ALBA 2006-2 PLC

Annual Report and Financial Statements

For the year ended 31 December 2018

Registered number 5818994

Company information

Directors

L.D.C Securitisation Director No.3 Limited
L.D.C Securitisation Director No.4 Limited
Mark Filer

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 Alba 2006-2 PLC (the "Company") for the year ended 31 December 2018.

Overview of the company

The Company was incorporated in England and Wales on 16 May 2006, as Tabbyway PLC and changed its name to Alba 2006-2 PLC on 25 August 2006.

On 8 November 2006 the Company issued a prospectus (the "Prospectus") to issue floating rate notes ("Notes"), which are listed on the Irish Stock Exchange, in order to acquire portfolios of sub-prime mortgages (the "Mortgage Portfolio") as part of a securitisation transaction. The Company raised £466,641k and €110,000k (GBP equivalent, £73,850k at transaction date) through the Note issue. The Notes have a final maturity date of 15 December 2038. Under the terms of the securitisation transaction the Mortgage Portfolio is serviced by Homeloan Management Limited (the "Servicer").

Principal activities

The principal activity of the Company was to use the proceeds of the Notes to acquire portfolios of residential mortgages and enter into all financial arrangements in connection with the securitisation transaction. Currently the Company collects mortgage interest to service the Notes through the Servicer.

Business review

During the year, the Company performed in accordance with its obligations under the securitisation transaction documents. In the current year the Company repaid £6,026k of its issued A3a Notes (being 3.68% of the issued Notes in that class), €2,208k of its issued A3b Notes (being 3.68% of the issued Notes in that class), £2,277k of its issued B Notes (being 5.17% of the issued Notes in that class), £1,471k of its C Notes (being 5.17% of the issued Notes in that class), £1,026k of its issued D Notes (being 5.17% of the issued Notes in that class), £889k of its issued E Notes (being 5.17% of the issued Notes in that class) and £445k of its issued F Notes (being 5.17% of the issued Notes in that class). Prior year redemptions are disclosed by the Company in the year that they occurred.

There were no new issues of Notes during the year ended 31 December 2018 or post-year end up to the date of this report.

The directors consider the financial position of the Company to be satisfactory.

Results

The results for the year are set out on page 12.

During the current year the Company made a profit of £299k (2017: loss £839k), including a derivative fair value gain of £116k (2017: £296k gain).

Strategic report (continued)

Key performance indicators (KPIs)

As a securitisation transaction, the key performance indicators used by management are predominantly consideration of whether there have been any breaches of the transaction documents. The directors do not believe that there have been any breaches during the year.

Financial KPIs - the actual receipts and payments of interest to and by the Company are monitored through the bank statements and measured against schedules and forecasts prepared by the servicers of the mortgage pools, in accordance with the transaction documents. Detailed information about the performance of the Mortgage Portfolio is contained in the quarterly investor reports which contain a range of data on the performance of the mortgage portfolio. As presented in the 15 March 2019 investor report (15 March 2018), the KPIs of the portfolio include:

- the percentage of the pool greater than 3 months in arrears was 2.50% (2017: 3.88%);
- the weighted average current loan to value (by original value) was 80.66% (2017: 80.49%);
- the average loan size was £116,005.53 (2017: £117,392.38);
- the weighted average interest rate was 2.99% (2017: 2.68%).

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

Going concern

Key factors in determining going concern include cash flows, loan losses and loan loss impairment provisions. The repayment of Notes issued by the Company is solely dependent on the performance of the mortgages acquired. Specifically, if mortgages in arrears and expected losses on repossession increase, there may be less cash available to pay Noteholders. The legal structure of the Notes means that the Company is only required to pay out funds to the extent that it has received them from mortgage holders. The Company will draw on its reserve fund when necessary and this might lead to a principal deficiency if there are insufficient cash flows or reserve funds to pay Note holders and others.

However, the Company is not required to fund the deficiency until either a contractual maturity of the Notes or an early termination trigger event has occurred. These trigger events are monitored for the Company by its agents and to the best knowledge of the directors, no such trigger events have occurred in 2018 or up to the date of this report or are expected to occur in the foreseeable future.

The directors believe that these factors should enable the Company to continue to trade normally and that, notwithstanding any deterioration that might arise in the housing market or in the general economy within the next 12 months, the Company will be able to pay any interest falling due for payment over the next 12 months based on current expectations of the performance of the mortgage portfolio.

Should the cash-flows be insufficient the Company may default on any Note payments due. In such circumstances, the Security Trustee may choose to dispose of the Company's assets and, potentially, wind up the Company. The directors have reviewed the cash flows for the next 12 months and are satisfied that the Company has sufficient projected cash flows to be able to meet its liabilities as they fall due.

Having reviewed these factors, and taking into account current market conditions, in the opinion of the directors, the Company remains a going concern and the accounts have been prepared on this basis.

Strategic report (continued)

Principal risks and uncertainties

The principal financial risks faced by the Company are credit, interest, foreign currency and liquidity risks. These include 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 at note 19 to the financial statements.

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 to repossession. More information, including about forbearance, is included in Note 1.

Internal controls, risk profile and risk management

The directors have overall responsibility for the Company's internal control system which encompasses business, operational and compliance risks in relation to the securitisation transaction entered into by the Company. The principal risks faced by the Company are set out at Note 19, including a description of how those risks are managed.

Derivatives and other financial instruments

The Company's financial instruments, other than derivatives and fixed and variable rate mortgages, comprise the Notes and cash and other liquid resources. The purpose of these financial instruments is to provide the Company's working capital. Further details are set out in note 20 of the accounts.

Future developments

Although the UK economy currently remains resilient, the UK faces a period of political and economic uncertainty in relation to the UK's departure from the European Union ("Brexit"), with the risk of a potentially negative impact on the UK macro economy. Any economic downturn may impact on the ability of the underlying borrowers to repay their mortgages and potentially lead to increases in mortgage arrears and defaults. The Servicer will also continue to monitor customer behaviour and aim to keep arrears and repossession levels as low as possible.

By order of the board,

Virginia Duncan

Law Debenture Corporate Services Limited
Company Secretary

28 June 2019

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

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
- Mark Filer

The Company has no employees (2017: nil).

Directors' interests

During the year none of the directors held beneficial interests in the shares of the Company.

Proposed dividend

The directors do not recommend the payment of a dividend (2017: £Nil).

Political and charitable donations

The Company made no political or charitable donations during the year (2017: £Nil).

Auditor

KPMG LLP were first appointed as the Company's auditor on 5 February 2008 and in 2017 the Company had put the audit out to tender. Following the tender process and considering the impact on the Company, the directors made their recommendation to the Board and the Board resolved to reappoint KPMG LLP as Auditor to the Company.

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 he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board,

Virginia Duncan

Law Debenture Corporate Services Limited

Company Secretary

28 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRETEGIC 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 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for 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, and have 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 MEMBERS OF ALBA 2006-2 PLC

1 Our opinion is unmodified

We have audited the financial statements of Alba 2006-2 Plc ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and statement 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 Company's affairs as at 31 December 2018 and of its profit 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to those charged with governance.

We were first appointed as auditor by the directors on 5 February 2008. The period of total uninterrupted engagement is for the 11 financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	**Our response**
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 2 (strategic report)	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in loan impairment provision below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.

	The risk	Our response
	depend on assessments of the future economic environment and the Company's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	**Sensitivity analysis:** When addressing loan impairment provision and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on loan impairment provision we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under loan impairment provision, we found the resulting estimates and related disclosures of loan impairment and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Loan impairment provision (£512,000, 2017: £573,000) *Refer to page 17 (accounting policy) and note 9 (financial disclosures)*	**Subjective estimate** The Company holds a portfolio of loans consisting of United Kingdom residential mortgages. A loan impairment provision is made which represents the Directors' best estimate of losses incurred within the portfolio of loans at the balance sheet date. The loan impairment provision is derived from a model that uses historical experience adjusted for current conditions. In particular, judgement is required on the key assumptions of forced sale discount and probabilities of default. The model is	Our procedures included: **Historical comparison:** We assessed the key assumptions used in the model, being forced sale discount and probability of default, against the Company's historical experience. **Benchmarking assumptions:** We compared the key assumptions used in the model, being forced sale discount and probability of default, with those of comparable companies. **Sensitivity analysis:** We assessed the loan impairment provision model for its sensitivity to changes in the key assumptions of probability of default and forced sale discount, by performing stress testing informed by the benchmarking and historical comparisons performed. We have also performed specific stress testing over higher risk loans; including loans in forbearance arrangements and

	The risk	Our response
	also most sensitive to these two assumptions. There is a risk that the provision is not reflective of the incurred losses at the end of the period due to these subjective estimates. The effect of these matters is that, as part of our risk assessment, we determined that the loan impairment provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	interest only loans which are approaching maturity. **Assessing transparency:** We assessed the adequacy of the Company's disclosures about the degree of estimation involved in arriving at the loan impairment provision. **Our results** We found the resulting estimate of the loan portfolio impairment provision to be acceptable (2017: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1,645,000 (2017: £1,750,000), determined with reference to a benchmark of Total Assets of £164.4m (2017: £178.0m) (of which it represents 1.0% (2017: 1.0%)).

We consider Total Assets to be the most appropriate benchmark for materiality as the company is not set up to make a statutory profit and accordingly its strategy is not one purely of profit maximisation. Total assets are deemed to be the benchmark which users of the financial statements focus their attention on.

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £82,000 (2017: £87,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Company's available financial resources over this period was the impact of Brexit on the Company's liquidity and capital.

As these were risks that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit on loan collateral valuations.

Based on this work, 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 a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information:
- 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.

6 We have nothing to report on the other 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- 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.

We have nothing to report in these respects.

7 Respective responsibilities

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 including 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 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 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 other irregularities (see below), 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, other irregularities 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.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, sanctions list and financial crime and various requirements governing securitisation transactions, recognising the nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 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

David Allen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

28 June 2019

Statement of comprehensive income
For the year ended 31 December 2018

	Note	2018 £000s	2017 £000s
Interest receivable and similar income	3	**4,258**	4,020
Interest payable and similar charges	4	**(3,649)**	(3,538)
Net interest income		**609**	482
Foreign exchange gain / (loss)	5	**251**	(581)
Administration expenses		**(647)**	(760)
Impairment charge	6	**(30)**	(276)
Fair value gain on derivatives	7	**116**	296
Profit / (loss) on ordinary activities before taxation		**299**	(839)
Taxation	8	**-**	-
Profit / (loss) for the year		**299**	(839)
Other comprehensive income		**-**	-
Total comprehensive Income / (expense)		**299**	(839)

All the Company's income is derived from continuing activities.

The Notes on pages 16 to 30 form part of these financial statements.

Balance sheet
As at 31 December 2018

	Note	2018 £000s	2017 £000s
Non-current assets			
Mortgage loans	9a	**152,744**	165,676
Derivative assets	10	**6,126**	6,036
Total non-current assets		**158,870**	171,712
Current assets			
Debtors: amounts falling due within one year	11	**558**	2,014
Cash at bank and in hand	12	**4,982**	4,279
		164,410	178,005
Current liabilities			
Financial liabilities: Amounts falling due within one year	13	**(353)**	(352)
Total assets less current liabilities		**164,057**	177,653
Non-current liabilities			
Derivative liabilities	16	**(94)**	(120)
Financial liabilities: Amounts falling due after more than one year	15	**(162,424)**	(176,293)
Net assets		**1,539**	1,240
Capital and reserves			
Called up share capital	17	**12**	12
Retained earnings		**1,527**	1,228
Shareholder's funds		**1,539**	1,240

The Notes on pages 16 to 30 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28 June 2019 and were signed on its behalf by:

Mark Filer

For and on behalf of
L.D.C Securitisation Director No. 3 Limited
Director

Statement of changes in equity
As at 31 December 2018

	Share capital £000s	Retained earnings £000s	Total £000s
Balance at 01 January 2017	12	2,067	2,079
Loss for the year	-	(839)	(839)
Balance at 31 December 2017	12	1,228	1,240
Balance at 01 January 2018	**12**	**1,228**	**1,240**
Profit for the year	**-**	**299**	**299**
Balance at 31 December 2018	**12**	**1,527**	**1,539**

The Notes on pages 16 to 30 form part of these financial statements.

Statement of cash flows
For the year ended 31 December 2018

	Note	2018 £000s	2017 £000s
Cash flows from operating activities			
Profit / (loss) on ordinary activities before tax		**299**	(839)
Adjustment for non-cash items			
Net interest income		**(609)**	(482)
Impairment charge	6	**30**	276
Fair value of movement of derivative	5/7	**(116)**	(296)
Exchange (gain) / loss on Euro Notes	5	**(251)**	581
		(647)	(760)
Changes in :			
Decrease in mortgage loans	9a	**12,798**	14,052
Decrease / (increase) in trade debtors and other receivables	11	**1,456**	(1,783)
(Decrease) / increase in trade creditors and other payables	13	**(6)**	81
		13,601	11.590
Interest received	3	**4,362**	4,229
Interest paid	4/13	**(3,642)**	(3,562)
Net cash from operating activities		**14,321**	12,257
Cash flows from financing activities			
Repayment of loan notes	16	**(13,618)**	(14,225)
Net cash from financing activities		**(13,618)**	(14,225)
Increase / (decrease) in cash in the year		**703**	(1,968)
Cash and cash equivalent at 1 January		**4,279**	6,247
Cash and cash equivalents at 31 December	12	**4,982**	4,279

The Notes on pages 16 to 30 form part of these financial statements.

Notes (forming part of the financial statements)
For the year ended 31 December 2018

1. Accounting policies

The Company was incorporated in England and Wales on 16 May 2006, as Tabbyway PLC and changed its name to Alba 2006-2 PLC on 25 August 2006. The Company has its registered office at 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.

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 are prepared on the historical cost basis except for derivative financial instruments and financial instruments classified at fair value through the profit or loss which are stated at their fair values.

Going concern

Key factors in determining going concern include cash flows, loan losses and loan loss impairment provisions. The repayment of Notes issued by the Company is solely dependent on the performance of the pool of mortgages acquired. Specifically, if mortgages in arrears and expected losses on repossession increase, there may be less cash available in the structure to pay Noteholders. The legal structure of the Notes means that the Company is only required to pay out funds to the extent that it has received them from mortgage holders.

The directors consider that the Company will continue to trade for the foreseeable future by meeting its liabilities as they fall due for payment in cash and, accordingly, the financial statements have been prepared on a going concern basis.

The Company holds a pool of sub-prime mortgages which were purchased by Oakwood Homeloans Limited and securitised in the Company. The repayment of non-recourse finance issued by the Company is solely dependent on the performance of this pool of mortgages. Specifically, if mortgages in arrears and expected losses on repossession increase, there will be less cash available in the structure to repay the loan note holders.

Payments are made by the Company on quarterly Interest Payment Dates (IPD) in accordance with the priority of payments set out in the securitisation transaction documentation. Payments are made only to the extent that the Company has funds available in accordance with the terms of the securitisation documentation.

Principal Deficiency Ledgers are maintained 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. These Principal Deficiency Ledgers have reached the maximum permitted levels under the securitisation documentation with the cash being held by the Company.

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

Going concern (continued)

At June 2018, the Company held £3.5m of cash (June 2017: £3.5m) in the Principal Deficiency Ledger which is available to cushion adverse performance in the mortgages. The directors believe that the reserve fund will continue to meet its target levels. In the event that the reserve funds drops below the target level and should the Company face shortfalls in receipts, the transaction documents permit deferral of interest payments on certain junior Notes. Taking these factors into account, the directors consider that they will be able to pay any interest actually due in cash over the next 12 months based on current expectations of the performance of the mortgage portfolio, although the Company will have only limited cash headroom.

Should the cashflow be insufficient the Company may default on any loan note payments due. In such circumstances, the Security Trustee may declare the Company's Notes due and repayable and may choose to dispose of the Company's assets and, potentially, wind up the Company. The directors have considered the cashflows for the next 12 months and are satisfied that the Company will continue to be able to meet its liabilities as they fall due.

Having reviewed these factors, and taking into account current market conditions, in the opinion of the directors, the Company is a going concern and the financial statements have been prepared on this basis.

Income recognition
The Company's principal source of income is interest receivable which is recognised on an effective interest rate basis.

Interest income is recognised in profit or loss 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, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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 effective interest rate 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.

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

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 effective interest method.

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

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 effective interest method (see income recognition) of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment.

Mortgage impairment provisions
At each reporting date the Company 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 assets and that the loss event has an impact on the future cash flows of the assets 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 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 Company 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.

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

Recognition and de-recognition of assets
The Company acquires mortgage portfolios which include mortgage loans, premiums and the rights, benefits and risks of these assets. In applying FRS 102, the Company uses the recognition and measurement requirement of IAS 39 instead of Section 11 and 12 of FRS 102. These assets are recognised in the Balance sheet.

The Company derecognises 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 Company 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 are reported at the rate of exchange prevailing at that date, or if appropriate, at the forward contract rate.

Financial instruments
Derivative financial instruments used for non-trading purposes include interest rate swaps and currency swaps, which are used primarily as a risk management tool for hedging interest rate risk arising on Balance sheet assets and liabilities held at fair value.

The Company has taken advantage of the exemption to exclude short term trade debtors and creditors from the financial instruments analysis.

Foreign currency and interest rate derivatives
The Company uses derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates. In accordance with IAS 39, derivative financial instruments are accounted for 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 comprise the mortgage backed floating rate Notes, loans 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 Company has elected to enter the permanent tax regime for securitisation companies. The directors are satisfied that the company meets 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.

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2017

1. Accounting policies (continued)

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 period. 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 periods.

- **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 limited historical experience of the vehicle.

  In the current year, there is impairment charge through the Statement of comprehensive income this is due to the forced sale discount (force sale discount is calculated using the sale proceeds less cost of disposal compared to indexed market value of property being disposed on the date of sale) has increased to 49% (2017: 47%), mainly due to few properties being repossessed. The FSD has been calculated using the simple average of last three years.

- **Effective interest rate**
  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 have been fully amortised in the current period. 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 income statement on an EIR basis.

- **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 periods due to market conditions or other factors.

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

Segmental reporting

The Company has not disclosed segmental information because in the opinion of the directors the Company operates in one business sector and generates all income in the United Kingdom.

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

2. Directors' remuneration and employees

The Company has no employees (2017: Nil).

None of the directors all of whom are appointed under the terms of a Corporate Services Agreement entered into by the Company with Law Debenture Corporate Services Limited, received any remuneration for their services during the year (2017: £Nil) (see Note 22).

3. Interest receivable and similar income

	2018	2017
	£000s	£000s
Bank interest	**28**	5
EIR income adjustment	**(104)**	(209)
Swap interest (net)	**(171)**	(64)
Interest receivable on mortgage loans	**4,505**	4,288
	4,258	4,020

4. Interest payable and similar charges

	£000s	£000s
Payment to the residual certificate holders	**1,774**	2,096
Payment to sub note holders	**197**	186
Loan interest payable to note holders	**1,678**	1,256
	3,649	3,538

5. Foreign exchange (gain) / loss

	£000s	£000s
Foreign currency (gain) / loss on euro Notes	**(251)**	581

5a. Profit on ordinary activities before taxation is stated after charging;

	£000s	£000s
Auditor's remuneration for the audit of these financial statements	**43**	40

6. Impairment charge

	£000s	£000s
Impairment provision charge	**30**	276

7. Fair value movements of derivatives

	£000s	£000s
Fair value movements of derivatives assets	**90**	300
Fair value movements of derivatives liabilities	**26**	(4)
Gain in fair value movements of derivative	**116**	296

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

8. Taxation

(a) Analysis of taxation charge

	2018 £000s	2017 £000s
UK corporation tax:		
Current tax	-	-
Total current tax	-	-

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The difference is explained below:

	£000s	£000s
Profit / (loss) on ordinary activities before tax for the year	299	(839)
UK corporation tax at 19.00% (2017: 19.25%)	57	(162)
Accounting Profit / (loss) not taxable in accordance with Statutory Instrument No 3296 The Taxation of Securitisation Companies Regulation 2006	(57)	162
Total current tax expense	-	-

(c) Factors affecting the Company current tax charge for the year

The Company has elected to enter the permanent tax regime for securitisation companies. The directors are satisfied that the Company meets 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.

9a. Mortgage loans

	£000s	£000s
Mortgage assets movement – gross		
Mortgage assets brought forward	166,145	180,260
Redemptions	(12,798)	(14,052)
Bad debt written off in year	(91)	(63)
Mortgage assets carried forward	153,256	166,145
Analysis of net mortgage balance		
Gross mortgage assets	153,256	166,145
Effective interest rate adjustment	-	104
Provision for bad debt	(512)	(573)
Net mortgage balance at 31 December	152,744	165,676

9b. Reconciliation of loan loss impairment provision

	£000	£000
Provision for impairment brought forward	(573)	(360)
Amounts written off	91	63
Impairment charge for the year	(30)	(276)
Provision for impairment carried forward	(512)	(573)

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

10. Derivative assets

	Notional value Euro 000s	Notional value £000s	2018 £000s	2017 £000s
Interest rate derivatives	-	16,700	6,126	6,036
			6,126	6,036

11. Debtors: Amounts falling due within one year

	£000s	£000s
Other debtors	558	2,014

12. Cash at bank and in hand

	£000	£000
Cash deposits with instant access	4,982	4,279
	4,982	4,279

The cash deposit with instant access includes £3.49m (2017: £3.49m) of cash held in relation to the Principal Deficiency Ledger.

13. Financial liabilities: amounts falling due within one year

	£000s	£000s
Audit fees in respect of the company	43	40
Interest due to Subordinated and loan noteholders	159	152
Sundry creditors	151	160
	353	352

Included in the sundry creditor is a balance for customer compensation provision (note 14).

14. Provision for liabilities:

Customer compensation provision	£000s	£000s
At 1 January	85	-
Charge for the year (included in administration expenses)	-	85
Amounts paid during the year	(85)	-
At 31 December	-	85

The customer compensation provision included provision for redress to mortgage customers who may have been treated unfairly by automatic capitalisation of shortfall balances under the rules and guidance issued by the FCA following on from the ruling in the Northern Ireland court case of BoS vs. Rea. These amounts were settled during the year.

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

15. Financial liabilities: amounts falling due after more than one year

	Interest margin %	2018 €000s	2018 £000s	2017 €000s	2017 £000s
Class A3a Floating Rate Notes due 2038	**0.17**		**67,858**		73,884
Class A3b Floating Rate Euro Notes due 2038	**0.16**	**24,864**	**22,321**	27,072	24,056
Class B Floating Rate Notes due 2038	**0.22**		**25,634**		27,911
Class C Floating Rate Notes due 2038	**0.26**		**16,556**		18,027
Class D Floating Rate Notes due 2038	**0.46**		**11,551**		12,577
Class E Floating Rate Notes due 2038	**0.95**		**10,009**		10,898
Class F Floating rate Notes due 2038	**3.25**		**5,004**		5,449
Subordinated Loan Notes	**5.00**		**3,491**		3,491
			162,424		176,293

All the Notes are denominated in sterling or euro. Coupons are paid quarterly based on LIBOR plus the relevant Note margin. The Notes are repayable at maturity in December 2038.

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

In each case there is an option for early repayment 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.

The Euro/Sterling exchange rate was 1.11389 at 31 December 2018 (2017:1.12537).

16. Derivative liabilities

	Notional value Euro000s	Notional value £000s	2018 £000s	2017 £000s
Interest rate derivatives	**-**	**110,151**	**85**	109
FX euro currency	**24,864**	**-**	**9**	11
			94	120

17. Called up share capital

	£000s	£000s
Allotted and part paid		
49,998 £1 shares 25% paid and 2 ordinary share of £1 each fully paid up	**12**	12

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

18. Financial instruments

The Company does not trade in financial instruments.

The Company's financial instruments, other than the mortgage-backed floating rate Notes it has issued, comprise mortgage assets, borrowings, derivatives, cash and liquid resources. The main purpose of these financial instruments is to fund the initial origination of mortgages and to provide the Company's 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 Company.

Set out below is the classification of the Company's financial instruments.

31 December 2018 **Financial assets**	Assets at fair value through profit and loss	Assets measured at amortised cost less impairment	Total Carrying Value
	£000s	£000s	£000s
Cash at bank and in hand	-	4,982	4,982
Mortgage loans	-	152,744	152,744
Derivative assets	6,126	-	6,126
Total financial assets	**6,126**	**157,726**	**163,852**

Financial liabilities	Liabilities at fair value through profit and loss	Amortised cost	Total Carrying Value
	£000s	£000s	£000s
Long term borrowings	-	(162,424)	(162,424)
Derivative liabilities	(94)	-	(94)
Total financial liabilities	**(94)**	**(162,424)**	**(162,518)**

31 December 2017 Financial assets	Assets at fair value through profit and loss	Assets measured at amortised cost less impairment	Total Carrying Value
	£000s	£000s	£000s
Cash at bank and in hand	-	4,279	4,279
Mortgage loans	-	165,676	165,676
Derivative assets	6,036	-	6,036
Total financial assets	6,036	169,955	175,991

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

18. Financial instruments (continued)

31 December 2017 Financial liabilities	Liabilities at fair value through profit and loss	Amortised cost	Total Carrying Value
	£000s	£000s	£000s
Long term borrowings	-	(176,293)	(176,293)
Derivative liabilities	(120)	-	(120)
Total financial liabilities	(120)	(176,293)	(176,413)

On maturity of the Notes in December 2038, in accordance with the terms of the issue of the loan the Company is contractually obliged to repay the outstanding loan Notes. At 31 December 2018, this amounts to £158,932,848 (2017: £172,802,217).

19. Financial risk management

a) General

The Company raised £466.6m and Euro 110m (GBP equivalent £73.85m in 2006 by the issue of mortgage backed floating rate Notes secured on the mortgage portfolios acquired at that time. The Company's activities, and the respective roles and responsibilities of the parties to the transaction (such as swap counterparties, cash manager, servicer etc) are clearly defined under contractual arrangements between the company and those parties, and are summarised in the transaction prospectus published on 08 November 2006.

The Company's financial instruments comprise debt securities issued on the Irish Stock Exchange (see Note 15).

The risks arising from exposures to the financial instruments are summarised below. When the securitisation was established, the contractual arrangements with counterparties were structured to enable the Company or agents on its behalf to identify all potential risks, monitor them through stress testing and other techniques, and take mitigating action as required. In addition, the securitisation was structured with credit enhancements including a reserve fund and liquidity facility to help manage the consequences of any risk materialising.

The principal risks arising from the Company's financial instruments are credit risk, interest rate risk and liquidity risk.

b) Types of risk

Credit risk
Credit risk arises primarily from the potential for default in the mortgage pool. This risk is managed via the Note Issue terms and conditions whereby credit risk is transferred to the Note holders. All mortgages are secured on residential property and the Company 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.

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

19. Financial risk management (continued)

b) Types of risk (continued)
Credit risk **(continued)**

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

	2018 £000s	2018 %	2017 £000s	2017 %
Not impaired				
Neither past due nor impaired (0 to 2 months)	**148,468**	**96.9**	158,472	95.4
Impaired				
Past due 3 to 6 months	**3,143**	**2.1**	4,863	2.9
Past due 7 to 12 months	**968**	**0.6**	2,089	1.3
Past due over 12 months	**110**	**0.0**	322	0.2
	4,221	**2.7**	7,274	4.4
Possessions	**567**	**0.4**	399	0.2
	153,256	**100.0**	166,145	100.0

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

	2018 £000s	2017 £000s
Mortgage loans gross	**153,256**	166,145
Derivative assets	**6,126**	6,036
Cash at bank and in hand	**4,982**	4,279
Total on Balance sheet and maximum exposure to credit risk	**164,364**	176,460

The table below sets out the carrying amount and the approximate fair value of collateral held against exposures to customers. The estimate of fair value is based on the valuation performed at the time of borrowing or re-valued using the house price index (HPI) at 31 December 2018, 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 loan basis.

	2018 Carrying value £000s	2018 Fair value of collateral £000s	2017 Carrying value £000s	2017 Fair value of collateral £000s
Mortgage loans	**153,256**	**153,256**	166,145	166,145

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

19. Financial risk management (continued)

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 Company 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 Bank of England Base Rate (BBR) and LIBOR.

The directors regularly monitor the risks associated with any timing differences that arise with the resetting of the LIBOR rates, and have entered into interest basis swap agreements with a third party to manage this risk. The principal profiles for each swap are calculated based on 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 Company's net interest income would be immaterial due to the equivalent movements on interest on the Loan Notes.

Liquidity risk
Mortgage 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 Company'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 liquidity facility with Danske Bank A/S (set out in note 21).

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

	Carrying value £000s	Expected gross cash flows £000s	Within 3 months £000s	After 3 months but within 1 year £000s	After 1 year but within 5 years £000s	After 5 years £000s
As at 31 December 2018						
Derivative liabilities	94	94	-	-	94	
Interest on loan Notes	18,968	18,968	477	1,402	6,210	10,879
Long term borrowings	162,424	162,424	3,308	9,655	43,071	106,390
	181,486	**181,486**	**3,785**	**11,057**	**49,375**	**117,269**

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2018

19. Financial risk management (continued)

b) Types of risk (continued)

	Carrying value £000s	Expected gross cash flows £000s	Within 3 months £000s	After 3 months but within 1 year £000s	After 1 year but within 5 years £000s	After 5 years £000s
As at 31 December 2017						
Derivative liabilities	120	120	-	-	120	-
Interest on loan Notes	15,559	15,559	419	1,227	5,292	8,621
Long term borrowings	176,293	176,293	4,175	11,893	51,963	108,262
	191,972	191,972	4,594	13,120	57,375	116,883

The mortgage-backed floating rate Notes as included in the above analysis are anticipated to be repaid in line with the redemption profile of the mortgages.

It should be noted that many financial instruments are settled earlier than the contractual maturity dates.

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will vary with respect to foreign currency fluctuations. The Company's main foreign currency risk exposure is from the proportion of the mortgage–backed floating rate Notes issued in connection with the Company's securitisation transactions denominated in Euro. The Company has entered into cross currency swaps to provide an economic hedge against the risk of fluctuations in the exchange rate, with the derivative instruments used to match the maturity of the underlying floating rate Notes.

If the Euro exchange rate was 1% higher or lower, with all other variables held constant, the effect on the Company's net position would be immaterial due to the relative proportion of Notes denominated in Euro.

20. 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.

Notes (forming part of the financial statements) (continued)
For the year ended 31 December 2017

20. Financial instruments held at fair value (continued)

	Valuation based on			
31 December 2018	Quoted Market Prices (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	£000s	£000s	£000s	£000s
Derivative financial assets	-	-	6,126	6,126
Derivative financial liabilities	-	-	94	94
31 December 2017				
Derivative financial assets	-	-	6,036	6,036
Derivative financial liabilities	-	-	120	120

21. Liquidity facilities

At 31 December 2018 and 31 December 2017 the Company maintained renewable 364 day £30,878,000 liquidity facility with Danske Bank A/S's which was last renewed on 24 October 2018.

22. Related party transactions

Under the terms of corporate services 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 accrued at year end was £2k (2017: £2k).

	2018	2017
	£000s	£000s
Corporate service fee	**14**	13

23. Ultimate parent undertaking

The Company's immediate parent company is Oakwood Global Assets Limited, a company registered in England and Wales. All of the shares of Oakwood Global Assets Limited are held by The Law Debenture Intermediary Corporation plc under 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 Company are consolidated. Copies of the financial statements of The Law Debenture Intermediary Corporation plc may be obtained from Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London, EC2V 7EX.