

Registration Number: 2562881

ABC INVESTMENT HOLDINGS LIMITED

**DIRECTOR'S REPORT AND FINANCIAL
STATEMENTS**

For the year ended 31st December 2013



DIRECTOR

WILLIAM PLAYLE

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 2013. 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 authorized by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA.

RESULTS AND DIVIDENDS

The profit of the Company for the year amounts to £163,000 (2012 – £122,000).

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.

DIRECTOR

The Company does not have any employees as at 31st December 2013 (excluding the Director) who was employed by the Bank. The name of the Director who served during the year is set on page 1. The Director did not have any interest in the shares of the Company during the year.

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

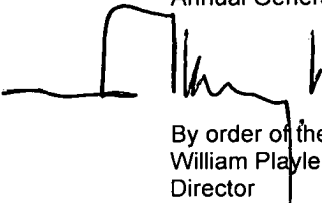
DISCLOSURE OF INFORMATION TO THE AUDITOR

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

26th September 2014

ABC Investment Holdings Limited

STRATEGIC REPORT

The Director presents his strategic report for the year ended 31st December 2013.

Review of the business

In 2013 profit on ordinary activities before tax increased by £98,000 to £334,000 as a result of lower interest payable to the Bank.

The total assets of the Company increased to £1,204,000 from £1,041,000 in 2012.

Principal risks and uncertainties affecting the Company are considered at the Bank's level. The business is managed by monitoring the business' performance against budget, which is performed on a monthly basis.

The Company is a property holding company and will continue in this capacity for the foreseeable future.



William Playle
Director

26th September 2014

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

The Director is responsible for preparing the Director's Report, Strategic 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 of ABC Investment Holdings Limited for the year ended 31 December 2013 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 Director's Responsibilities Statement set out on page 4, 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 Strategic Report and the Director's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2013 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 Strategic Report and 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.



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

26 September 2014

PROFIT AND LOSS ACCOUNT
for the year ended 31st December 2013

		2013	2012
		£000	£000
	Notes		
Rental income from immediate parent company		1,900	1,900
Interest payable to immediate parent company		(1,004)	(1,139)
Administrative expenses	2	-	38
Depreciation and amortisation	5	(562)	(563)
Profit on ordinary activities before tax	3	334	236
Tax on ordinary activities	4	(171)	(114)
Profit on ordinary activities after tax	11	163	122

The results for the years ended 31st December 2013 and 31st December 2012 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 2013

	Notes	2013 £000	2012 £000
Fixed Assets			
Freehold Land & Buildings	5	38,812	39,374
Non current assets			
Deferred tax asset	6	1,140	1,311
Current Assets			
Amounts owed by group undertakings - due within 1 year		4,649	2,749
Prepayments and accrued income		-	-
		4,649	2,749
CREDITORS: Amounts falling due within one year			
Amounts owed to parent undertaking		5	5
Other creditors	7	475	475
Accruals and deferred income	8	254	307
Term borrowing	9	42,663	41,606
		43,397	42,393
Net Current liabilities		(38,748)	(39,644)
Total Assets less Current Liabilities		1,204	1,041
Capital and Reserves			
Called up share capital	10	-	-
Profit and loss account	11	1,204	1,041
Equity shareholder's funds	11	1,204	1,041

These financial statements of ABC Investment Holdings Limited were approved by the director and authorised for issue on 26th September 2014 and were signed on its behalf by:



William Playle
Director

26th September 2014

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.) ("ABC"), 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 (2012 - nil).

The director of the company is also a director of the holding company, ABC International Bank plc, and fellow subsidiaries. The director received total remuneration for the year of £824,000 (2012: £548,000), all of which was paid by the holding company. The director does not believe that it is practicable to apportion this amount between his services as a director of the company and his services as a director of the holding and fellow subsidiary companies.

3. Profit on ordinary activities before tax

	2013 £000	2012 £000
Profit is stated after charging:		
Auditor's remuneration	-	-
audit of the financial statements	-	-
taxation services	-	39

Audit and taxation fees are borne by the parent undertaking.

4. Taxation	2013 £000	2012 £000
Tax on Profit on ordinary activities		
UK Corporation tax	-	-
Total current tax	-	-
Deferred tax:		
Change during the year	(171)	(114)
Total deferred tax	(171)	(114)
Total tax charge for the year	(171)	(114)

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:

	2013 £000	2012 £000
Profit on ordinary activities before tax	334	236
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	78	58
Effect of:		
Fixed assets depreciation	131	138
Loan relationship brought forward losses utilised	(442)	(466)
Group relief	233	270
Current tax charge	-	-

5. Tangible fixed assets

	Freehold Land and Buildings £000	Total £000
Cost		
At 1st January 2013	60,000	60,000
At 31st December 2013	60,000	60,000
Depreciation and impairment		
At 1st January 2013	20,626	20,626
Charge for the year	562	562
At 31st December 2013	21,188	21,188
Net book value		
At 31st December 2013	38,812	38,812
At 31st December 2012	39,374	39,374

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	2013	2012
	£000	£000
At 1st January	1,311	1,425
Movements during the year	(171)	(114)
At 31st December	1,140	1,311

The major components of the deferred tax asset are as follows:

	£000	£000
Unutilised tax losses	1,140	1,311

There is unrecognised deferred tax asset of £3.3 million based on a tax rate of 20% (2012: £4.3 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.

Deferred tax has been recognised at 20% given this is the enacted rate with effect of April 2015.

7. Other Creditors

	2013	2012
	£000	£000
Rent received in advance	475	475
	475	475

8. Accruals and deferred income

	2013	2012
	£000	£000
Interest payable	254	307

9. Term borrowing

	2013	2012
	£000	£000
Repayable:		
Within one year	42,663	41,606
	42,663	41,606
Included in the above are balances due to ABC Group undertakings of:	42,663	41,606

Interest on all term borrowing is calculated by reference to LIBOR plus a margin of 1.25% which is repriced annually.

10 Allotted and called up share capital

	2013 & 2012 Authorised	2013 & 2012 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 2013	-	1,041	1,041
Profit for the year	-	163	163
At 31st December 2013	<u>-</u>	<u>1,204</u>	<u>1,204</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.