

# MIDTOWN HOLDINGS LIMITED

## DIRECTORS' REPORT AND ANNUAL FINANCIAL STATEMENTS For the year ended 31 December 2015

Registered in Scotland: SC041926

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**CONTENTS**

Directors and Other Information.....	2
Directors' Report.....	3
Strategic Report.....	5
Statement of Directors' Responsibilities .....	6
Independent Auditors' Report.....	7
Income Statement.....	9
Statement of Comprehensive Income.....	9
Statement of Financial Position.....	10
Statement of Cash Flows.....	11
Statement of Changes in Shareholders' Equity.....	12
Notes to the Financial Statements.....	13

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**DIRECTORS AND OTHER INFORMATION****DIRECTORS**

C. A. Jennings  
H. A. O'Donnell

**REGISTERED OFFICE**

19 Charlotte Square  
Edinburgh  
Scotland  
EH2 4DE

**REGISTERED NUMBER**

SC041926

**SECRETARY**

D. O'Callaghan

**REGISTERED AUDITOR**

Deloitte  
Chartered Accountants and Statutory Audit Firm  
Deloitte and Touche House  
Earlsfort Terrace  
Dublin 2

**BANKERS**

West London Business Centre  
Ealing Cross  
85 Uxbridge Road  
Ealing  
W5 5TH

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**DIRECTORS' REPORT**

The Directors present herewith their report and audited financial statements for the year ended 31 December 2015. A Statement of Directors' Responsibilities in relation to the financial statements appears on page 6.

The Company has chosen, in accordance with Section 414C(11) of the Companies Act 2006, and as noted in this Director's Report, to include certain matters, such as a review of future developments; subsequent events after the balance sheet date; principal risks and uncertainties; and capital management in its Strategic Report that would otherwise be required to be disclosed in this Directors' Report. The Strategic Report can be found on page 5.

**GOING CONCERN**

The financial statements for the year ended 31 December 2015 have been prepared on a going concern basis as the Directors are satisfied, having considered the risks and uncertainties impacting the Company, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Directors is twelve months from the date of approval of these annual financial statements.

In making their assessment, the Directors have considered a wide range of information relating to present and future conditions of the company, including the availability of sufficient resources. The Company is dependent on the support of its ultimate parent, Allied Irish Banks p.l.c. ("the Group") for capital and funding and is therefore dependent on the going concern of the Group. The Group financial statements for the year ended 31 December 2015 were prepared on a going concern basis.

Throughout 2015 the Company received full support from the Group in meeting its capital and funding requirements, and the Group has formally committed to supporting the Company's capital and funding needs for a period of at least twelve months from the date these financial statements are approved by the Directors.

**Conclusion**

On the basis of the assessment made, the Directors are satisfied that it continues to be appropriate to prepare the financial statements on a going concern basis, having concluded that there are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over the period of assessment.

**DIRECTORS**

The following Directors served during the year at 31 December 2015:

C. A. Jennings  
H. A. O'Donnell  
G. M. O'Keeffe

G. M. O'Keeffe resigned as Director of the Company on 17 June 2016.

**SECRETARY**

The Secretary of the Company at 31 December 2015 was:

C. Gilhooley

C. Gilhooley resigned as Secretary of the Company on 9 September 2016 and D. O'Callaghan was appointed Secretary of the Company on the same date.

**DIRECTORS' LOANS**

None of the Directors received any loans from the Company (2014: Nil).

**DIRECTORS INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors in the Articles of Association.

**DONATIONS**

During the year the Company made no political donations or donations to charities (2014: Nil).

**ACCOUNTING RECORDS**

The Directors believe that they have complied with the requirements of Section 386 of the Companies Act, 2006 with regard to accounting records by allocating personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at AIB, Bankcentre, Ballsbridge, Dublin 4.

The Company Officers have made sufficient arrangements to ensure compliance with Section 388 of the Companies Act 2006.

**DIRECTORS' REPORT (continued)****DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.


**INDEPENDENT AUDITOR**

Deloitte, Chartered Accountants and Statutory Audit Firm, has expressed their willingness to continue in office under Section 487 of the Companies Act, 2006.

Approved by the Board of Directors and signed on its behalf by:

  
\_\_\_\_\_  
Hugh O'Donnell  
Director

Date: 22 September 2016

  
\_\_\_\_\_  
Colin Jennings  
Director

Date: 22 September 2016

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**STRATEGIC REPORT****PRINCIPAL ACTIVITIES**

The Company previously carried out the activities of a property holding company. As the Company's last property lease was surrendered in December 2013, the purpose and future activity of the Company is currently under review.

The Company is part of the Allied Irish Banks p.l.c. Group ("the Group") and receives ongoing resources which enable the Company to meet its obligations as they fall due. The Directors do not anticipate any material change in the type or level of activities of the Company for the foreseeable future.

**BUSINESS REVIEW**

The loss after taxation for the year ended 31 December 2015 was Nil (2014: loss after taxation £21,144). No dividend was paid during the year (2014: Nil).

The Company's Statement of Financial Position shows negative net equity at 31 December 2015 of £385,886 (2014: negative net equity £385,886).

**STRATEGY AND OUTLOOK**

The Directors consider the present level of activity to be satisfactory. The Company is not currently trading and there is no change to this level of activities expected in the future.

**PRINCIPAL RISKS AND UNCERTAINTIES**

Information concerning the principal risks and uncertainties facing the Company as required under the terms of the European Accounts Modernisation Directive (2003/51/EEC), is set out in note 9 to the financial statements.

**CAPITAL MANAGEMENT**

The Company is dependent on the ultimate parent, Allied Irish Banks, p.l.c., for its capital and funding.

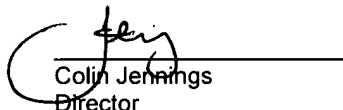
**POLITICAL AND CHARITABLE DONATIONS**

The Company made no political or charitable contributions during the year (2014: Nil).

Approved by the Board of Directors and signed on its behalf by:



Hugh O'Donnell  
Director



Colin Jennings  
Director

Date: 22 September 2016

Date: 22 September 2016

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Directors' Report and Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU") and applicable law.

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 their profit or loss for that period.

In preparing these financial statements, the Directors are required to:

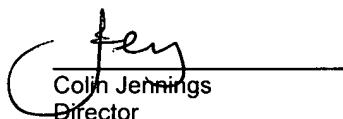
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group and the parent 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By Order of the Board



Hugh O'Donnell  
Director



Colin Jennings  
Director

Date: 22 September 2016

Date: 22 September 2016

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDTOWN HOLDINGS LIMITED

We have audited the financial statements of Midtown Holdings Limited for the *year* ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Shareholders' Equity and the related notes 1 to 13. The relevant financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union ("relevant financial reporting framework").

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 Auditors' 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 Auditors

As explained more fully in the statement of Directors' responsibilities, 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 annual 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 2015 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDTOWN HOLDINGS LIMITED

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

In our opinion, based on the work undertaken in the course of the audit:

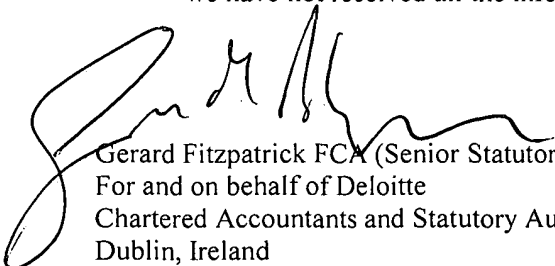
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

### **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.



Gerard Fitzpatrick FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte  
Chartered Accountants and Statutory Audit Firm  
Dublin, Ireland

Date: 26<sup>th</sup> September 2016

**INCOME STATEMENT***for the year ended 31 December 2015*

	Note	2015 £	2014 £
Operating expenses	2	-	(40,004)
Loss on ordinary activities before taxation		-	(40,004)
Taxation	3	-	18,860
Loss for the year		-	(21,144)

The operating profit arises from continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME***for the year ended 31 December 2015*

	2015 £	2014 £
Loss for the year	-	(21,144)
Other comprehensive income	-	-
Total comprehensive loss for the year	-	(21,144)

See accompanying notes which form an integral part of the financial statements.

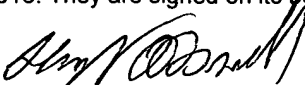
**STATEMENT OF FINANCIAL POSITION**

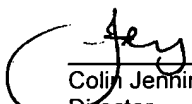
as at 31 December 2015

	Note	2015 £	2014 £
<b>Assets</b>			
Cash and cash equivalents	5	2,127,211	2,151,521
<b>Total assets</b>		<b>2,127,211</b>	<b>2,151,521</b>
<b>Liabilities</b>			
Trade and other payables	6	2,513,097	2,537,407
<b>Total liabilities</b>		<b>2,513,097</b>	<b>2,537,407</b>
<b>Shareholders' equity</b>			
Ordinary share capital	7	100	100
Revenue reserves		(385,986)	(385,986)
<b>Total shareholders' equity</b>		<b>(385,886)</b>	<b>(385,886)</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,127,211</b>	<b>2,151,521</b>

See accompanying notes which form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 22 September 2016. They are signed on its behalf by:

  
 Hugh O'Donnell  
 Director

  
 Colin Jennings  
 Director

Date: 22 September 2016

Date: 22 September 2016

Company registration number: SC041926

**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2015

	Note	2015 £	2014 £
<b>Cash flows from operating activities</b>			
Loss before tax		-	(40,004)
Adjustments for:			
Change in trade and other receivables		-	35,569
Change in trade and other payables		(24,310)	(72,512)
<b>Net cash flows from operating activities</b>		<b>(24,310)</b>	<b>(76,947)</b>
Taxation refund		-	18,860
<b>Net cash flows from operating activities</b>		<b>(24,310)</b>	<b>(58,087)</b>
<b>Cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
Change in cash and cash equivalents		(24,310)	(58,087)
Cash and cash equivalents at 1 January		2,151,521	2,209,608
Cash and cash equivalents at 31 December	5	2,127,211	2,151,521

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY***for the year ended 31 December 2015*

	Share capital	Retained earnings	Total shareholders' equity
	£	£	£
At 1 January 2015	100	(385,986)	(385,886)
Loss for the year	-	-	-
At 31 December 2015	100	(385,986)	(385,886)
At 1 January 2014	100	(364,842)	(364,742)
Loss for the year	-	(21,144)	(21,144)
At 31 December 2014	100	(385,986)	(385,886)

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**NOTES TO THE FINANCIAL STATEMENTS****1. ACCOUNTING POLICIES**

The accounting policies that the Company applied in the preparation of the financial statements for the year ended 31 December 2015 are set out below.

**1.1 REPORTING ENTITY**

Midtown Holdings Limited is a company domiciled in Scotland. The address of the Company's registered office is 19 Charlotte Square, Edinburgh, Scotland, EH2 4DE.

**1.2 STATEMENT OF COMPLIANCE**

The financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (collectively "IFRSs") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Standards as adopted by the European Union ("EU") and applicable for the year ended 31 December 2015. The financial statements also comply with the Companies Act, 2006.

The accounting policies have been consistently applied by the Company and are consistent with the previous year, unless otherwise described.

**1.3 BASIS OF PREPARATION***Functional and presentation currency*

The financial statements are presented in sterling, which is the functional currency of the Company, rounded to the nearest pound.

*Critical accounting judgements and estimates*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

*Basis of measurement*

The financial statements have been prepared under the historical cost basis.

*Going concern*

The financial statements for the year ended 31 December 2015 have been prepared on a going concern basis as the Directors are satisfied, having considered the risks and uncertainties impacting the Company, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Directors is twelve months from the date of approval of these annual financial statements.

In making their assessment, the Directors have considered a wide range of information relating to present and future conditions of the company, including the availability of sufficient resources. The Company is dependent on the support of its ultimate parent, Allied Irish Banks p.l.c. ("the Group") for capital and funding and is therefore dependent on the going concern of the Group. The Group financial statements for the year ended 31 December 2015 were prepared on a going concern basis.

Throughout 2015 the Company received full support from the Group in meeting its capital and funding requirements, and the Group has formally committed to supporting the Company's capital and funding needs for a period of at least twelve months from the date these financial statements are approved by the Directors.

*Conclusion*

On the basis of the assessment made, the Directors are satisfied that it continues to be appropriate to prepare the financial statements on a going concern basis, having concluded that there are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over the period of assessment.

*Adoption of new accounting standards*

During the financial year to 31 December 2015, the Company adopted amendments to standards and interpretations which had an insignificant impact on these annual financial statements.

**1.4 CASH AND CASH EQUIVALENTS**

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits (excluding regulatory balances with the Bank of England) and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value and with a maturity of less than three months from the date of acquisition.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1. ACCOUNTING POLICIES (continued)****1.5 INTEREST INCOME AND EXPENSE RECOGNITION**

Interest income and expense is recognised in the income statement for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The application of the method has the effect of recognising income receivable and expense payable on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest rate, the Company estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. The calculation takes into account all fees, including those for any expected early redemption, and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

**1.6 FEE AND COMMISSION INCOME**

Fees and commissions are generally recognised on an accruals basis when the service has been provided, unless they have been included in the effective interest rate calculation.

**1.7 DUE FROM GROUP UNDERTAKING**

Amounts due from Group undertakings are classified as loans and receivables. Loans and receivables are non – derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not quoted as available for sale. Loans and receivables are initially recognised at fair value adjusted for direct and incremental transaction costs and are subsequently carried on an amortised cost basis. The Company assesses at each reporting date whether there is objective evidence that the asset is impaired.

**1.8 DUE TO GROUP UNDERTAKING**

Amounts due to Group undertakings are classified as financial liabilities. Financial liabilities are initially recognised at fair value being the fair value of consideration received, net of transaction costs incurred. Financial liabilities are subsequently re-measured at amortised cost with any difference between the proceeds net of transaction costs and the redemption value recognised in the income statement using the effective interest method.

**1.9 FINANCIAL ASSETS AND LIABILITIES**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and which are not classified as available for sale. They arise when the Bank provides money or services directly to a customer with no intention of trading the loan. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value and are subsequently carried on an amortised cost basis. Amounts due from Group undertakings are classified as loans and receivables.

Financial assets are derecognised when rights to receive cash flows from financial assets have expired or when the Bank has transferred substantially all the risks and rewards of ownership.

Financial instruments and their components are classified as liabilities where the substance of the contractual agreement results in the Company having a present obligation to either deliver cash or another financial asset to the holder or to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares.

Financial liabilities are initially recognised at fair value, being the issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost, any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement using the effective interest rate method. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Any gain or loss on the extinguishment or remeasurement of a financial liability is recognised in profit or loss. Amounts due to Group undertakings are classified as financial liabilities.

**1.10 INCOME TAX, INCLUDING DEFERRED INCOME TAX**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Income tax relating to items in equity is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1. ACCOUNTING POLICIES (continued)****1.10 INCOME TAX, INCLUDING DEFERRED INCOME TAX (continued)**

Deferred income tax is provided, using the financial statement liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates based on legislation enacted or substantively enacted at the reporting date and expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred income tax assets are recognised when it is probable that future taxable profits will be available against which the temporary differences will be utilised. The deferred tax asset is reviewed at the end of each reporting period and the carrying amount is reduced to the extent that sufficient taxable profits will be available to allow all of the asset to be recovered.

The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle the current tax assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and financial liabilities including derivative contracts, provisions for pensions and other post-retirement benefits, and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

**1.11 SHARE CAPITAL**

Issued financial instruments, or their components, are classified as equity where there is no contractual obligation to transfer cash or other financial assets to the holder. They confer on the holder a residual interest in the assets of the Company.

*Dividends and distributions*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company shareholders, or in the case of the interim dividend when it has been approved by the Board of Directors.

**1.12 PROSPECTIVE ACCOUNTING CHANGES**

The Directors have considered all IFRSs and interpretations that have been issued, but which are not yet effective and confirm that they do not believe that they will have a significant impact on how the results of operations and financial position are prepared and presented.

**2. ADMINISTRATIVE EXPENSES**

	2015	2014
	£	£
Other expenses		40,004
		40,004

**2 (a). Operating expenses**

Accounting and administration services are provided by the ultimate parent company.

The average number of persons employed by the Company, excluding executive Directors, during the year was Nil (2014: Nil).

**2 (b). Auditor's fees**

Auditor's remuneration is borne by the ultimate parent company, Allied Irish Banks, p.l.c..

**NOTES TO THE FINANCIAL STATEMENTS (continued)****3. TAXATION**

	2015 £	2014 £
Current taxation		
Current tax (charge)/ credit for the year	-	18,860
	-	18,860
Deferred taxation	-	-
Total income tax (charge)/ credit	-	18,860

Reconciliation of total tax expense based on applying the standard rate of tax to the profit / (loss) per the financial statements and the total tax expense reported in the financial statements.

	2015 £	2014 £
Loss before taxation	-	40,004
Total tax based on standard rate of tax of 20.25% (2014: 21.5%)	-	8,601
Expenses not deductible for tax purposes	-	(8,601)
UK transfer pricing adjustment	-	-
Adjustments in respect of prior years – current tax	-	18,860
	-	18,860

**4. COMMITMENTS**

There were no outstanding capital commitments at 31 December 2015 or 31 December 2014.

**5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of bank balances with the parent company. For the purposes of the cash flow statement, cash and cash equivalents comprises the following statement of financial position amounts:

	2015 £	2014 £
Amounts due from group companies	2,127,211	2,151,521
	2,127,211	2,151,521

**NOTES TO THE FINANCIAL STATEMENTS (continued)****6. TRADE AND OTHER PAYABLES**

	2015 £	2014 £
Amounts due to fellow group companies	2,513,097	2,537,407
	2,513,097	2,537,407

**7. CALLED UP SHARE CAPITAL**

	2015 £	2014 £
Authorised		
100 ordinary shares of £1.00	100	100
Issued		
100 ordinary shares of £1.00	100	100

**8. RISK MANAGEMENT**

Risk taking is inherent in the provision of financial services and the Company, as part of the AIB Group, assumes a variety of risk in undertaking its business activities. Risk is defined as any event that could: damage the core earnings capacity of the Company, increase earnings or cash flow volatility; reduce capital; threaten business reputation or viability; and/or breach legal obligations. AIB Group has adopted an Enterprise Risk Management approach to identifying, assessing and managing risks.

The key elements of the framework are:

Risk philosophy;  
 Risk appetite;  
 Risk governance and risk management organisation;  
 Risk identification and assessment process;  
 Risk strategy; and  
 Stress and scenario testing.

Details of AIB Group's risk management framework are set out in the Annual Report of Allied Irish Banks, p.l.c.

**Risk Management – Individual risk types**

This section provides details of the exposure to, and risk management of, the following individual risk types which have been identified through the AIB Group risk assessment process and which are relevant to the Company:-

- 8.1 Liquidity risk
- 8.2 Operational risk

The 2 applicable risk types are discussed below.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****8. RISK MANAGEMENT (continued)****8.1 Liquidity risk**

Liquidity risk is the exposure to loss from not having sufficient funds available at an economic price to meet actual and contingent commitments. The objective of liquidity management is to ensure that, at all times, the Company holds sufficient funds to meet its contracted and contingent commitments, at an economic price.

The Company's liquidity risk is managed as part of the overall AIB Group liquidity management. This includes the risk identification and assessment, risk management and mitigation, and risk monitoring and reporting processes. The table below sets out the contractual maturity of liabilities.

**Exposure to liquidity risk**

2015					
	Repayable on demand	3 months or less	1 year or less	Total	Carrying value
	£	£	£	£	£
Trade and other payables	2,513,097	-	-	2,513,097	2,513,097
	2,513,097	-	-	2,513,097	2,513,097

2014					
	Repayable on demand	3 months or less	1 year or less	Total	Carrying value
	£	£	£	£	£
Trade and other payables	2,537,407	-	-	2,537,407	2,537,407
	2,537,407	-	-	2,537,407	2,537,407

**8.2 Operational risk**

Operational risk, which is inherent in all business activities, is the exposure to loss from inadequate or failed internal processes, people and systems, or from external events.

The management of operational risk is a line management responsibility. It is supported by specialist operational risk management ('ORM') functions within Allied Irish Banks, p.l.c. that assist and advise line management on specific operational risks. Examples include money laundering prevention, compliance, business continuity planning, information security and insurance.

An element of the Company's ORM programme is an operational risk self-assessment process. This process requires the Company to assess its operational risks and the effectiveness of the related controls to address these risks. It complements the risk-based audit approach applied by internal audit in its role as independent assessor of management's control and risk management processes.

Further details of AIB Group's Liquidity Risk and Operational Risk frameworks are set out in the Annual Report of Allied Irish Banks, p.l.c.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**9. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The term 'financial instruments' includes both financial assets and financial liabilities. The fair value of a financial instrument is 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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date.

The valuation of financial instruments including loans and receivables involves the application of judgement and estimation. Market and credit risks are the key assumptions in the estimation of the fair value of loans and receivables. The Company has estimated the fair value of its loans to customers taking into account market risk and the changes in credit quality of its borrowers.

The fair value of financial instruments has been deemed to be equivalent to the book value as the instruments are variable in nature and it is reasonable to assume that the book value is equivalent to the instrument's fair value.

The Directors consider that the carrying amount of trade receivables and prepayments and trade creditors and accrued expenses is approximately equal to their fair value.

Furthermore, the concept of fair value assumes realisation of financial instruments by way of a sale. However in many cases a sale is unlikely, and the assets and liabilities will be held to maturity. The following table gives details of the carrying amounts and fair values of financial instruments at 31 December 2015 and 31 December 2014.

Fair values are based on observable market prices where available and on valuation models or techniques where the lack of market liquidity means that observable prices are unavailable. The fair values are measured according to the following fair value hierarchy:

**Level 1** – assets and liabilities measured using quoted market prices from an active market (unadjusted).

**Level 2** – assets and liabilities measured using valuation techniques which use quoted market prices from an active market or are measured using quoted market prices unadjusted from an inactive market.

**Level 3** – assets and liabilities measured using valuation techniques which use unobservable market data.

The fair value of balances with other AIB Group companies is stated at carrying value.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table sets out the carrying amount and fair value of financial instruments across the three levels of the fair value hierarchy at 31 December 2015 and 2014.

	2015						
	Carrying amount in statement of financial position			Fair Value hierarchy			
	At amortised cost		Total				
	Loans and receivables	Other		Level 1	Level 2	Level 3	Total
	£	£	£	£	£	£	£
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	-	2,127,211	2,127,211	2,127,211	-	-	2,127,211
	-	2,127,211	2,127,211	2,127,211	-	-	2,127,211
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	-	2,513,097	2,513,097	-	-	2,513,097	2,513,097
	-	2,513,097	2,513,097	-	-	2,513,097	2,513,097

	2014						
	Carrying amount in statement of financial position			Fair Value hierarchy			
	At amortised cost		Total				
	Loans and receivables	Other		Level 1	Level 2	Level 3	Total
	£	£	£	£	£	£	£
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	-	2,151,521	2,151,521	2,151,521	-	-	2,151,521
	-	2,151,521	2,151,521	2,151,521	-	-	2,151,521
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	-	2,537,407	2,537,407	-	-	2,537,407	2,537,407
	-	2,537,407	2,537,407	-	-	2,537,407	2,537,407

**NOTES TO THE FINANCIAL STATEMENTS (continued)****10. RELATED PARTY DISCLOSURES****Transaction, arrangements and agreements involving Directors and others**

Key management personnel are those persons considered having the authority and responsibility for planning directing and controlling the activities of the Company, directly or indirectly. Management consider that the only key management personnel are the Directors.

All cost/emoluments of Directors are paid by the immediate parent company directly and are not recharged to the Company. As a result, the Company has not been required to disclose compensation paid to key management personnel.

**Immediate parent and fellow subsidiaries**

The table below provides the balances that the Company has with its immediate parent and fellow subsidiaries and the transactions included in the statement of financial position:

	2015 £	2014 £
<b>Statement of financial position</b>		
Amounts due from group companies	2,127,211	2,151,521
Amounts due to fellow group undertakings	(2,513,097)	(2,537,407)

Transactions that the Company enters into with group companies are made in the ordinary course of business under normal commercial terms.

**11. PARENT COMPANY**

The immediate parent company is AIB Holdings (UK) Limited, a company registered in London, UK. This is the smallest group in which the financial statements of the Company are consolidated.

The ultimate parent undertaking and controlling party is Allied Irish Banks, p.l.c., a company registered in the Republic of Ireland. This is the largest group in which the financial statements of the Company are consolidated. The financial statements of the Group are available from Allied Irish Banks, p.l.c., Bankcentre, Dublin 4. Republic of Ireland.

**12. SUBSEQUENT EVENTS**

The result of the EU Referendum on 23 June 2016 and the UK government's further commitment to leave the EU has created significant economic uncertainty. The Directors have considered this and determined that there is no effect on the 31 December 2015 financial statements.

There have been no other significant events affecting the Company since the reporting date which require amendment to, or disclosure in, the financial statements.

**13. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 22 September 2016.