

Registration Number: 2562881

ABC INVESTMENT HOLDINGS LIMITED

**DIRECTOR'S REPORT AND FINANCIAL
STATEMENTS**

For the year ended 31st December 2012



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 2012. 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 £122,000 (2011 – £129,000).

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 2012 (excluding Directors) all of which were employed by the Bank. The names of the Directors who served during the year are 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.

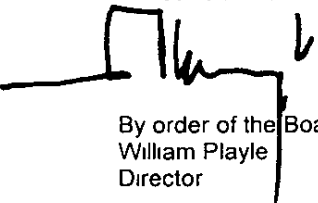
DISCLOSURE OF INFORMATION TO THE AUDITOR

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

01 JUL 2013

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 AUDITORS' REPORT TO THE MEMBERS OF ABC INVESTMENT HOLDINGS LIMITED

We have audited the financial statements ABC Investment Holdings Limited (the "Company") for the year ended 31 December 2012, 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 directors and auditor

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

Scope of the audit of the financial statements

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 Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statement 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 2012 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



INVESTOR IN PEOPLE


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' 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 directors' 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 'P. Wallace'.

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

- 4 JUL 2013

ABC Investment Holdings Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31st December 2012

		2012	2011
		£000	£000
	Notes		
Rental income from immediate parent company		1,900	1,900
Interest payable to immediate parent company		(1,139)	(1,015)
Administrative expenses	2	38	(18)
Depreciation and amortisation	5	(563)	(563)
Profit on ordinary activities before tax	3	236	304
Tax on ordinary activities	4	(114)	(175)
Profit on ordinary activities after tax	11	122	129

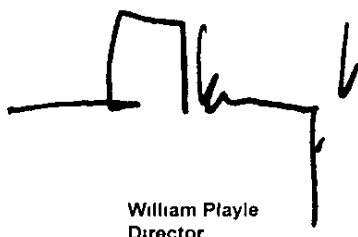
The results for the years ended 31st December 2012 and 31st December 2011 are derived from continuing operations

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 2012

	Notes	2012 £000	2011 £000
Fixed Assets			
Freehold Land & Buildings	5	39,374	39,937
Non current assets			
Deferred tax asset	6	1,311	1,425
Current Assets			
Amounts owed by group undertakings - due within 1 year		2,749	855
Prepayments and accrued income		-	2
		2,749	857
CREDITORS Amounts falling due within one year			
Amounts owed to parent undertaking		5	4
Other creditors	7	475	522
Accruals and deferred income	8	307	346
Term borrowing	9	41,606	40,428
		42,393	41,300
Net Current liabilities		(39,644)	(40,443)
Total Assets less Current Liabilities		1,041	919
Capital and Reserves			
Called up share capital	10	-	
Profit and loss account	11	1,041	919
Equity shareholder's funds	11	1,041	919

These financial statements of ABC Investment Holdings Limited were approved by the board of directors and authorised for issue on 2013 and were signed on its behalf by



William Playle
Director

01 JUL 2013

NOTES TO THE ACCOUNTS

1 Accounting policies

1.1 Basis of preparation

The financial statements of ABC Investment Holdings Limited ("ABCIH") are prepared under the historical cost convention. The financial statements are prepared in accordance with the Companies Act 2006 and UK Generally Accepted Accounting Standards. The accounting policies adopted are consistent with those used in the previous financial year. There is no requirement to prepare a statement of cash flows in accordance with Financial Reporting Standard 1.

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.

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 ABCIH'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. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if ABCIB revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

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.

When such a review is required, 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. Modest growth rate has been applied to cashflows over the remaining useful life of the asset beyond the current planning cycle up to 2015. The rate used to discount these cashflows was 14% pre-tax cost of equity which is within the range of cost of equity for the banking institutions akin to ABCIB for each individual cash generating unit in ABCIB.

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.

2 Administrative expenses

The Company does not have any employees (2011 - 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 £548,000 (2011: £1,090,000), 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.

The 2011 directors' remuneration includes £525,000 of ex-gratia payments to the retiring director.

3 Profit on ordinary activities before tax

	2012 £000	2011 £000
Profit is stated after charging:		
Auditor's remuneration	-	(6)
audit of the financial statements		
taxation services	39	(10)

From the current year, audit and taxation fees are borne by the parent undertaking.

4 Taxation

	2012 £000	2011 £000
Tax on Profit on ordinary activities		
UK Corporation tax	-	-
Total current tax	-	-
Deferred tax		
Change during the year	(114)	(175)
Total deferred tax	(114)	(175)
Total tax charge for the year	(114)	(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:

	2012 £000	2011 £000
Profit on ordinary activities before tax	236	304
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	58	81
Effect of:		
Fixed assets depreciation	138	149
Loan relationship brought forward losses utilised	(466)	(499)
Group relief	270	269
Current tax charge	-	-

5 Tangible fixed assets

	Freehold Land and Buildings £000	Total £000
Cost		
At 1st January 2012	60 000	60,000
At 31st December 2012	60,000	60,000
Depreciation and impairment		
At 1st January 2012	20 063	20,063
Charge for the year	563	563
At 31st December 2012	20,626	20,626
Net book value		
At 31st December 2012	39,374	39,374
At 31st December 2011	39 937	39 937

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. Modest growth rate has been applied to cashflows over the remaining useful life of the asset beyond the current planning cycle up to 2015. The rate used to discount these cashflows was 14% pre-tax cost of equity which is within the range of cost of equity for the banking institutions akin to ABCIB for each individual cash generating unit in ABCIB.

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

6 Deferred tax asset	2012	2011
	£000	£000
At 1st January	1,425	1 600
Movements during the year	(114)	(175)
At 31st December	1,311	1 425
The major components of the deferred tax asset are as follows	£000	£000
Unutilised tax losses	1,311	1,425

There is unrecognised deferred tax asset of £4.3 million based on tax rate of 23% (2011: £5.7 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.

The Finance Bill 2012 was substantively enacted on 3rd July 2012. The reduction to the standard rate of corporation tax from 24% to 23% will be effective from 1st April 2013. Accordingly the deferred tax balances at 31st December 2012 have been stated at 23%. A further reduction of 2% has been announced on 5th December 2012 which will reduce the tax rate to 21% in 2014. This additional change will be enacted separately.

The maximum effect on unrecognised deferred tax of the reduction in the UK corporation tax rate to 21% is expected to be £372,000 (equivalent to 2% of the closing gross unrecognised deferred tax balance).

7 Other Creditors

	2012	2011
	£000	£000
Rent received in advance	475	475
Others	-	47
	475	522

8 Accruals and deferred income

	2012	2011
	£000	£000
Interest payable	307	346

9 Term borrowing

	2012	2011
	£000	£000
Repayable		
Within one year	41,606	40,428
	41,606	40 428
Included in the above are balances due to ABC Group undertakings of	41,606	40 428

Interest on all term borrowing is calculated by reference to LIBOR plus margin of 1.24% which is repriced annually.

ABC Investment Holdings Limited
NOTES TO THE ACCOUNTS (continued)

10 Allotted and called up share capital

	2012 & 2011 Authorised	2012 & 2011 Issued
Ordinary shares of £1 each	<u>300,000,000</u>	<u>100</u>

11 Equity shareholder's funds

	Ordinary share capital £000	Profit & loss account £000	Total £000
Brought forward 1st January 2012	-	919	919
Profit for the year	-	122	122
At 31st December 2012	<u>-</u>	<u>1,041</u>	<u>1,041</u>

12 Related party transactions

The Company is wholly owned by its parent undertaking and as such has taken advantage of the exemption given in paragraph 3(c) of the Financial Reporting Standard 8 to subsidiaries from disclosing related party transactions with other group companies. The directors are unaware of any other related party transactions requiring disclosure.

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.