

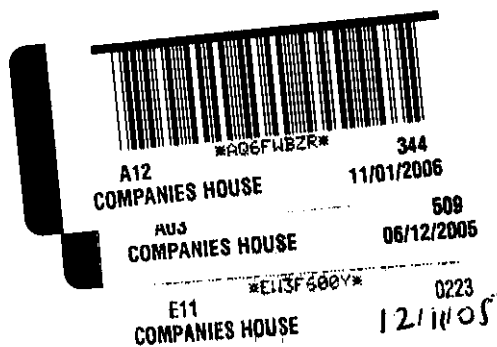
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Chester Asset Securitisation Holdings No.2 Limited
Annual report for the period ended
31 December 2004

Registered no: ~~87842~~



Chester Asset Securitisation Holdings No.2 Limited

Annual report for the period ended 31 December 2004

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Chester Asset Securitisation Holdings No.2 Limited

Directors, secretary and registered office

Directors

Edward Buckland (appointed 11th June 2004, resigned 22nd June 2004)

Shane Hollywood (appointed 22nd June 2004)

Peter Byrne (appointed 11th June 2004)

James Fairrie (appointed 11th June 2004)

Martin McDermott (appointed 11th June 2004)

Robin Baker (appointed 11th June 2004)

Secretary

Bedell Secretaries Limited

26 New Street

St Helier

Jersey

JE2 3RA

Assistant Secretary

SPV Management Limited

Tower 42

International Finance Centre

25 Old Broad Street

London

EC2N 1HQ

Registered office

26 New Street

St Helier

Jersey

JE2 3RA

Chester Asset Securitisation Holdings No.2 Limited

Directors' report for the period ended 31 December 2004

The directors present their report and consolidated financial statements for the period ended 31 December 2004. No comparatives are presented as these are the first statutory accounts for the Group and the Company.

Date of incorporation

The Company was incorporated in Jersey, Channel Islands on 10th June 2004, with registered number 87842.

Review of business

The Group made a profit for the period after taxation of £12,000; the Company made no profit or loss. The directors do not recommend the payment of a dividend. The directors consider the level of business and the results of the Group and Company to be satisfactory.

Principal activity

The principal activity of the Company is investment holding. The Company, together with its sole subsidiary Chester Asset Receivables Dealings Issuer Limited ("Issuer"), were incorporated as special purpose vehicles for the purposes of the MBNA Europe credit card securitisation programme ("the Programme"). The Programme established a structure for the purposes of securitising certain credit card receivables of MBNA Europe Bank Limited ("EBL") arising in the UK. Under the structure, EBL assigns to Credit Card Securitisation Europe Limited ("CCSE") certain receivables in its credit card portfolio.

CCSE acts as a receivables trustee and holds the receivables on trust for the benefit of Deva One Limited, Deva Two Limited and Deva Three Limited (the "Loan Note Issuers"). Deva Three Limited will issue Global Loan Notes from time to time and the Company may subscribe for some or some part of these.

The Group will from time to time issue limited recourse Loan Notes publicly up to a currently anticipated programme limit of £10,000,000,000. The Company will, inter alios, enter into option arrangements in relation to the Loan Notes to be issued by the Issuer.

Directors and their interests

The directors are set out on page 2. None of the directors had any beneficial interest in the shares of the Company during the period.

By order of the board


Director

20 OCT 2005

Statement of directors' responsibilities in respect of the accounts

Companies (Jersey) Law 1991, as amended, requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the accounts comply with Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the members of Chester Asset Securitisation Holdings No. 2 Limited

We have audited the group's financial statements for the period ended 31 December 2004 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows and related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Companies (Jersey) law 1991. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable Jersey law.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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


Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2004 and of its profit for the period then ended and have been properly prepared in accordance with Companies (Jersey) Law 1991.



Ernst & Young LLP
Registered Auditor
Leeds

25 October 2005

Chester Asset Securitisation Holdings No.2 Limited

Consolidated profit and loss account for the period ended 31 December 2004

	Notes	Period from incorporation to 31 December 2004 £'000
Interest receivable and similar income	15	25,815
Interest payable and similar charges	2,15	(12,513)
Net interest income		13,302
Operating expenses	15	(13,290)
Profit before taxation	3	12
Taxation	4	-
Profit for the period	12,15	12

The Group and the Company has no other gains or losses and therefore no separate Statement of Total Recognised Gains and Losses is presented.

Results relate to continuing operations.

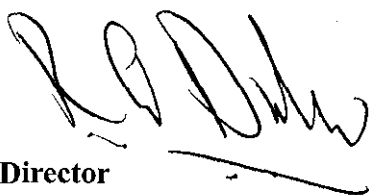
The accompanying notes on pages 10 to 16 form an integral part of these financial statements.

Chester Asset Securitisation Holdings No.2 Limited

Consolidated balance sheet as at 31 December 2004

	Notes	2004 £'000
Investments	6	<u>737,701</u>
Current assets		
Debtors	7,15	9,834
Cash at bank		<u>9</u>
		9,843
Creditors: Amounts falling due within one year	8,15	<u>(9,831)</u>
Net current assets		<u>12</u>
Total assets less current liabilities		737,713
Creditors: Amounts falling due after more than one year	9	<u>(737,701)</u>
Net assets		<u><u>12</u></u>
Capital and reserves		
Called up share capital	10	-
Profit and loss account	12	<u>12</u>
Equity shareholder's funds	11	<u><u>12</u></u>

The financial statements on pages 6 to 16 were approved by the board of directors on 20th October 2005 and were signed on its behalf by:



Director

The accompanying notes on pages 10 to 16 form an integral part of these financial statements.

Chester Asset Securitisation Holdings No.2 Limited

Company balance sheet as at 31 December 2004

	Notes	2004 £
Investments	6	2
Net assets		<u>2</u>
Capital and reserves		
Called up share capital	10	<u>2</u>
Equity shareholder's funds	11	<u>2</u>

The accompanying notes on pages 10 to 16 form an integral part of these financial statements. The Company made no profit or loss during the period. A separate Company profit and loss account is not presented.

Chester Asset Securitisation Holdings No.2 Limited

Consolidated statement of cash flows for the period ended 31 December 2004

	Notes	2004 £'000
Net cash inflow from operating activities	14 (a)	9
Capital expenditure and financial investment		
- Investment in loan notes issued by Deva Three Ltd		(737,229)
Financing		
- Issue of Loan Notes		750,340
- Issue costs		(13,111)
Increase in cash		9

Reconciliation of net cash flow to movement in net debt

	Notes	2004 £'000
Increase in cash in the period		9
- Loan Notes		(737,229)
Change in net debt resulting from cash flows	14 (b)	(737,220)
Amortisation	14 (b)	(472)
Movement in net debt		(737,692)
Net debt at 31 December	14 (b)	(737,692)

The accompanying notes on pages 10 to 16 form an integral part of these financial statements.

Notes to the financial statements for the period ended 31 December 2004

1 Principal accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with accounting standards generally accepted in Jersey, incorporating United Kingdom accounting standards.

Basis of consolidation

The consolidated financial statements include the Company and its wholly owned subsidiary, the Issuer, (collectively the "Group"). The result of the subsidiary acquired during the period is included in the consolidated profit and loss account from the date of its acquisition. There are no intra group transactions. Profit figures relate only to external transactions only.

Comparatives

No comparatives are presented, as these are the first statutory accounts of the Group and the Company.

Turnover

Turnover and cost of sales do not have meaningful equivalents for the business of the Group and the Company and are not defined in these accounts.

Interest receivable and funding costs

Interest receivable and payable are accounted for on an accruals basis. Income receivable relates to the Loan Notes purchased from Deva Three Limited.

Investments

Investments are stated at cost less any provision for permanent diminution in value.

Capital Instruments

Shares are included in shareholder's funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholder's funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Chester Asset Securitisation Holdings No.2 Limited

1 Principal accounting policies (continued)

Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contractual rate if the contract is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate.

Derivative Instruments

The Group uses cross currency swaps to hedge foreign currency liabilities and eliminate foreign exchange risk. The rates under such contracts are used to record the hedged item.

The Group also uses interest rate swaps to change the character of interest rates by converting a fixed rate liability to a floating rate liability. The interest differential is recognised by accruing the net interest payable. Interest rate swaps and cross currency swaps are not revalued to fair value or shown on the Group or the Company's balance sheet at the year end.

2 Interest payable and similar charges

Group	2004 £'000
Interest payable on Loan Notes expiring after more than 5 years	12,041
Amortisation of Loan Note issue costs	472
	<hr/>
	12,513
	<hr/>

3 Profit before taxation

Profit before taxation is stated after accruing a charge of £1,925 in respect of auditor's remuneration.

Chester Asset Securitisation Holdings No.2 Limited

4 Taxation

The Company and its subsidiary have been granted exempt company status for the year of assessment under Article 123A of the Income Tax (Jersey) Law 1961 (as amended) and the status is renewed annually. The Company and its subsidiary intend to maintain such status for as long as it is available pending the introduction of a general zero rate of corporate tax in Jersey. An annual exempt company charge of £600 is payable to the Comptroller of Income Tax in Jersey.

5 Employees and director's remuneration

There were no people (including directors) employed by the Group or the Company during the year. There was no employee remuneration or directors' emoluments paid in the year.

6 Investments

Group

During the period, the Group purchased class A loan notes of £550 million, class B loan notes of €125 million and class C loan notes of €175 million from Deva Three Limited, a related party (see note 15).

The Loan Notes were purchased at a discount of £13.1 million and this amount is being debited to the net investment and credited to the profit and loss account at a constant periodic rate over the life of the Loan Notes.

Company

During the period the Company purchased the entire share capital of Chester Asset Receivables Dealings Issuer Limited for £2.

7 Debtors

Group

2004
£'000

Due from related parties

9,834

Chester Asset Securitisation Holdings No.2 Limited

8 Creditors: amounts falling due within one year

Group	2004
	£'000
Creditors - interest payable	5,773
Accruals	4,058
	<hr/>
	9,831
	<hr/>

9 Creditors: amounts falling due after more than one year

The following Loan Notes were issued during the year:

Class	Date	Loan Note details	Nominal value £'000	Issue costs £'000	Book value £'000
A1	3/8/04	£300m due 2011 at LIBOR + 0.18%	300,000	772	299,228
B1	3/8/04	€125m due 2011 at EURIBOR + 0.47%	83,475	3,643	79,832
C1	3/8/04	€175m due 2011 at EURIBOR + 0.85%	116,865	8,258	108,607
A2	9/11/04	£250m due 2009 at LIBOR + 0.12%	250,000	438	249,562

Issuance costs credited to net proceeds and debited to the profit and loss account at a constant periodic rate over the life of the Loan Notes

472

737,701

10 Shares in group undertakings

The Company has one wholly owned subsidiary undertaking as follows:

Name of undertaking	Nature of business
Chester Asset Receivables Dealings Issuer Limited	Financing

11 Share capital

	2004
	£
Authorised	
2 ordinary shares of £1 each	2
	<hr/>
Allotted, called up and fully paid	
2 ordinary shares of £1 each	2
	<hr/>
	2
	<hr/>

The Company was incorporated with an authorised share capital of £2.00, comprising of 2 ordinary shares of £1.00 each, both of which were issued and fully paid on incorporation.

Chester Asset Securitisation Holdings No.2 Limited

12 Reconciliation of movement in equity shareholder's funds

Group

	2004 £'000
New share capital issued	-
Profit for the period	12
Equity shareholder's funds at 31 December	12

Company

	2004 £
New share capital issued	2
Equity shareholder's funds at 31 December	2

13 Derivatives and other financial instruments

Disclosures dealt with below, other than currency disclosures, exclude short term debtors and creditors.

After taking account of interest rate and currency swaps entered in to by the Group, the interest rate profile of the financial liabilities of the Group at 31 December is as follows:

	Floating rate financial liabilities 2004 £'000
Sterling	750,340

Floating rate liabilities comprise the Class A1, B1, C1 and A2 Loan Notes described in note 9. The group entered into the following currency swaps:

Loan Note	Principal	Interest rate	Swap principal	Swap rate
Class B1	€125,000,000	EURIBOR + 0.47%	£83,475,000	LIBOR minus 0.13%
Class C1	€175,000,000	EURIBOR + 0.85%	£116,865,000	LIBOR minus 0.13%

The currency will be swapped back at the same exchange rate on maturity in 2011. The liability has therefore been recorded at the contract rate such that gains or losses are offset against gains or losses on the forward contract. The instrument achieves the Group's objective of eliminating exchange risk and managing interest rate risk on a floating rate basis.

Chester Asset Securitisation Holdings No.2 Limited

13 Derivatives and other financial instruments (continued)

The interest rate profile of the financial assets of the Group at 31 December was as follows:

	Floating rate financial assets 2004 £'000
Sterling	750,349

Cash at bank bears interest at commercial rates. The interest arising from the Loan Notes acquired from Deva Three Limited (as described in Note 6) is determined so as to provide the Group with a 0.01% margin in respect of the outstanding principal amount of Loan Notes up to £250m and a 0.001% in respect of the outstanding principal amount of Loan Notes over £250m. There are no other foreign currency monetary assets or liabilities.

The maturity profile of the Group's financial liabilities at 31 December 2004 is as described in note 9. The Group had no undrawn committed borrowing facilities at 31 December 2004.

The directors believe that the historical cost of the financial assets and liabilities of the Group equate to their fair value at 31 December 2004. The fair value of the derivative financial instruments is £21.5 million.

14 Notes to the consolidated statement of cash flows

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2004 £'000
Profit before taxation	12
(Increase) in debtors	(9,834)
Increase in creditors	9,831
Net cash inflow from operating activities	9

(b) Analysis of changes in net debt

	At 10 June 2004 £'000	Cash flow £'000	Other non-cash Movements £'000	At 31 December 2004 £'000
Cash	-	9	-	9
Loan Notes	-	(737,229)	-	(737,229)
Amortisation of Issuance Costs	-	-	(472)	(472)
	-	(737,220)	(472)	(737,692)

Chester Asset Securitisation Holdings No.2 Limited

15 Related party transactions

During the period the Group invested £750.3 million in loan notes issued by Deva Three Limited. As at 31 December the Company, its subsidiary and Deva Three Limited are deemed to be quasi subsidiaries of EBL under the principle of Financial Reporting Standard No.5.

Interest receivable and similar income comprises £25.3 million receivable from Deva Three Limited. £9.8 million of this amount is outstanding at the period end. Operating expenses include £13.3 million payable to Deva Three Limited. £4.1 million of this amount is outstanding at the period end.

The issued share capital of the Company is owned by SPV Management Limited as trustee of the MTN Issuer Charitable Trust for certain charitable purposes. Administration services are provided by SPV Management Limited and Bedell Trust Company Limited to the group and Company. Bedell Secretaries Limited has been appointed as company secretary and SPV Management Limited has been appointed as assistant company secretary.

James Fairrie, Martin McDermott and Robin Baker are also directors of SPV Management Limited and the Issuer. Shane Michael Hollywood and Peter Byrne are also directors of Bedell Trust Company Limited, Bedell Secretaries Limited and the Issuer. Duncan Akin is also a director of CCSE and the Loan Note Issuers.

16 Ultimate controlling Party

The directors regard MBNA Corporation, a company incorporated in the United States of America, as the ultimate controlling party of EBL. The Company and its subsidiary have been consolidated in the accounts of EBL. Copies of EBL's consolidated accounts are available from MBNA Europe Bank, Stansfield House, Chester Business Park, Chester, CH4 9QQ.