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**ALIE STREET INVESTMENTS 6 LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**



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**ALIE STREET INVESTMENTS 6 LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	C.H. Hand L.B. Lee P.J. Wood
<b>Company secretary</b>	Merrill Lynch Corporate Services Limited
<b>Registered number</b>	5395703
<b>Registered office</b>	2 King Edward Street London EC1A 1HQ
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

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**ALIE STREET INVESTMENTS 6 LIMITED**

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## **ALIE STREET INVESTMENTS 6 LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

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The directors present their strategic report on Alie Street Investments 6 Limited (the "Company") for the year ended 31 December 2015.

These financial statements are the first that the Company has prepared following the adoption of Financial Reporting Standard 100 'Application of Financial Reporting Requirements' and Financial Reporting Standard 101 Reduced Disclosure Framework'.

#### **BUSINESS REVIEW**

The Company is a wholly owned subsidiary of Bank of America Merrill Lynch International Limited ("BAMLI") and the ultimate parent is Bank of America Corporation ("BAC").

The Company is engaged in asset backed lending.

The Company holds a portfolio of trading loans and receives interest on these loans. The portfolio is being funded by BAMLI and is hedged with a total return swap with BAMLI.

The Company receives a fee from BAMLI for the provision of operational support in relation to trading of the financial instruments under a service level agreement entered into with BAMLI. Under the same agreement, the Company pays BAMLI for management and other services performed on its behalf.

There have been no changes in the principal activities of the Company during the year however the existing portfolio has been unwound in 2016 (see page 3).

#### **RISK MANAGEMENT**

The Company's risk management objectives and policies, as well as exposure in relation to the seven key risk types (market, credit, operational, liquidity, reputational, strategic and compliance risks) are described in the notes to the financial statements (see note 13).

#### **FINANCIAL KEY PERFORMANCE INDICATORS**

The profit for the financial year, amounted to \$8,750 (2014: \$13,250).

BAC manages its operations on a divisional basis. For this reason, the Company's directors believe that further key business performance indicators for the Company are not necessary.

This report was approved by the board on 1 June 2016 and signed on its behalf.

P.J. Wood  
Director



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## **ALIE STREET INVESTMENTS 6 LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

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The directors present their report and the financial statements for the year ended 31 December 2015.

#### **Directors' responsibilities statement**

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

#### **DIRECTORS**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

C.H. Hand  
L.B. Lee  
P.J. Wood

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**DIRECTORS' THIRD PARTY INDEMNITY PROVISIONS**

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

**MATTERS COVERED IN THE STRATEGIC REPORT**

Details regarding a review of the business, including principal risks and uncertainties are provided in the strategic report on page 1.

**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**SUBSEQUENT EVENTS**

The asset backed lending facility agreement was not extended through 2016. As a result the existing portfolio of loans is in the process of being disposed of. The Company will remain available for future asset backed lending trades.

This report was approved by the board on 1 June 2016 and signed on its behalf.



P.J. Wood  
Director

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## **ALIE STREET INVESTMENTS 6 LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALIE STREET INVESTMENTS 6 LIMITED**

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#### **REPORT ON THE FINANCIAL STATEMENTS**

##### **Our opinion**

In our opinion, Alie Street Investments 6 Limited's financial statements ("the financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 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.

##### **What we have audited**

Alie Street Investments 6 Limited's financial statements, included within the Annual Report and Financial Statements (the "Annual Report") comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

##### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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## ALIE STREET INVESTMENTS 6 LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALIE STREET INVESTMENTS 6 LIMITED

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#### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

##### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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) ("ISAs (UK and Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### **What an audit of financial statements involves**

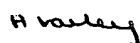
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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.



Heather Varley (Senior Statutory Auditor)

for and on behalf of

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

1 June 2016

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**ALIE STREET INVESTMENTS 6 LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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	Note	2015 \$	2014 \$
Turnover		20,750	25,250
Administrative expenses		(12,000)	(12,000)
<b>Operating profit</b>		<b>8,750</b>	13,250
Tax on profit on ordinary activities	6	-	-
<b>Profit for the financial year</b>		<b>8,750</b>	13,250
<b>Total comprehensive income for the year</b>		<b>8,750</b>	13,250

The notes on pages 10 to 22 form part of these financial statements.

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**ALIE STREET INVESTMENTS 6 LIMITED**  
**REGISTERED NUMBER: 5395703**

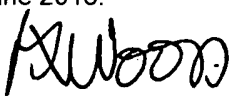
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

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	Note	2015 \$	2014 \$
<b>Current assets</b>			
Debtors: Amounts falling due after more than one year	7	76,855,767	-
Debtors: Amounts falling due within one year	7	1,757,375	61,849,659
Cash at bank and in hand	8	313,420	-
		<u>78,926,562</u>	<u>61,849,659</u>
Creditors: amounts falling due within one year	9	(78,694,009)	(4,200)
		<u>232,553</u>	<u>61,845,459</u>
<b>Net current assets</b>			
Creditors: amounts falling due after more than one year	10	(164,153)	(61,785,809)
		<u>68,400</u>	<u>59,650</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	11	100	100
Profit and loss account		68,300	59,550
		<u>68,400</u>	<u>59,650</u>
<b>Total shareholders' funds</b>			

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 June 2016.

  
P.J. Wood  
Director

The notes on pages 10 to 22 form part of these financial statements.

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**ALIE STREET INVESTMENTS 6 LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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	<b>Called up share capital \$</b>	<b>Profit and loss account \$</b>	<b>Total shareholders' funds \$</b>
At 1 January 2015	100	59,550	59,650
Allocated profit	-	8,750	8,750
<b>At 31 December 2015</b>	<b>100</b>	<b>68,300</b>	<b>68,400</b>

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**ALIE STREET INVESTMENTS 6 LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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	<b>Called up share capital \$</b>	<b>Profit and loss account \$</b>	<b>Total shareholders' funds \$</b>
At 1 January 2014	100	46,300	46,400
Profit for the financial year	-	13,250	13,250
<b>At 31 December 2014</b>	<b>100</b>	<b>59,550</b>	<b>59,650</b>

The notes on pages 10 to 22 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Companies Act 2006, FRS 100 - Application of Financial Reporting Requirements and FRS 101 - Reduced Disclosure Framework.

FRS 100 and FRS 101 set out the disclosure exemptions for the individual financial statements of entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards that have been adopted in the European Union ("EU-adopted IFRS"). References to accounting standards in these financial statements will accordingly relate to applicable International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS"). Both FRS 100 and FRS 101 have been applied for the first time.

The change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. Consequently the principal accounting policies are unchanged from the prior year.

The financial statements have been prepared under the historical cost convention, as modified to include certain assets and liabilities at fair value. The Company does not maintain historical cost information on items at fair value as this is not relevant to the operation of the business.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

**1.2 NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY**

There are no FRS 101 interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that have had a material impact on the Company.

**1.3 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**1. Accounting policies (continued)**

**1.4 GOING CONCERN**

The directors have a reasonable expectation, based on current and anticipated future performance that the Company will continue in operational existence for the foreseeable future. The financial statements of the Company have, therefore, been prepared on a going concern basis.

**1.5 INCORPORATION AND DOMICILE INFORMATION**

The Company is a private limited Company and is incorporated and domiciled in the United Kingdom.

**1.6 FOREIGN CURRENCIES**

The financial statements are presented in US dollars which is the Company's functional currency.

Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into dollars at rates of exchange ruling at the reporting date. Exchange gains and losses are recognised in the income statement.

**1.7 TURNOVER**

Revenue consists of interest income on financial assets designated at fair value, interest expense on the derivative financial instrument and service fees earned.

Interest income and expenses are recognised on all interest bearing financial assets and derivative financial instruments using the effective interest method. This is recorded on a net basis as the total return swap transfers the economic benefits and risks associated with the underlying portfolio to BAMLI.

The total fair value gains and losses on the financial assets are offset by equal and opposite gains and losses on the total return swap, and therefore total net fair value gains and losses are always nil.

Service fees earned are calculated in accordance with a service level agreement between the Company and BAMLI. The service fees are accounted for on an accruals basis.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**1. Accounting policies (continued)**

**1.8 FINANCIAL ASSETS**

The Company recognises financial assets in the balance sheet when it becomes a party to the contractual provisions of the instrument. The Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss and loans and receivables. Management determines the classification of its financial assets at initial recognition.

The Company holds unlisted debt instruments which are classified as held for trading and measured at fair value through profit and loss. Derivative instruments are categorised as held for trading and are recognised in accordance with note 1.10. All remaining financial assets are classified as loans and receivables.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise (see note 1.7).

**1.9 FINANCIAL LIABILITIES**

The Company recognises financial liabilities in the balance sheet when it becomes a party to the contractual provisions of the instrument. Derivative liabilities are categorised as held for trading and are recognised in accordance with note 1.10. All remaining financial liabilities are carried at amortised cost using the effective interest method.

**1.10 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value through profit or loss. Transaction costs are expensed in the income statement. Fair values are obtained from quoted market prices in active markets where available. Where derivatives are not quoted in an active market, appropriate valuation techniques are used including recent market transactions, discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial assets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Gains and losses arising from changes in the fair value of the derivatives are included in the income statement in the period in which they arise.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**1. Accounting policies (continued)**

**1.11 CURRENT AND DEFERRED TAXATION**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Current tax, including UK corporation tax and foreign taxes, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and is measured at the average tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**1.12 OFFSETTING**

Where the Company intends to settle (with any of its debtors or creditors) on a net basis, or to realise the asset and settle the liability simultaneously, and the Company has the legal right to do so, the balance included within the financial statements is the net balance due to or from the counterparty.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with FRS 101 requires the use of accounting estimates and assumptions concerning the future. It also requires management to exercise their judgement in the process of applying the Company's accounting policies.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**2.1 VALUATION OF FINANCIAL INSTRUMENTS**

Fair value is defined under IFRS 13 - Fair Value Measurement, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's policy for valuation of financial instruments is included in note 14. The fair values of financial instruments that are not quoted in financial markets are determined by using valuation techniques based on models such as discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial instruments. These models incorporate observable, and in some cases unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations between these inputs.

Where models are used to determine fair values, they are periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that output reflects actual data and comparative market prices. These estimation techniques are necessarily subjective in nature and involve several assumptions. Note 14 further discusses the valuation of financial instruments.

**3. TURNOVER**

The whole of the turnover is attributable to one principal business activity comprising the Global Markets Credit Products.

All turnover arose within the United Kingdom.

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**ALIE STREET INVESTMENTS 6 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**4. AUDITORS' REMUNERATION**

	2015 \$	2014 \$
Fees payable to the Company's auditor and its associate for the audit of the Company's annual financial statements	10,000	11,000
	<u>10,000</u>	<u>11,000</u>

Audit fees are paid by an affiliated company which makes no recharge to the Company.

**5. STAFF COSTS**

The Company has no employees other than the directors, who did not receive any remuneration for their services to the Company (2014: \$nil)

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2015 \$	2014 \$
UK corporation tax on profits for the period	<u>-</u>	<u>-</u>

The tax on the Company's profit before tax differs from the amount that would arise using the tax rate applicable as follows:

	2015 \$	2014 \$
Profit on ordinary activities before taxation	<u>8,750</u>	<u>13,250</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	1,772	2,847
<b>Tax effects of:</b>		
Group relief	(1,772)	(2,847)
<b>Tax charge for period</b>	<u>-</u>	<u>-</u>

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**ALIE STREET INVESTMENTS 6 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**7. Debtors**

	2015 \$	2014 \$
<b>Due after more than one year</b>		
Securities held for trading	76,855,767	-
	<u>76,855,767</u>	<u>-</u>
	2015 \$	2014 \$
<b>Due within one year</b>		
Trade debtors	157,704	4,223
Amounts owed by group undertakings	72,600	63,850
Derivative financial instruments	1,527,071	453,116
Securities held for trading	-	61,328,470
	<u>1,757,375</u>	<u>61,849,659</u>

The securities held for trading consists of portfolio of loans with a notional value of \$78,670,449 (2014: \$61,854,424).

**8. CASH AT BANK AND IN HAND**

	2015 \$	2014 \$
Cash at bank and in hand	<u>313,420</u>	<u>-</u>

**9. Creditors: Amounts falling due within one year**

	2015 \$	2014 \$
Derivative financial instruments	395,049	-
Amounts owed to group undertakings	78,298,960	4,200
	<u>78,694,009</u>	<u>4,200</u>

Amounts owed to affiliated companies are unsecured, interest bearing based on LIBOR rates and have fixed date of repayment.

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**ALIE STREET INVESTMENTS 6 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**10. Creditors: Amounts falling due after more than one year**

	2015 \$	2014 \$
Amounts owed to group undertakings	-	61,742,944
Accruals and deferred income	164,153	42,865
	<u>164,153</u>	<u>61,785,809</u>

**11. CALLED UP SHARE CAPITAL**

	2015 \$	2014 \$
<b>Allotted, called up and fully paid</b>		
100 (2014: 100) Ordinary shares of \$1 each	<u>100</u>	<u>100</u>

**12. OFFSETTING**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position ("SOFP") where the Company currently has 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 settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2015 and 31 December 2014. The column 'net amount' shows the impact on the Company's statement of financial position if all set-off rights were exercised.

As at 31 December 2015

	Gross amounts of recognised financial assets \$	Net amount of financial assets presented in the SOFP \$	Financial instruments \$	Net amount \$
<b>Assets</b>				
Derivative financial instruments	1,527,071	1,527,071	(395,049)	1,132,022
<b>Liabilities</b>				
Derivative financial instruments	(395,049)	(395,049)	395,049	-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015

12. OFFSETTING (continued)

As at 31 December 2014

	Gross amounts of recognised financial assets \$	Net amount of financial assets presented in the SOFP \$	Financial instruments \$	Net amount \$
<b>Assets</b>				
Derivative financial instruments	453,116	453,116	-	453,116
<b>Liabilities</b>				
Derivative financial instruments	-	-	-	-

**Financial instruments**

The Company can undertake a number of financial instrument transactions with a single counterparty and may enter into a 'master netting agreement' with that counterparty. Such an agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract. These agreements are commonly used to provide protection against loss, in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. A master netting arrangement commonly creates a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

The Company enters into ISDA master agreements or their equivalent ("master netting agreements") with the Company's major derivative counterparties.

As the Company does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the table above.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**13. RISK MANAGEMENT**

**Legal Entity Risk Governance**

Legal entity Risk governance is built on the BAC approach to risk management as documented in the BAC Risk Framework. BAC takes a comprehensive approach to risk management, integrating it with strategic, capital and financial operating plans. BAC manages risk systematically, with a focus on BAC as a whole and by business, Governance and Control Functions ("GCFs"), geography, legal entity and / or branch (where appropriate), product, service and transactions.

The risk management approach has five components:

- Risk culture;
- Risk appetite;
- Risk governance;
- Risk reporting; and
- Risk management processes.

The seven key types of risk faced by BAC Businesses as defined in the Risk Framework are market, credit, operational, liquidity, reputational, strategic and compliance risks.

Set out below is a summary of the Company's approach to each of the risk types.

**Market Risk**

All market risk of the trading loan portfolio is transferred to the parent company via Total Return Swaps, so the Company has no exposure to market risk.

**Credit risk**

Credit risk is the potential risk of financial loss arising from the failure of a counterparty to settle its financial and contractual obligations. As stated above the credit risk of the trading portfolio is transferred to the parent company via Total Return Swaps therefore the directors consider credit risk of the trading loan portfolio and also trade debtor balances to be fully mitigated. The directors consider the remaining credit risk to be minimal as the derivative financial instruments and amounts owed by group undertakings are both held with the parent company, BAMLI, which has a long-term senior credit rating of "A" (Standard & Poor's) and "A" (Fitch).

**Liquidity risk**

Liquidity risk is the potential inability to meet contractual and contingent financial obligations, both on or off balance sheet, as they come due. Liquidity risk relates to the ability of an entity to repay short-term borrowings with new borrowings or assets that can be quickly converted into cash while meeting other obligations and continuing to operate as a going concern. The Company maintains intercompany loans and other relationships with affiliates to provide funding for its activities as required.

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**14. FAIR VALUE DISCLOSURES**

In accordance with International Financial Reporting Standard 7 - Financial Instruments: Disclosures, financial instruments carried at fair value have been categorised into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial instruments are considered Level 1 when their valuation is based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

**Derivatives assets and liabilities**

The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. When third party pricing services are used, the methods and assumptions are reviewed by the Company. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available, or are unobservable, in which case, quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The fair value of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other deal specific factors, where appropriate.

**Trading assets**

The fair values of trading assets are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair values of trading assets. In less liquid markets, market price quotes may not be readily available.

Some of these instruments are valued using a net asset value approach, which considers the value of the underlying assets. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more rating agencies.

The tables below presents the carrying value of financial instruments held at fair value across the three levels of the fair value hierarchy at 31 December 2015 and 31 December 2014.

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**ALIE STREET INVESTMENTS 6 LIMITED**

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**14. FAIR VALUE DISCLOSURES (continued)****31 December 2015 - Recurring fair value measurement**

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Trading assets	-	76,855,767	-	76,855,767
Derivative assets	-	1,527,071	-	1,527,071
<b>Total assets</b>	-	78,382,838	-	78,382,838

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Liabilities</b>				
Derivative liabilities	-	395,049	-	395,049
<b>Total liabilities</b>	-	395,049	-	395,049

**31 December 2014 - Recurring fair value measurement**

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Trading assets	-	61,328,470	-	61,328,470
Derivative assets	-	453,116	-	453,116
<b>Total assets</b>	-	61,781,586	-	61,781,586

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Liabilities</b>				
Derivative liabilities	-	-	-	-
<b>Total liabilities</b>	-	-	-	-

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**15. RELATED PARTY TRANSACTIONS**

As detailed in note 1.3, the Company has elected to take advantage of the exemption available under FRS 101 for the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

Management consider key management personnel to be represented by the Board of directors of the Company. Details of the staff cost including directors remuneration is referenced in note 5.

**16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's immediate parent is BAMLI, a company incorporated in the United Kingdom. The Company's ultimate parent and controlling party is Bank of America Corporation ("BAC"), a company organised and existing in the State of Delaware in the United States of America ("U.S.A.").

The parent company of the largest, and smallest, group into which the Company financial statements are consolidated is BAC. Copies of BAC's financial statements can be obtained from either of the following website locations : <http://investor.bankofamerica.com> or [www.sec.gov/](http://www.sec.gov/).