oude Utrechtseweg 32, 3743 KN Baarn, The Netherlands (incorporated under the laws of The Netherlands with registered number 62579533).

18 Related party transactions

The Company has related party relationships with its parent undertaking Capital Home Loans Limited, with its ultimate parent undertaking, Cerberus European Residential Holdings B.V., with Wilmington Trust SP Services (London) Limited and with its other directors. The directors undertook no transactions directly with the Company during the year.

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

	During the year ended 31 December 2015 £'000	As at 31 December 2015 £'000	During the year ended 31 December 2014 £'000	As at 31 December 2014 £'000
Loans and advances to customers	5,454	276,589	5,917	299,805
Deferred consideration due	(964)	(13,098)	(1,488)	(12,916)
Additional capital amounts due	-	-	1,007	(41,134)
Interest swap amounts due	-	-	(11)	6
Other administrative expenses paid	(43)	(4)	(43)	(4)
CSA interest payable to CHL	(68)	-	(121)	(38)
Derivative Financial Instrument	-	-	(275)	2,066

NOTES TO THE FINANCIAL STATEMENTS - continued

18 Related party transactions - continued

The Company undertook the following transactions with respect to its previous parent undertaking, PTSB, up until the 31 July 2015 when it ceased having related party related party relationships.

	During the year ended 31 December 2015 £'000	As at 31 December 2015 £'000	During the year ended 31 December 2014 £'000	As at 31 December 2014 £'000
Other administrative expenses	(10)	(32)	(10)	(22)

The Company incurred corporate service fee costs payable to Wilmington Trust SP Services (London) Limited of £12,000 in 2015 and 2014.

19 Significant judgements/estimates made by management

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

Significant estimate	Key details
Going concern	Details set out in basis of preparation note.
Loan loss provisioning	Details set out in note 3.
Valuation of interest rate swaps in parent entity	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 15.
Fair value of financial instruments	Details set out in note 15.

20 Segment reporting

The Company's principal business is the provision of residential and buy-to-let mortgages secured on properties in the United Kingdom. All of the associated net results and assets are located in the United Kingdom and are derived from this business which is managed on a unified basis. The Company accordingly considers that it operates in one segment and that there are no separate reportable segments for which additional segment disclosures are required. Details on the geographical analysis of the Company's loan book and other details on its customers are set out in note 16. Additionally, there are no other segmental analyses reviewed by the Company's chief operating decision maker in this regard.

21 Approval of financial statements

The board of directors approved these financial statements on 24 June 2016.