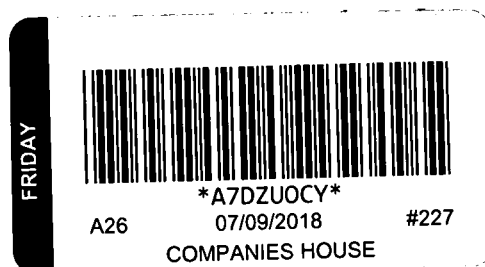


# **OAKWOOD GLOBAL ASSETS LIMITED**

Annual Report and Financial Statements

For the year ended 31 December 2017

Registered company number 5456331



**COMPANY INFORMATION**

**Directors**

LDC Securitisation Director No. 3 Limited

LDC Securitisation Director No. 4 Limited

Ian Kenneth Bowden (resigned 28 September 2017)

Mark Howard Filer (appointed 28 September 2017)

**Company Secretary**

Law Debenture Corporate Services Limited

**Registered Office**

Fifth Floor

100 Wood Street

London

EC2V 7EX

**Auditor**

KPMG LLP

One Sovereign Square

Sovereign Street

Leeds

LS1 4DA

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**STRATEGIC REPORT**

The directors present their Strategic Report for Oakwood Global Assets Limited (the “Company”) and its subsidiaries (together referred to as “the Group”), for the year ended 31 December 2017.

**Activity, objective, business model and review of the year**

The Company’s principal activity is to act as the parent company for a series of companies engaged in the securitisation of residential mortgage portfolios financed by the issuance of loan notes (“Notes”). In that context, it has not traded since incorporation and its only activity has been the holding of investment in its subsidiaries.

The activities of the subsidiaries of the Group, each of which has filed separate financial statements for the year ended 31 December 2017, are as follows:

***Alba 2005-1 PLC***

In 2005 Alba 2005-1 PLC raised £302,957k through the issue of mortgage backed floating rate notes listed on the Irish Stock Exchange, repayable on maturity in November 2042. The proceeds of the note issuance were used to purchase two pools of sub-prime mortgages. At 31 December 2017 £62,380k (2016: £68,314k) of the notes were outstanding.

***Alba 2006-1 PLC***

In 2006 Alba 2006-1 PLC raised £559,588k through the issue of mortgage backed floating rate notes listed on the Irish Stock Exchange, repayable on maturity in November 2037. The proceeds of the note issuance were used to purchase two pools of sub-prime mortgages. At 31 December 2017 £100,609k (2016: £112,416k) of the notes were outstanding.

***Alba 2006-2 PLC***

In 2006 Alba 2006-2 PLC raised £466,641k and €110,000k (GBP equivalent, £73,850k) through the issue of mortgage backed floating rate notes listed on the Irish Stock Exchange, repayable on maturity in December 2038. The proceeds of the note issuance were used to purchase two pools of sub-prime mortgages. At 31 December 2017 £176,293k (2016: £189,937k) of the notes were outstanding.

***Alba 2007-1 PLC***

In 2007 Alba 2007-1 PLC raised £980,904k through the issue of mortgage backed floating rate notes listed on the Irish Stock Exchange, repayable on maturity in March 2039. The proceeds of the notes issuance were used to purchase two pools of sub-prime mortgages. At 31 December 2017 £418,390k (2016: £463,196k) of the notes were outstanding.

There has been no change in the operation or composition of the Group during the year and no new securitisations were undertaken or additional loan notes issued.

**Results**

The results for the year to 31 December 2017 are set out on page 8.

The reported loss for the Group is £199k for the year ended 31 December 2017 (2016: £36k), including a derivative fair value gain of £243k (2016: £3,343k gain).

**Key performance indicators (KPIs)**

Financial KPIs - the directors monitor the actual receipts and payments of interest of each subsidiary through the bank statements and measures these against schedules prepared by the servicers of the mortgage pools, in accordance with the underlying transaction documents. The directors believe that each subsidiary has met the conditions set out in the transaction documents for the individual securitisations. In addition, the directors of each subsidiary monitor the quarterly investor reports that contain a range of data on the performance of the mortgage portfolios backing the securitisation.

Non-financial KPIs – as the purpose of the Group is entirely finance related, the directors are of the view that there are no meaningful non-financial KPIs that could be adopted.

**STRATEGIC REPORT (continued)****Key performance indicators (KPIs) (continued)**

The KPIs of each subsidiary are listed below;

***Alba 2005-1 PLC***

As presented in the 25 May 2018 investor report (26 May 2017), the KPIs of the portfolio include:

- the percentage of the pool greater than 3 months in arrears was 2.30% (2016: 3.49%);
- the weighted average current loan to value (by value) was 76.12% (2016: 76.44%);
- the average loan size was £102,456.37 (2016: £104,738.25);
- the weighted average interest rate was 2.38% (2016: 2.17%).

***Alba 2006-1 PLC***

As presented in the 22 May 2018 investor report (22 May 2017), the KPIs of the portfolio include:

- the percentage of the pool greater than 3 months in arrears was 3.52% (2016: 4.95%);
- the weighted average current loan to value (by value) was 78.38% (2016: 78.38%);
- the average loan size was £113,443.58 (2016: £114,694.14);
- the weighted average interest rate was 2.79% (2016: 2.54%).

***Alba 2006-2 PLC***

As presented in the 15 March 2018 investor report (15 March 2017), the KPIs of the portfolio include:

- the percentage of the pool greater than 3 months in arrears was 3.88% (2016: 4.68%);
- the weighted average current loan to value (by value) was 80.49% (2016: 80.68%);
- the average loan size was £117,392.38 (2016: £119,622.32);
- the weighted average interest rate was 2.68% (2016: 2.48%).

***Alba 2007-1 PLC***

As presented in the 19 March 2018 investor report (17 March 2017), the KPIs of the portfolio include:

- the percentage of the pool greater than 3 months in arrears was 4.13% (2016: 4.78%);
- the weighted average current loan to value (by value) was 82.58% (2016: 82.65%);
- the average loan size was £125,334.05 (2016: £127,071.79);
- the weighted average interest rate was 2.64% (2016: 2.41%).

**Going concern**

Notwithstanding a Group shareholder deficit of £495k at 31 December 2017 (2016: £296k deficit) and a Company shareholder deficit of £25k at 31 December 2017 (2016: £25k deficit), the directors believe the Company and Group will continue to trade for the foreseeable future.

Key factors in determining going concern include cash flows, loan losses and loan loss impairment provisions.

The legal structure of the Notes means that each Subsidiary is only required to pay out funds to the extent which that Subsidiary has received funds from the mortgage portfolio it holds and funds between Subsidiaries are not co-mingled. The Subsidiaries will draw on their reserve fund when necessary and this might lead to a principal deficiency if there are insufficient cash flows or reserve funds to pay Noteholders and other secured creditors. However, the Subsidiaries are not required to fund the deficiency until either contractual maturity of the Notes or in the event of an early termination trigger event. These trigger events are monitored for the Group subsidiaries by their agents and to the best knowledge of the directors, no such trigger events have occurred in 2017 or to the date of this report.

Should the cash flows in a Subsidiary be insufficient that Subsidiary has no recourse to funds from any other Subsidiary in the Group and may therefore default on its Note payment. In such circumstances, the Security Trustee, acting for the Noteholders, may choose to dispose of that Subsidiary's assets and, potentially, wind up that Subsidiary. The directors have considered the cash flows for the next 12 months and are satisfied that the Subsidiaries have sufficient projected cash flows to be able to meet their liabilities as they fall due.

**STRATEGIC REPORT (continued)****Going concern (continued)**

Having reviewed these factors, and taking into account current market conditions, the non-trading nature of the Company and the performance and financial position of the Group, the directors consider that the accounts of the Company and the Group should continue to be prepared on a going concern basis.

**Internal controls, risk profile and risk management**

The Board has overall responsibility for the Group's internal control system which encompasses all risks faced by the Group including business, operational and compliance risks. The board is responsible for approving the Group's risk management strategy, and the level of acceptable risks. The principal risks faced by the Group are set out in the following paragraphs, and expanded upon at Note 21, including a description of how those risks are managed.

**Principal risks and uncertainties**

The principal financial risks of the Group are credit, interest and liquidity risks. This includes the correct and timely receipts of interest and principal on the mortgage loans. Further details about these risks and the steps that are taken to manage them are set out in note 21 to the financial statements.

Impairment provisions are recorded on mortgage loans in arrears where the value of the loan in arrears is in excess of the estimated forced sale value of the underlying property held as security based on the probability of the loan going into repossession. More information, including about forbearance, is included in note 1.

The Group has considered the potential impact of the UK's decision to exit the European Union in March 2019 following the triggering of Article 50 on 29 March 2017. Due to the current status of the negotiations regarding the exit and a potential exit transition period from March 2019, the exact implications on the Group at the date of signing the financial statements are not known. However, the implications from the exit could potentially be wide ranging including the risk of financial instability which would manifest itself through movements in interest rates and the serviceability of the mortgages, which would in turn result in a movement in interest income, provisioning and interest payable to the Noteholders.

**Derivatives and other financial instruments**

Financial instruments, other than derivatives and fixed and variable rate mortgages, comprise the Notes, cash and other liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. Further details are set out in note 20 of the financial statements.

**Future Developments**

The Group does not anticipate any new securitisation activity in the immediate future.

By order of the board,

Approved by the Board of Directors and signed on behalf of the Board



Law Debenture Corporate Services Limited  
Company Secretary

24 August 2018

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2017.

**Proposed dividend**

The directors have not declared or paid a dividend (2016: £nil).

**Directors**

The directors who held office during the year and up to the date of this report were:

L.D.C Securitisation Director No.3 Limited

L.D.C Securitisation Director No.4 Limited

Ian Kenneth Bowden (resigned 28 September 2017)

Mark Howard Filer (appointed 28 September 2017)

The Group has no employees (2016: nil)

**Directors' interests**

None of the directors had any beneficial interests in the shares of the Company or its Subsidiaries in the current or prior year.

**Political and charitable contributions**

The Group made no political or charitable donations during the year (2016:£nil).

**Auditor**

KPMG LLP were first appointed as auditor to the Group in March 2009. As such the Group put the audit out to tender during 2017. Following the tender process the directors considered the results of the tender and proposed and resolved to reappoint KPMG LLP.

**Disclosure of information to the 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board,

Approved by the Board of Directors and signed on behalf of the Board



For and on behalf of Law Debenture Corporate Services Limited  
Company Secretary

24 August 2018

**STATEMENT OF DIRECTORS' RESPONSIBILITIES 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 they have elected to prepare the Group and Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102: *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 Group and Company and of their profit or loss for that year.

In preparing each of the Group and 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine and is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OAKWOOD GLOBAL ASSETS LIMITED****Our opinion is unmodified**

We have audited the financial statements of Oakwood Global Assets Limited ("the Company") for the year ended 31 December 2017 which comprise the Group and Parent Company Balance Sheets, the Group and Parent Company's Statements of Comprehensive Income, the Group and Parent Company's Statements of Changes in Equity, the Group and Parent Company's Statements of Cash Flows and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group and the Parent Company's affairs as at 31 December 2017 and of the Group's loss and of the Parent Company's result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion, the information given in those reports for the financial year is consistent with the financial statements; 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**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OAKWOOD GLOBAL ASSETS LIMITED (CONTINUED)****Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.



**David Allen (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
One Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA  
United Kingdom

**30** August 2018

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2017

		<b>Group</b>		<b>Company</b>	
	Note	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Interest receivable and similar income	3	17,867	20,686	4	4
Interest payable and similar charges	4	(15,178)	(17,000)	-	-
<b>Net interest income</b>		<b>2,689</b>	<b>3,686</b>	<b>4</b>	<b>4</b>
Foreign exchange loss on Euro loan notes		(581)	(3,228)	-	-
Administration expenses		(2,941)	(3,183)	(4)	(4)
Impairment credit / (charge)	5	391	(582)	-	-
Fair value movements of derivatives	6	243	3,343	-	-
<b>(Loss) / profit on activities before taxation</b>	7	<b>(199)</b>	<b>36</b>	<b>-</b>	<b>-</b>
Taxation	8	-	-	-	-
<b>(Loss) / profit for the year</b>		<b>(199)</b>	<b>36</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive (expense) / income</b>		<b>(199)</b>	<b>36</b>	<b>-</b>	<b>-</b>

All the Group and Company's income is derived from continuing operations.

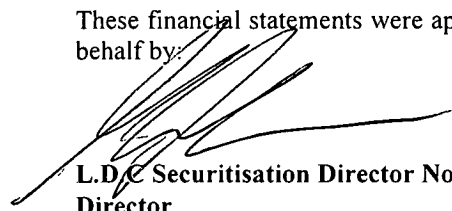
The notes on pages 12 to 28 form part of these financial statements.

**BALANCE SHEET**  
**As at 31 December 2017**

	Note	Group		Company	
		2017 £000s	2016 £000s	2017 £000s	2016 £000s
<b>Non-current Assets</b>					
Mortgage loans	9a	725,098	799,248	-	-
Derivative assets	10	6,100	5,849	-	-
Investments	11	-	-	24	24
<b>Total non-current assets</b>		<b>731,198</b>	<b>805,097</b>	<b>24</b>	<b>24</b>
<b>Current Assets</b>					
Debtors – amounts falling due within one year	12	7,186	1,000	4	4
Cash at bank and in hand	13	57,153	66,090	-	-
		<b>795,537</b>	<b>872,187</b>	<b>28</b>	<b>28</b>
<b>Current liabilities</b>					
Financial liabilities - amounts falling due within one year	14	(1,710)	(1,736)	(4)	(4)
Liquidity facility drawdown	18	(34,286)	(34,286)	-	-
<b>Total assets less current liabilities</b>		<b>759,541</b>	<b>836,165</b>	<b>24</b>	<b>24</b>
<b>Non-current liabilities</b>					
Financial liabilities - amounts falling due after one year	17	(759,386)	(835,819)	(49)	(49)
Derivative liabilities	16	(650)	(642)	-	-
<b>Net liabilities</b>		<b>(495)</b>	<b>(296)</b>	<b>(25)</b>	<b>(25)</b>
<b>Capital and reserves</b>					
Called up share capital	19	-	-	-	-
Profit and loss reserve		(495)	(296)	(25)	(25)
<b>Shareholder's deficit</b>		<b>(495)</b>	<b>(296)</b>	<b>(25)</b>	<b>(25)</b>

The notes on pages 12 to 28 form part of these financial statements

These financial statements were approved by the Board of Directors on 24 August 2018 and were signed on its behalf by:



**L.D.C Securitisation Director No. 3 Limited**  
**Director**

**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2017**

<b>Group</b>	<b>Share capital £000s</b>	<b>Retained earnings £000s</b>	<b>Total £000s</b>
Balance at 1 January 2016	-	(332)	(332)
Profit for the year	-	36	36
Restated balance at 31 December 2016	-	(296)	(296)
Balance at 1 January 2017	-	(296)	(296)
Loss for the year	-	(199)	(199)
<b>Balance at 31 December 2017</b>	<b>-</b>	<b>(495)</b>	<b>(495)</b>

<b>Company</b>	<b>Share capital £000s</b>	<b>Retained earnings £000s</b>	<b>Total £000s</b>
Balance at 1 January 2016	-	(25)	(25)
Profit for the year	-	-	-
Balance at 31 December 2016	-	(25)	(25)
Balance at 1 January 2017	-	(25)	(25)
Profit for the year	-	-	-
<b>Balance at 31 December 2017</b>	<b>-</b>	<b>(25)</b>	<b>(25)</b>

The notes on pages 12 to 28 form part of these financial statements

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	Group		Company	
		2017 £000s	2016 £000s	2017 £000s	2016 £000s
<b>Cash flows from operating activities</b>					
(Loss) / profit on ordinary activities before tax		(199)	36	-	-
<i>Adjustment for non-cash items</i>					
Effective interest rate adjustment	3	664	736	-	-
Impairment (credit) / charge	5	(391)	582	-	-
Fair value movement of derivatives	6	(243)	(3,343)	-	-
Exchange on euro notes		581	3,228		
Bank interest received	3	(27)	(101)	-	-
Notes interest payable	4	15,178	17,000	-	-
		<b>15,563</b>	<b>18,138</b>	<b>-</b>	<b>-</b>
<i>Changes in operating assets and liabilities</i>					
Increase in trade debtors and other receivables		(6,186)	(328)	-	-
Increase / (decrease) in trade creditors and other payables		247	(94)	-	-
Tax paid		-	(1)	-	-
<b>Net cash generated from operating activities</b>		<b>9,624</b>	<b>17,715</b>	<b>-</b>	<b>-</b>
<b>Changes to cash flows from investment activities</b>					
Repayment of mortgages	9a	73,877	83,007	-	-
Bank interest received		27	101	-	-
<b>Cash generated from investment activities</b>		<b>73,904</b>	<b>83,108</b>	<b>-</b>	<b>-</b>
<b>Changes to cash flows from financing activities</b>		-	-	-	-
Loan notes repaid	17	(76,772)	(81,742)	-	-
Amount paid to R certificate long term creditor	17	(242)	(1,158)	-	-
Notes interest paid		(15,451)	(17,413)	-	-
<b>Cash outflow used in financing activities</b>		<b>(92,465)</b>	<b>(100,313)</b>	<b>-</b>	<b>-</b>
(Decrease) / increase in cash in the year		(8,937)	510	-	-
Cash and cash equivalents at 1 January		66,090	65,580	-	-
<b>Cash and cash equivalents at 31 December</b>		<b>57,153</b>	<b>66,090</b>	<b>-</b>	<b>-</b>

The notes on pages 12 to 28 form part of these financial statements

**NOTES TO THE ACCOUNTS****For the year ended 31 December 2017****1. Accounting policies**

The Company was incorporated in England & Wales. The Company's registered office is Fifth Floor, 100 Wood Street, London, EC2V 7EX.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements and have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss.

**Consolidation**

The consolidated financial statements incorporate the financial statements of the parent Company – Oakwood Global Assets Limited (the "Company") – and its Subsidiaries (together referred to as "the Group") for which the Company holds the majority of the voting rights, as follows:

- ALBA 2005-1 PLC
- ALBA 2006-1 PLC
- ALBA 2006-2 PLC
- ALBA 2007-1 PLC

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Subsidiaries owned by the Company made up to the end of the financial year.

The Company owns the share capital in each Subsidiary and shares in any residual profit (after paying deferred consideration).

Inter-company transactions are eliminated. The financial statements of Subsidiaries are adjusted, where necessary, to ensure the accounting policies used are consistent with those adopted by the Group.

**Going concern**

The going concern position for the Company is directly attributable to that of the wider Group and the operations of the Subsidiaries. The directors consider that each Subsidiary will continue to trade for the foreseeable future by meeting their liabilities as they fall due for payment in cash and, accordingly, their financial statements have been prepared on a going concern basis.

The Subsidiaries are financing vehicles for sub-prime mortgages and are financed by the issue of mortgage backed securities. The repayment of 'non-recourse' finance issued by these companies is solely dependent on the performance of the sub-prime mortgages held within those companies. Specifically, if mortgages are in arrears and expected losses on repossession increase, there will be less cash available in the structure to pay finance providers, although there are provisions within the finance agreements for interest on more junior notes to be deferred. Payments are made by the Group company on quarterly Interest Payment Dates (IPD) in accordance with the priority of payments set out in the securitisation transaction documentation. Financial support will not be provided by any company in the Group to support the debts of another Group company. Overall the Group has a deficit of £495k.

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017****1. Accounting policies (continued)****Going concern (continued)**

Principal Deficiency Ledgers are maintained separately in each Subsidiary and cash held back from distribution to Noteholders in respect of any amount of principal which remains outstanding under a mortgage loan after completion of the arrears and default procedures up to certain pre-set limits. The Principal Deficiency Ledgers in each Subsidiary have reached the maximum permitted levels under the separate securitisations with the cash being held in the respective Subsidiary.

2017 saw a further improvement in the UK mortgage and housing market (with the continuation of a low interest rate environment) although conditions remain challenging. The Group has seen accounts greater than 3 months in arrears (> 3 months) reduce slightly to 5.2% by the year end (2016: 6.0%).

Should any Subsidiary be unable to pay amounts due to its Noteholders, then the Security Trustee for that Subsidiary may enforce their security rights over the mortgage pool in that Subsidiary and force the sale and liquidation of the assets. Should this event occur, this may place a long term restriction on the Company's ability to exercise its rights over that Subsidiary and therefore the Subsidiary would no longer be consolidated. No such events have occurred.

The Company has a loan provided by The Law Debenture Intermediary Corporation p.l.c. and this is only repayable to the extent the Company has funds available.

Overall, the Directors consider the Company and the Group are a going concern.

**Income recognition**

The Group's principal source of income is interest receivable which is recognised on an effective interest rate basis (EIR).

In order to determine the EIR applicable to the mortgage loans an estimate must be made of the expected life of each mortgage loan and the cash flows related thereto. These estimates are based on historical data and reviewed as appropriate to reflect the expectations at the balance sheet date. The corresponding charge or release to the profit and loss will be included in the accounting period in which the estimates are revised.

Other income is bank interest earned in the year.

**Interest payable**

Interest is paid to Noteholders quarterly during the year and is recognised on an EIR basis. Interest is calculated using the LIBOR plus a margin on each class of notes outstanding.

**Administrative expenses**

All administrative expenses, which comprise primarily professional fees and other overheads, are accounted for on an accruals basis.

**Mortgage loans and premiums**

Mortgages are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the EIR method.

The amortised cost of the mortgages is the amount at which the mortgage is measured at initial recognition, minus principal repayment, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment.

In applying FRS 102 the Group has made an accounting policy choice by applying the recognition and measurement requirement of IAS 39 *Financial Instruments* instead of Section 11 and 12 of FRS 102. The Group has recognised that the mortgage loans upon initial recognition are measured at fair value and subsequently at amortised cost.



**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017****1. Accounting policies (continued)****Mortgage impairment provisions**

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

All individually significant loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics. Individual assessments are made of all loans and advances on properties which are in possession or which are in arrears by 3 months or more.

A provision may also be made in the case of accounts, which may not currently be in arrears, where the servicer on behalf of the Group has exercised forbearance in the conduct of the account. The provision will be based on the propensity of the account to realise a loss had forbearance not been shown. In all cases account will be taken of any amounts recoverable under contract of indemnity insurance and of anticipated disposal costs. No provision is made against the future carrying costs of impaired loans.

Provisions made during the year are charged to the Statement of comprehensive income, net of recoveries.

**Offsetting financial instruments**

Financial assets and liabilities are offset in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and liability simultaneously.

**Recognition and de-recognition of assets**

The subsidiaries of the Group have acquired mortgage portfolios which include mortgage loans, premiums and the rights, benefits and risks of those assets.

The subsidiaries of the Group derecognise a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the subsidiaries of the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date, or if appropriate, at the forward contract rate.

**Investments in subsidiaries**

Investments in Subsidiaries are stated in the parent Company's balance sheet at cost less any provision for impairment.

**Financial instruments**

As stated, the Group has adopted the requirement of the amendments to IAS 39 *Financial instruments* instead of FRS 102 under Section 11 and 12. The amendments require an entity to classify its financial assets and liabilities held at fair value according to a hierarchy that reflects the significance of observable market inputs.

**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2017****1. Accounting policies (continued)****Derivatives**

The Subsidiaries use derivative financial instruments to hedge their exposure to fluctuations in interest rates and foreign currency movements for risk management purposes. The derivative transactions were each entered into as part of the separate securitisation transactions. The financial instruments are held at fair value.

The derivatives are initially recognised at fair value on the date that the contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income as they arise.

**Financial liabilities**

Financial liabilities in the Group comprise the mortgage backed floating rate Notes, loans, R certificates and deferred consideration. Financial liabilities are initially recorded in the Balance Sheet as the proceeds received net of any direct issue costs. On subsequent reporting dates, financial liabilities are measured at amortised cost based on the original effective interest rate.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, at bank and short-term bank deposits.

**Taxation**

The Subsidiaries have elected to enter the permanent tax regime for securitisation companies. The directors are satisfied that the Subsidiaries meet the definition of a 'securitisation company' as defined by both the Finance Act 2005 and subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.

**Significant accounting judgements and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Although these estimates are based on management's knowledge of the amount, actual results may differ from these estimates. If actual results differ from the estimates, the impact will be recorded in future years.

The most significant judgements and estimates where the Group makes estimates are:

- **Impairment**

Impairment provisions are recorded on loans in arrears where the value of the loan in arrears is in excess of the estimated forced sale value of the underlying property held as security, based on the probability of the loan going into repossession. Estimates are required of the likely forced sale discount on the property and likelihood of the loan going into repossession based on the historical experience of the Subsidiary.

- **Effective interest rate (EIR)**

In order to determine the EIR applicable to the mortgage loans an estimate must be made of the expected life of each mortgage loan and the cash flows related thereto. These estimates are based on historical data and reviewed as appropriate to reflect the expectations at the balance sheet date. Any changes in these estimates will result in an adjustment to the carrying value of the deferred consideration and amounts due to the residual certificate holders. The corresponding charge or release to the profit and loss will be included in the period in which the estimates are revised.

For all financial assets and liabilities measured at amortised cost, income and expenses are recognised in the profit and loss on an EIR basis.

**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2017****1. Accounting policies (continued)****Significant accounting judgements and estimates (continued)**

- Fair value**

Fair values are used in these financial statements for recognition (derivatives) and disclosure purposes.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The existence of published price quotations in an active market is the best evidence of fair value and when they are available they are used. If the market for a financial instrument is not active, fair value is established using a valuation technique. Fair value represents point-in-time estimates that may change in subsequent reporting years due to market conditions or other factors.

The fair value of derivatives is calculated as the present value of their estimated future cash flows and quoted market prices.

**Segmental reporting**

The Company and Group have not disclosed segmental information because in the opinion of the directors the Company and Group operate in one business sector and generate all income in the United Kingdom.

**2. Directors' remuneration and employees**

The Company and Group have no employees (2016: Nil).

None of the directors, all of whom are appointed under the terms of a corporate services agreement entered into by the Subsidiaries with Law Debenture Corporate Services Limited, received any remuneration for their services during the year (2016: £nil) (see Note 23).

**3. Interest receivable and similar income**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
Interest receivable on mortgage loans	<b>19,165</b>	22,267
Bank interest	<b>27</b>	101
Swap interest (net)	<b>(661)</b>	(946)
Effective interest rate income adjustment	<b>(664)</b>	(736)
	<b>17,867</b>	20,686

For the Company, any expenses incurred such as audit fees are charged to the Subsidiaries as recharge income. During the year, the Company has recharged audit fees of £3,936 (2016: £3,840) to its Subsidiaries and this is recognised as revenue in the Company's profit and loss account.

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017**

**4. Interest payable and similar charges**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
Loan interest payable to note holders	5,843	7,971
Loan interest to sub note holders	994	1,031
Payment to the residual certificate holders	8,341	7,998
	<b>15,178</b>	<b>17,000</b>

**5. Impairment (credit) / charge**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Impairment provision (credit) / charge	(391)	582	-	-

**6 Fair value movements of derivatives**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
Fair value gain on derivative assets	251	3,334
Fair value (loss) / gain on derivative liabilities	(8)	9
	<b>243</b>	<b>3,343</b>

**7. (Loss) /profit before taxation is stated after charging;**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
Auditor's remuneration for the audit of the financial statements - Group entities	144	136

During the year the Company audit fees were £3,936 (2016: £3,840) and this is recognised as an administration expense in the Company's profit and loss account.

**8. Taxation**

**(a) Analysis of taxation charge**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
UK corporation tax:		
Current Tax	-	-
Total tax charge	-	-

The Subsidiaries of the Group have elected to be taxed under the permanent regime for the taxation of securitisation companies as laid down by SI 2006/3296. As a result of this election each Subsidiary will be subject to tax on its 'retained profits' as determined in the securitisation documents. As a result, the Company has adjusted its expectation of the timing differences which will reverse on the fair value of derivatives. Accordingly, its estimate of the taxable timing differences is now nil.

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017**

**8. Taxation (continued)**

**(b) Factors affecting the tax charge for the year**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
(Loss) / profit on ordinary activities before tax for the year	<b>(199)</b>	<b>36</b>
UK corporation tax @ 19.25% (2016: 20.00%)	<b>(38)</b>	<b>7</b>
(Loss) / profit not subject to tax	<b>38</b>	<b>(7)</b>
Total current tax expense	<b>-</b>	<b>-</b>

**9a. Mortgage loans**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
<b>Mortgage loan assets movement - Gross</b>		
Mortgage loan assets brought forward	<b>802,220</b>	<b>885,965</b>
Redemptions	<b>(73,877)</b>	<b>(83,007)</b>
Amounts written off in the year	<b>(621)</b>	<b>(738)</b>
Mortgage loan assets carried forward	<b>727,722</b>	<b>802,220</b>
<b>Analysis of net mortgage balance</b>		
Group mortgage loan assets	<b>727,722</b>	<b>802,220</b>
EIR adjustment	<b>330</b>	<b>994</b>
Impairment provision (see Note 9b)	<b>(2,954)</b>	<b>(3,966)</b>
Net mortgage balance at 31 December	<b>725,098</b>	<b>799,248</b>

**9b. Reconciliation of loan loss impairment provision**

	<b>£000</b>	<b>£000</b>
Provision for impairment brought forward	<b>(3,966)</b>	<b>(4,122)</b>
Amounts written off	<b>621</b>	<b>738</b>
Provision credit / (charge) for the year	<b>391</b>	<b>(582)</b>
Provision for impairment carried forward	<b>(2,954)</b>	<b>(3,966)</b>

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017**

**10. Derivative assets**

			<b>Group</b>	
	<b>Notional value</b>	<b>Notional value</b>	<b>2017</b>	<b>2016</b>
	<b>Euros 000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Other derivatives	-	137,053	6,100	5,849
			<b>6,100</b>	<b>5,849</b>

**11. Investments**

The Company owns 49,999 shares (one fully paid, the remainder are quarter paid) each in the share capital of ALBA 2005-1 PLC, ALBA 2006-1 PLC, ALBA 2006-2 PLC and ALBA 2007-1 PLC.

All Subsidiaries are domiciled in the U.K. and 100% owned by the Company.

The funding to allow the Company to incorporate the Subsidiaries was by way of an interest-free loan from The Law Debenture Intermediary Corporation p.l.c. In accordance with the loan agreement, no principal is repayable until the Company has sufficient funds to make payments. As such no repayments have been made during the current or prior year.

	<b>Company</b>	
<b>Investments in subsidiaries</b>	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
As at 1 January	24	24
As at 31 December	<b>24</b>	<b>24</b>

**12. Debtors – amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Other debtors	7,184	999	-	-
Accrued GIC (guaranteed investment contract) interest	2	1	-	-
Intercompany receivable	-	-	4	4
	<b>7,186</b>	<b>1,000</b>	<b>4</b>	<b>4</b>

**13. Cash at bank and in hand**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
Cash deposits with instant access	22,867	31,804
Deposit with Danske Bank A/S (note 18)	34,286	34,286
	<b>57,153</b>	<b>66,090</b>

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017**

**13. Cash at bank and in hand (continued)**

The deposit with Danske Bank A/S represents the cash held following the draw down on the Liquidity Facility as further described in note 17.

The cash deposit with instant access includes the individual Principal Deficiency Ledger fund balances in the Subsidiaries amounting to a total of £19,292k (2016: £19,292k).

**14. Financial liabilities – amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Interest due to Noteholders	354	327	-	-
Interest due on subordinated loans	128	57	-	-
Amounts due to residual certificate holders	354	725	-	-
Audit fees: Group entities	144	136	4	4
Corporation Tax	-	-	-	-
Sundry creditors	730	491	-	-
	<b>1,710</b>	<b>1,736</b>	<b>4</b>	<b>4</b>

Included in the sundry creditor is a balance for customer compensation provision (note 15).

**15. Provision for liabilities**

	<b>Group</b>		<b>Company</b>	
<b>Customer compensation provision</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
At 1 January	-	-	-	-
Charge for the year (including administration expenses)	270	-	-	-
At 31 December	<b>270</b>	<b>-</b>	<b>-</b>	<b>-</b>

The customer compensation provision includes provision for redress to mortgage customers who may have been treated unfairly by automatic capitalisation of shortfall balances under the rules and guidance by the FCA during the year following on from the ruling in the Northern Ireland court case of BoS vs. Rea. These provisions are expected to be utilised within the next 18 months.

**16. Derivative liabilities**

		<b>Group</b>	
	<b>Notional value £000s</b>	<b>2017</b>	<b>2016</b>
		<b>£000s</b>	<b>£000s</b>
Other derivatives	724,845	639	630
FX euro currency	27,072	11	12
		<b>650</b>	<b>642</b>

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2017

## 17. Financial liabilities – amounts falling due after one year

	Group			
	2017 €000s	2017 £000s	2016 €000s	2016 £000s
Notes in issue				
- Class A3 Floating Rate Notes 2042		34,780		38,230
- Class B Floating Rate Notes 2042		11,850		13,025
- Class C Floating Rate Notes 2042		7,252		7,972
- Class D Floating Rate Notes 2042		3,722		4,091
- Class E Floating Rate Notes 2042		2,217		2,437
- Class A3a Floating Loan Notes 2037		24,124		27,052
- Class A3b Floating Loan Notes 2037		16,203		18,170
- Class B Floating Loan Notes 2037		32,224		36,136
- Class C Floating Loan Notes 2037		11,300		12,672
- Class D Floating Loan Notes 2037		8,005		8,976
- Class E Floating Loan Notes 2037		5,415		6,072
- Class A3a Floating Rate Notes 2038		73,884		80,159
- Class A3b Floating Rate Euro Notes 2038	27,072	24,056	29,371	25,061
- Class B Floating Rate Notes 2038		27,911		30,284
- Class C Floating Rate Notes 2038		18,027		19,559
- Class D Floating Rate Notes 2038		12,577		13,646
- Class E Floating Rate Notes 2038		10,898		11,825
- Class F Floating Rate Notes 2038		5,449		5,912
- Loan Notes Class A3 2039		201,966		224,115
- Loan Notes Class B 2039		91,117		101,113
- Loan Notes Class C 2039		47,625		52,850
- Loan Notes Class D 2039		29,712		32,972
- Loan Notes Class E 2039		20,497		22,746
- Loan Notes Class F 2039		17,569		19,496
- Subordinated Loan Notes		19,292		19,292
Total Notes in issue		757,672		833,863
Residual certificate Holders creditors		1,665		1,907
Loans from The Law Debenture Intermediary Corporation plc*		49		49
		759,386		835,819

\*The loans from The Law Debenture Intermediary Corporation plc are a debt of the Company and of the Group.

All the notes are denominated in Sterling or Euro. Coupons are paid quarterly based on LIBOR plus the relevant margin. The range is LIBOR + 0.16% to 5.00% repayable at maturity.

Notes redeemed in the year amount to £76,772k.



**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017**

**17. Financial liabilities – amounts falling due after one year (continued)**

The securitisations in each Subsidiary have an option for early repayment of the Notes which will only be exercised with the prior consent of the Irish Financial Services Regulatory Authority.

The Subordinated Loan Notes are recognised at their principal amount, but in the event of the Security Trustee serving an Enforcement notice, payments will be made in accordance with the “post-enforcement priority of payments” set out in the transaction documents for that Note issue.

Residual certificate holders in the Subsidiaries will be paid any amount left from the waterfall, after paying all the expenses, interest due to Noteholders, issuer profits and any shortfall on principal redemption of the Notes, at each interest payment date.

The Euro/Sterling exchange rate was 1.125 at 31 December 2017 (2016: 1.172).

**18. Liquidity facility drawdowns**

Following the downgrade of Danske Bank A/S’s short term rating in 2009, the subsidiaries of the Group, ALBA 2005-1 and ALBA 2006-1 drew down on their committed liquidity facilities provided by Danske Bank A/S.

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
Danske Bank – Liquidity facility ALBA 2005-1 (note 13)	<b>10,986</b>	10,986
Danske Bank – Liquidity facility ALBA 2006-1 (note 13)	<b>23,300</b>	23,300
	<b>34,286</b>	34,286

The balances set out above are being held in separate Danske Bank A/S accounts as disclosed in Note 13.

**19. Called up share capital**

	<b>Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<i>Allotted and fully paid</i>		
1 ordinary share of £1 held on trust by The Law Debenture Intermediary Corporation plc	<b>1</b>	1

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017**

**20. Financial instruments**

Neither the Company nor the Group entities trade in financial instruments.

The Group's financial instruments, other than the mortgage-backed floating rate notes it has issued, comprise mortgage assets, borrowings, some cash and liquid resources that arise directly from its operations. The main purpose of these financial instruments is to fund the initial origination of mortgages and to provide the Subsidiaries working capital. The note issue structure and interest payments thereon are designed to match the funding and risks inherent in the mortgage portfolios acquired by the Subsidiaries.

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at year end.

**31 December 2017**

<b>Group</b>	Assets measured at fair value through profit and loss	Assets measured at amortised cost less impairment	Total carrying Value
<b>Financial assets</b>	£000s	£000s	£000s
Mortgage loans	-	725,098	725,098
Cash at bank and in hand	-	57,153	57,153
Derivative assets	6,100	-	6,100
<b>Total financial assets</b>	<b>6,100</b>	<b>782,251</b>	<b>788,351</b>
	Liabilities at fair value through profit and loss	Amortised cost	Total carrying Value
<b>Group</b>	£000s	£000s	£000s
<b>Financial liabilities</b>			
Liquidity facility drawdown	-	(34,286)	(34,286)
Long term borrowings	-	(759,386)	(759,386)
Derivative liabilities	(650)	-	(650)
<b>Total financial liabilities</b>	<b>(650)</b>	<b>(793,672)</b>	<b>(794,322)</b>

At a Company balance sheet level, financial assets and liabilities consist of debtors of £4,000 (2016: £4,000) and creditors of £49,000 (2016: £49,000) which are held at amortised cost. The fair value of these financial assets and liabilities materially equates to their book value.

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017**

**20. Financial instruments (continued)**

**31 December 2016**

<b>Group</b>	Assets measured at fair value through profit and loss £000s	Assets measured at amortised cost less impairment £000s	Total carrying Value £000s
<b>Financial assets</b>			
Mortgage loans	-	799,248	799,248
Cash at bank and in hand	-	66,090	66,090
Derivative assets	5,849	-	5,849
<b>Total financial assets</b>	<b>5,849</b>	<b>865,338</b>	<b>871,187</b>

<b>Group</b>	Liabilities at fair value through profit and loss £000s	Amortised cost £000s	Total carrying Value £000s
<b>Financial liabilities</b>			
Liquidity facility drawdown	-	(34,286)	(34,286)
Long term borrowings	-	(835,819)	(835,819)
Derivative liabilities	(642)	-	(642)
<b>Total financial liabilities</b>	<b>(642)</b>	<b>(870,105)</b>	<b>(870,747)</b>

At maturity, the Group subsidiaries are contractually obliged to repay the outstanding loan notes, which in total amount to £740,045k (2016: £816,477k).

**21. Financial risk management**

**a) General**

The risks arising from exposures to the financial instruments are summarised below. When each securitisation was established, the contractual arrangement with counterparties were structured to enable the Subsidiaries of the Group or agents on their behalf to identify all potential risks, monitor them through stress testing and other techniques, and take mitigating action as required

The Subsidiaries of the Group have entered into derivatives transactions at the outset of each securitisation. They have entered into interest rate swaps to manage the interest rate risks associated with certain fixed and floating rate mortgages and foreign exchange derivatives to manage the foreign exchange risk on Euro denominated Notes issued.

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017**

**21. Financial risk management (continued)**

**b) Types of risk**

***Credit risk***

Credit risk arises primarily from the potential for default in the mortgage pools. This risk is managed via the Note Issue terms and conditions whereby credit risk is transferred to the Noteholders. All mortgages are secured on residential property and the Group places strong emphasis on the market value of the properties.

There are no significant concentrations of risk due to the large number of customers within the mortgage portfolio.

The table below provides further information on residential loans by payment due status.

	<b>Group</b>			
	<b>2017</b>		<b>2016</b>	
	<b>£000s</b>	<b>%</b>	<b>£000s</b>	<b>%</b>
<b>Not impaired</b>				
Neither past due nor impaired	<b>689,900</b>	<b>94.8</b>	754,244	94.0
<b>Impaired</b>				
Past due 3 to 6 months	<b>26,181</b>	<b>3.6</b>	32,392	4.0
Past due 7 to 12 months	<b>7,297</b>	<b>1.0</b>	10,195	1.3
Past due over 12 months	<b>2,708</b>	<b>0.4</b>	3,611	0.5
	<b>36,186</b>	<b>5.0</b>	46,198	5.8
<b>Possessions</b>	<b>1,636</b>	<b>0.2</b>	1,778	0.2
	<b>727,722</b>	<b>100.0</b>	802,220	100.0

The maximum exposure to credit risk for the Group is represented by the carrying value of each financial asset as set out below:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
Mortgage loans	<b>727,722</b>	802,220
Derivative assets	<b>6,100</b>	5,849
Debtors	<b>7,186</b>	1,000
Cash at bank and in hand	<b>57,153</b>	66,090
<b>Total and maximum exposure to credit risk</b>	<b>798,161</b>	875,159

**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2017****21. Financial risk management (continued)****b) Types of risk (continued)*****Credit risk (continued)***

The table below sets out the carrying amount and the approximate fair value of the collateral held against exposures to customers. The estimate of fair value is based on the valuation performed at the time of borrowing and re-valued using the House Price Index (HPI) at 31 December 2017, or the most recent valuation if the loan has been individually assessed as impaired. The fair values of collateral are capped at the lower of mortgage book value or collateral fair value on a loan by loans basis.

	2017	2017	2016	2016
	Carrying value	Fair value of collateral	Carrying value	Fair value of collateral
	£000s	£000s	£000s	£000s
Mortgage loans	727,722	727,722	802,220	802,220

***Interest rate risk***

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times.

To this extent the Group has mitigated the risk by matching the floating rates on the mortgage pool with floating rate liabilities. The rates of interest on both the mortgage pool and floating rate liabilities are reset on the basis of LIBOR and Bank of England Base Rate (BBR).

The risks associated with any timing differences that arise with the resetting of the LIBOR and BBR rates are monitored, and the Subsidiaries have entered into interest basis swap agreements with third parties to manage this risk. The principal profiles for each swap are initially input as the expected redemption profile of the individual mortgage pools.

If LIBOR for 3-month sterling deposits was 1% higher or lower, with all other variables held constant, the effect on the Group's net interest income would be immaterial due to the equivalent movements on interest on the Loan notes.

***Liquidity risk***

Mortgage loan assets are funded by the issue of non-recourse notes. Liquidity risk is managed by issuing the notes prior to or at the same time as the assets are acquired. Cash flow forecasts are used to determine the Group's liquidity requirements. Liquidity risks generated by delinquencies and any ultimate credit losses are managed through the non-recourse nature of the Notes and through the liquidity with Danske Bank (see note 18).

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2017

## 21. Financial risk management (continued)

## b) Types of risk (continued)

*Liquidity risk (continued)*

The contractual undiscounted cash flows associated with financial liabilities were as follows:

Group	Carrying value £000s	Expected gross cash flows £000s	After 1 month but within 3 months £000s	After 3 months but within 1 year £000s	After 1 year but within 5 years £000s	After 5 years £000s
<b>As at 31 December 2017</b>						
Liquidity facility drawdown	34,286	34,286		34,286	-	-
Derivative liabilities	650	650	-	-	650	-
Interest on loan notes	72,669	72,669	1,956	5,732	24,616	40,365
Long term borrowings - loan notes	758,134	758,134	17,681	52,602	226,100	461,751
	<b>865,739</b>	<b>865,739</b>	<b>19,637</b>	<b>92,620</b>	<b>251,366</b>	<b>502,116</b>

Group	Carrying value £000s	Expected gross cash flows £000s	After 1 month but within 3 months £000s	After 3 months but within 1 year £000s	After 1 year but within 5 years £000s	After 5 years £000s
<b>As at 31 December 2016</b>						
Liquidity facility drawdown	34,286	34,286	-	34,286	-	-
Derivative liabilities	642	642	-	-	642	-
Interest on loan notes	53,304	53,304	1,641	4,794	18,663	28,206
Long term borrowings - loan notes	835,770	835,770	21,817	64,473	270,312	479,168
	<b>942,002</b>	<b>942,002</b>	<b>23,458</b>	<b>103,553</b>	<b>289,617</b>	<b>507,374</b>

*Foreign currency risk*

Foreign currency risk is the risk that the value of an asset or liability will vary with respect to foreign currency fluctuations. The Group's main foreign currency risk exposure is from the proportion of the mortgage backed floating rate notes issued in connection with the securitisation transactions denominated in Euro by its Subsidiary ALBA 2006-2 PLC. As a result, ALBA 2006-2 PLC has entered into cross currency swaps to provide an economic hedge against the risk of fluctuations in exchange rates, with the derivative instruments used to match the maturity of the underlying floating rate Notes.

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2017**

**22. Financial instruments held at fair value**

Fair values are determined by using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

**Level 1**

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

**Level 2**

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

**Level 3**

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

	Group Valuation based on			Total £000s
	Quoted Market Prices (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	£000s	£000s	£000s	
31 December 2017				
Derivative financial assets	-	-	6,100	6,100
Derivative financial liabilities	-	-	650	650

	Group Valuation based on			Total £000s
	Quoted Market Prices (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	£000s	£000s	£000s	
31 December 2016				
Derivative financial assets	-	-	5,849	5,849
Derivative financial liabilities	-	-	642	642

**23. Related party transactions**

Under the terms of a corporate service agreement Law Debenture Corporate Services Limited is contracted to provide certain corporate services including a registered office, administration and directors among other things for which it charges a corporate service fee. The amount owed by the Group at year end is £6k (2016: £6k).

	Group		Company	
	2017	2016	2017	2016
	£000s	£000s	£	£
Corporate service fee	62	62	-	-

**24. Ultimate parent undertaking**

The one issued share of the Company is held by the Law Debenture Intermediary Corporation plc under a declaration of trust for discretionary charitable purposes. As a result Oakwood Global Assets Limited is considered to be the ultimate parent Company and the ultimate Company that the results of the Group are consolidated. Copies of the financial statements may be obtained from Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London, EC2V 7EX.