

Registration Number 2562881

ABC INVESTMENT HOLDINGS LIMITED

**DIRECTOR'S REPORT AND FINANCIAL
STATEMENTS**

For the year ended 31st December 2011



DIRECTORS

WILLIAM PLAYLE (Appointed 4th January 2012)

NOFAL SHAMOUN BARBAR (Resigned 4th January 2012)

SECRETARY

DAVID THOMAS HOLDEN

AUDITORS

Ernst & Young LLP
1 More London Place
London SE1 2AF

REGISTERED OFFICE

Arab Banking Corporation House
1 – 5 Moorgate
London EC2R 6AB

ABC Investment Holdings Limited (the "Company")

DIRECTOR'S REPORT

The Director presents his report and financial statements for the year ended 31st December 2011. The principal activities of the Company are summarised below.

PRINCIPAL ACTIVITIES

The Company is a property holding company and its ultimate parent company is Arab Banking Corporation (B S C) ("ABC"), registered in Bahrain. The Company is expected to continue in this capacity for the foreseeable future. The Company is a subsidiary of ABC International Bank plc ("the Bank") which is a UK banking entity authorised and regulated by the Financial Services Authority ("FSA").

RESULTS AND DIVIDENDS

The profit of the Company for the year amounts to £129,000 (2010 – £390,000).

The Director does not rely on key performance indicators to monitor the business. Principal risks and uncertainties affecting the Company are considered at ABC International Bank plc's level. The business is managed by monitoring the business' performance against budget, which is performed on a monthly basis.

It is the Company's policy in every case to pay its suppliers within the agreed period from the date of the invoice.

Going Concern

The financial statements of ABC Investment Holdings Limited have been prepared on the going concern basis.

In assessing whether the going concern assumption remains appropriate for the company, the Director has considered the underlying purpose of the company, in providing support functions to the ABC Group, the sources of funding available to the company, its obligations forecast to fall due within 12 months of signing the financial statements and the ability of ABC Group to support the company.

Based on these factors the Director has ascertained that the Company will continue as a going concern for a period of at least 12 months from the signing of the financial statements. As such, it remains appropriate to prepare the financial statements on the going concern basis.

DIRECTORS

The Company does not have any employees as at 31st December 2011 (excluding Directors) all of which were employed by the Bank. The name of the Director who served during the year is set on page 1. The Directors did not have any interest in the shares of the Company during the year.

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.


DISCLOSURE OF INFORMATION TO THE AUDITOR

The Director confirms that

There is no relevant information of which the Company's auditors are unaware, and he has taken all steps that he ought to have taken to make himself aware of any relevant audit information, and to establish that the auditor is aware of that information.

REAPPOINTMENT OF AUDITOR

In accordance with Section 487(2) of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for re-appointment of Ernst & Young LLP as auditor of the Company.



By order of the Board
William Playle
Director
16 July 2012

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable laws and regulations

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing those financial statements the Director is required to

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

The Director is responsible for keeping proper 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 to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABC INVESTMENT HOLDINGS LIMITED

We have audited the financial statements ABC Investment Holdings Limited for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditor

As explained more fully in the Statement of Director's Responsibilities in Respect of the Financial Statements set out on page 3, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- Give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- The financial statements are not in agreement with the accounting records and returns, or
- Certain disclosures of director's remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read 'Peter Wallace'.

Peter Wallace (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
18 July 2012

ABC Investment Holdings Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31st December 2011

		2011	2010
		£000	£000
	Notes		
Rental income from immediate parent company		1 900	1,900
Interest payable to immediate parent company		(1,015)	(930)
Administrative expenses	2	(18)	(17)
Depreciation and amortisation	5	(563)	(563)
Profit on ordinary activities before tax	3	304	390
Tax on ordinary activities	4	(175)	-
Profit on ordinary activities after tax		129	390

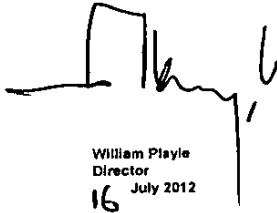
The results for the years ended 31st December 2011 and 31st December 2010 are derived from continuing operations

A statement of total recognised gains and losses has not been included as there were no recognised gains or losses for the current or previous financial years other than those already dealt with in the profit and loss account

BALANCE SHEET
as at 31st December 2011

	Notes	2011 £000	2010 £000
Fixed Assets			
Freehold Land & Buildings	5	39,937	40,500
Current Assets			
Amounts owed by parent undertaking		855	1
Deferred tax asset	6	1,425	1,600
Prepayments and accrued income		2	1
		2,282	1,602
CREDITORS: Amounts falling due within one year			
Amounts owed to parent undertaking		4	1,036
Other creditors	7	522	513
Accruals and deferred income	8	346	539
Term borrowing	9	40,428	39,224
		41,300	41,312
Net Current liabilities		(39,018)	(39,710)
Total Assets less Current Liabilities		919	790
Capital and Reserves			
Called up share capital	10	-	
Profit and loss account	11	919	790
Equity shareholder's funds	11	919	790

These financial statements of ABC Group (UK) Holdings Limited were approved by the board of directors and authorised for issue on



William Playle
Director
16 July 2012

NOTES TO THE ACCOUNTS

1 Accounting policies

1.1 Basis of preparation

The financial statements of ABC Investment Holdings Limited ("ABCIL") are prepared under the historical cost convention. The accounting policies adopted are consistent with those used in the previous financial year.

The accounts have been prepared on the going concern basis as the ultimate parent company, Arab Banking Corporation (B.S.C.), has undertaken to provide the necessary finance to enable the company to meet its obligations as they fall due. The significant improvements to the political and economic situation in Libya and the resultant lifting of sanctions, including those relating to the Central Bank of Libya, towards the end of 2011 have significantly improved the overall outlook for the ABC group. Accordingly, in the Director's view, the group is no longer exposed to a material uncertainty with respect to its ability to remain a going concern. The Director is optimistic that the group's long established relationships and contacts in the MENA region will mean that business levels will return to the levels seen before these events started to unfold in 2011.

At the time of approval of these financial statements, the Director was satisfied that the capital and liquidity position of the group remained satisfactory and that the group has liquid resources to enable it to meet its obligations for the foreseeable future, including its prospective flow of new business.

1.2 Significant accounting judgements and estimates

In the process of applying ABCIL's accounting policies, management has used their judgement and made estimates in determining the amounts recognised in the financial statements. The most significant uses of judgements and estimates are as follows:

Impairment of freehold land and buildings

The Director performs an impairment assessment of the carrying value of freehold land and buildings. The higher of value in use and fair value less costs to sell are used to determine if any impairment exists. Impairments are recognised in the period in which they incur and reduce the associated carrying value of the asset by including the impairment charge as part of "Depreciation and impairment".

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In assessing the recoverability of deferred tax assets, management considers forecast profits for three years.

1.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

a) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions except in the case of non-monetary items that form part of effective hedging relationships which are translated at rates of exchange at the balance sheet date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

b) Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Interest and similar income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or the financial liability.

ii) Rental income

Rental income represents rent receivable on ABC House from the immediate parent company accounted for on the accruals basis.

c) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all fixed assets at rates calculated to write off the cost less the estimated residual value on prices prevailing at the date of acquisition of each asset evenly over its expected useful life as follows:

Buildings	50 years
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The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable at least annually.

The higher of value in use and fair value less costs to sell has been used to determine if any impairment exists. Following this impairment assessment, the value in use was determined to be in excess of the carrying value and as such impairment was ignored. In performing this assessment, the cash flows generated from this asset for the remainder of its useful economic life were used. No growth rate has been applied to cashflows over the remaining useful life of the asset beyond the current planning cycle up to 2014. The rate used to discount these cashflows was 5.35% which is a risk-adjusted rate and reflects the return that would be required by a market participant.

d) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

e) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute these amounts are those that are enacted or substantively enacted by the balance sheet date.

f) Cashflow

The Director has chosen not to present a cash flow statement in accordance with FRS 1 (revised 1996) section 5 paragraph (a).

NOTES TO THE ACCOUNTS (continued)

2 Administrative expenses

The Company does not have any employees (2010 nil)

The director of the company is also a director of the holding company ABC International Bank plc and fellow subsidiaries. The directors received total remuneration for the year of £1 090 000 (2010 £460 000); all of which was paid by the holding company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

Directors' remuneration includes £525 000 of exgratia payments to the retiring Director.

3 Profit on ordinary activities before tax

	2011 £000	2010 £000
Profit is stated after charging		
Auditor's remuneration audit of the financial statements	(6)	(7)
taxation services	(10)	(10)

4 Taxation

	2011 £000	2010 £000
Tax on Profit on ordinary activities		
UK Corporation tax		
Total current tax	-	-
Deferred tax		
Change during the year	(175)	-
Total deferred tax	(175)	-
Total tax charge for the year	(175)	-

Factors affecting tax for the year

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below.

	2011 £000	2010 £000
Profit on ordinary activities before tax	304	390
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 28%)	81	109
Effect of		
Fixed assets depreciation	149	158
Loan relationship brought forward losses utilised	(499)	(527)
Group relief	269	260
Current tax charge	-	-

5 Tangible fixed assets

	Freehold Land and Buildings £000	Total £000
Cost		
At 1st January 2011	60,000	60,000
At 31st December 2011	60,000	60,000
Depreciation and impairment		
At 1st January 2011	19,500	19,500
Charge for the year	563	563
At 31st December 2011	20,063	20,063
Net book value		
At 31st December 2011	39,937	39,937
At 31st December 2010	40,500	40,500

In performing an impairment assessment of the carrying value of freehold land and buildings the higher of value in use and fair value less costs to sell has been used to determine if any impairment exists. Following this impairment assessment the value in use was determined to be in excess of the carrying value and as such no such impairment was recognised. In performing this assessment the cash flows generated from this asset for the remainder of its useful economic life were used. No growth rate has been applied to cashflows over the remaining useful life of the asset. The rate used to discount these cashflows was 5.35% which is a risk adjusted rate and reflects the return that would be required by a market participant.

Depreciation and impairment includes a £15 million (2010 £15 million) impairment recorded in prior years.

NOTES TO THE ACCOUNTS (continued)

6 Deferred tax asset	2011	2010
	£000	£000
At 1st January	1 600	1 800
Movements during the year	(175)	
At 31st December	<u>1,425</u>	<u>1,800</u>
The major components of the deferred tax asset are as follows	£000	£000
Unutilised tax losses	<u>1,425</u>	<u>1,800</u>

There is unrecognised deferred tax asset of £5.7 million based on tax rate of 25% (2010: £6 million) arising mainly due to brought forward tax losses. Management has performed a review of the recoverability of deferred tax assets considering forecast profits for the next three years. The assumptions used in preparing these forecasts have been subject to a series of stress tests to ensure the forecasts fall within a reasonable range of outcomes.

Legislation already enacted at balance sheet date means that with effect from 1st April 2012 the corporation tax rate would be reduced to 25% (from 26%). On the basis that it is anticipated that the Company's deferred tax assets are expected to unwind after 1st April 2012 the closing deferred tax asset balance has been effected at the lower rate of 25%.

In the budget of 21st March 2012 the Chancellor announced that instead of reducing to 25% from 1st April 2012 the corporation tax rate would be reduced to 24%. As the further reduction was not substantially enacted at 31st December 2011 the corporation tax rate of 25% was applied in calculating the Deferred Tax Asset.

In addition the Government announced its intention to further reduce the UK corporation tax rate to 23% from 1st April 2013 and to 22% from 1st April 2014. The aggregate impact of the proposed reductions from 25% to 22% would reduce the recognised deferred tax asset and the unrecognised deferred tax asset by approximately £171 000 and £814 000 respectively.

7 Other Creditors	2011	2010
	£000	£000
Rent received in advance	475	475
Others	<u>47</u>	<u>38</u>
	<u>522</u>	<u>513</u>

8 Accruals and deferred income	2011	2010
	£000	£000
Interest payable	<u>346</u>	<u>539</u>

9 Term borrowing	2011	2010
	£000	£000
Repayable		
Within one year	<u>40,428</u>	<u>39,224</u>
	<u>40,428</u>	<u>39,224</u>
Included in the above are balances due to ABC Group undertakings of	<u>40,428</u>	<u>39,224</u>

Interest on all term borrowing is calculated by reference to LIBOR plus margin which is repriced monthly.

10 Allotted and called up share capital	2011 & 2010	2011 & 2010
	Authorised	Issued
Ordinary shares of £1 each	<u>300,000,000</u>	<u>100</u>

11 Equity shareholder's funds	Ordinary share capital	Profit & loss account	Total
	£000	£000	£000
Brought forward 1st January 2011	-	790	790
Profit for the year		129	129
At 31st December 2011		<u>919</u>	<u>919</u>

12 Related party transactions

ABC Investment Holdings Limited is a 100% subsidiary undertaking and consolidated financial statements for the Group are publicly available. Group transactions have not been disclosed pursuant to the exemptions permitted in Financial Reporting Standard 8.

13 Ultimate Parent Undertaking

The ultimate parent company is the Arab Banking Corporation (B.S.C.) incorporated in the Kingdom of Bahrain. ABCIH is a subsidiary undertaking of ABC International Bank plc which is registered in England. Copies of the ultimate parent company's consolidated financial statements which include ABC Investment Holdings Limited are available from Arab Banking Corporation House 1 - 5 Moorgate London EC2R 6AB.