

**Partnership
Accounts**



AIB PFP (General Partner) Limited

**Directors' Report and
Annual Financial Statements
for the year ended 31 December 2020**

Company registration number SC459496

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Directors' and other information

Directors	Keith Gore William R MacLeod
Secretary	Elizabeth Hallissey
Registered office	227 West George Street Glasgow G2 2ND Scotland
Registered number	SC459496
Registered auditor	Deloitte LLP Statutory Auditor London United Kingdom
Banker	Allied Irish Bank (GB) 227 West George Street Glasgow G2 2ND Scotland

Directors' report

The Directors present herewith their report and financial statements (which comprise the statement of comprehensive income, statement of financial position, statement of changes in shareholders' equity, statement of cash flows and the related notes) of AIB PFP (General Partner) Limited (the 'Company') for the year ended 31 December 2020. The Directors' responsibility statement in relation to the financial statements is on page 5.

Principal activities

The principal activity of the Company is to be a General Partner to AIB PFP Scottish Limited Partnership (the 'Limited Partnership'). The Company is a subsidiary of AIB UK Loan Management Limited, which is a subsidiary of Allied Irish Banks p.l.c. ('AIB') and has controlling power over the Limited Partnership.

The Limited Partnership was formed to execute a series of agreements to give effect to an asset backed funding plan for the AIB Group UK Defined Benefit Pension Scheme ('the UK Scheme'). The Limited Partnership was established pursuant to a limited partnership agreement among the Company and the initial Limited Partners, AIB UK Loan Management Limited ('UKLM') and AIB Group (UK) p.l.c. ('AIB UK Group'), and was registered in Scotland as a limited partnership under the Limited Partnerships Act 1907. The registered office of the Limited Partnership is 227 West George Street, Glasgow, G2 2ND.

The Company's immediate parent company and controlling party is UKLM. The Company is a wholly owned subsidiary of AIB, its penultimate parent company which is a wholly owned subsidiary of AIB Group plc.

There have not been any significant changes in the Company's principal activity during the period under review and no significant change in the Company's principal activity is expected.

The Company has no employees but is supported operationally by AIB and AIB UK Group.

Business review

The Company did not engage in any trading activity during the year ended 31 December 2020 (2019: nil). The statement of comprehensive income for the year ended 31 December 2020 is set out on page 8.

The Company did not declare nor pay any dividend for the financial year ended 31 December 2020 (2019: £nil).

Going concern

The financial statements for the year ended 31 December 2020 have been prepared on a going concern basis as the Directors are satisfied, having considered the risks and uncertainties impacting the Company including the COVID-19 pandemic and the continued uncertainty on trading partnerships with the EU following the UK's exit from the EU, 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 financial statements.

Conclusion

On the basis of the above, the Directors of the Company consider that it is appropriate to prepare these financial statements on a going concern basis.

Directors

The Directors of the Company during the financial year ended 31 December 2020 and up to the date of signing were:

Keith Gore
William R MacLeod

Secretary

Brian Kearns resigned as Company Secretary on 11 December 2020 and Elizabeth Hallissey was appointed as Company Secretary on the same date.

Capital management

The Company's capital consists of 100 £1 ordinary shares at 31 December 2020 (2019: 100 £1 ordinary shares). The policy of the Company is to maintain adequate capital resources at all times. The Company does not have externally imposed capital requirements.

Non-adjusting events after the reporting period

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

Directors' report (continued)

Statement of relevant audit information

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

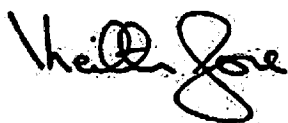
- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) the Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's 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.

Auditor

Deloitte LLP, Statutory Auditor, have expressed their willingness to continue in office under Section 487 of the Companies Act 2006.

By Order of the Board



Keith Gore

Director

Date: 5 July 2021

Directors' responsibility statement

The Directors are responsible for preparing the Annual 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 International Financial Reporting Standards ('IFRSs') as adopted by the European Union. 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.

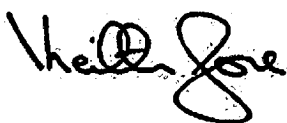
In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board,



Keith Gore
Director

Date: 5 July 2021

Independent auditor's report to the members of AIB PFP (General Partner) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of AIB PFP (General Partner) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in shareholders' equity;
- the statement of cash flows; and
- the related notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Directors' Report and Annual Financial Statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Directors' Report and Annual Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of AIB PFP (General Partner) Limited (continued)

Responsibilities of directors

As explained more fully in the Directors' responsibility statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of AIB PFP (General Partner) Limited (continued)

Report on other legal and regulatory requirements

Opinions 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Ben Jackson, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 05 July 2021

Statement of comprehensive income

for the financial year ended 31 December 2020.

The Company did not engage in any trading activity in the current or prior reporting year.

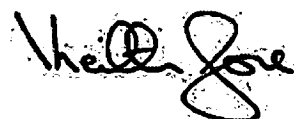
Statement of financial position

as at 31 December 2020

	Note	2020 £	2019 £
Assets			
Investment in partnership undertakings	3	100	100
Total assets		100	100
Shareholders' equity			
Share capital	4	100	100
Total shareholders' equity		100	100
Total equity and liabilities		100	100

The notes on pages 13 to 15 form part of these financial statements.

These financial statements were approved by the Board of Directors on 5 July 2021 and signed on its behalf by:



Keith Gore
Director

Date: 5 July 2021

Company registration number: SC459496

Statement of changes in shareholders' equity

for the financial year ended 31 December 2020

	Share capital	Total
	£	£
At 1 January 2020	100	100
Total comprehensive income for the year	—	—
At 31 December 2020	100	100
At 1 January 2019	100	100
Total comprehensive income for the year	—	—
At 31 December 2019	100	100

The notes on pages 12 to 14 form part of these financial statements.

Statement of cash flows

for the financial year ended 31 December 2020

There were no cash flows in the current or prior reporting year.

Notes to the financial statements

1. Accounting policies

The significant accounting policies that AIB PFP (General Partner) Limited applied in the preparation of the financial statements are set out in this section.

1.1. Reporting entity

AIB PFP (General Partner) Limited ('the Company') is a private company limited by shares and is registered in Scotland. Its registered office is 227 West George Street, Glasgow, G2 2ND and its registered number is SC459496. The Company's principal activity is to be a General Partner to AIB PFP Scottish Limited Partnership (the 'Limited Partnership'), a limited partnership registered in Scotland with the same registered office as the Company.

The Board of Directors approved these financial statements for issue on 5 July 2021.

AIB Group plc, the Company's ultimate parent company, is a company registered in the Republic of Ireland. The address of its Group Headquarters and Registered Office is as follows: AIB, 10 Molesworth Street, Dublin 2, Republic of Ireland.

1.2. Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board ('IASB') and subsequently adopted by the European Union ('EU') and applicable for the year ended 31 December 2020. The accounting policies have been consistently applied by the Company and are consistent with the previous year, unless otherwise described.

1.3. Consolidated financial statements

The Company is exempt from preparing consolidated financial statements under IFRS 10.4. Consolidated financial statements, incorporating its associates, have not been prepared by the Company as it is itself a wholly owned subsidiary of AIB, which has prepared consolidated financial statements incorporating the results and assets and liabilities of the Company and its associated undertakings.

1.4. Basis of preparation

Functional and presentation currency

The financial statements are presented in pound sterling ('£'), which is the functional currency of the Company.

Basis of measurement

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

Use of judgements and estimates

The preparation of financial statements requires management to make judgements, in the application of accounting policies, and estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, and disclosures 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 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.

There were no accounting policies deemed critical to the Company's results and financial position, in terms of the materiality of the items to which the policy is applied and no estimates with a significant risk of material adjustment in the next year.

Going concern

The financial statements for the year ended 31 December 2020 have been prepared on a going concern basis as the Directors are satisfied, having considered the risks and uncertainties impacting the Company including the COVID-19 pandemic and the continued uncertainty on trading partnerships with the EU following the UK's exit from the EU, 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 financial statements.

Conclusion

On the basis of the above, the Directors of the Company believe that it is appropriate to prepare the financial statements on a going concern basis.

Adoption of new accounting standards

The Directors have considered all IFRSs and interpretations adopted during the year ended 31 December 2020 and confirm they do not believe they have any impact on the accounting policies, financial position or performance of the Company.

Notes to the financial statements

1. Accounting policies (continued)

1.5. Foreign currency translation

Foreign currency transactions are translated into the respective entity's functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate prevailing at the year end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at year end exchange rates of the amortised cost of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1.6. Investment in partnership undertakings

The Company accounts for investments in partnership undertakings at cost less provisions for impairment.

Impairment of investments in partnership undertakings

The Company's investment in partnership undertakings is reviewed for impairment at the end of each accounting period to determine if there are indications that impairment losses may have occurred. If any such indications exist, the Company undertakes an impairment review by comparing the carrying value of the investment in the partnership with its estimated recoverable amount, with any shortfall being recognised as an impairment charge in the Company's income statement. The estimated recoverable amount is based on value-in-use (VIU) calculations.

In addition, an assessment is carried out where there are indicators that impairment recognised in prior periods may no longer exist or may have decreased.

For previously impaired investments, where the assessment indicates an increase in the recoverable amount, the impairment loss recognised in earlier periods is reversed, up to the maximum level of the original investment amount.

1.7. Share capital

Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Company.

Share capital

Share capital represents funds raised by issuing shares in return for cash or other consideration. Share capital comprises ordinary shares.

1.8. 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 of the Company are prepared and presented.

2. Administrative expenses

The auditor's remuneration of £6,300 (2019: £6,000) for the financial statements audit was paid on behalf of the General Partner by the Limited Partnership. This will not be recharged to the Company.

The Company had no employees during the year other than the Directors. The Directors of the Company are employed and remunerated as employees of AIB UK Group or AIB, in respect of their services to AIB as a whole and received no remuneration from this Company.

3. Investment in partnership undertakings

	2020 £	2019 £
Investment in AIB PFP Scottish Limited Partnership	100	100
	100	100

Notes to the financial statements

4. Share capital

	2020 £	2019 £
Authorised, allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

5. Related party transactions

Related parties are those persons or entities that are related to the entity preparing its financial statements. They can include persons who have significant control or influence on the entity, entities that are members of the same group of companies, or associated companies or joint ventures. In the Company's case related parties comprise key management personnel, AIB and fellow subsidiaries

Transaction, arrangements and agreements involving directors and others

Key management personnel are those persons considered having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Board considers that the key management personnel are the Directors, and a number of executives of AIB UK Group and AIB, who are involved in the operations of the Company.

There were no loans or transactions entered into by the Company with key management personnel.

Compensation of key management personnel

The Directors of the Company are employed and remunerated as employees of AIB UK Group or AIB in respect of their services to AIB as a whole and received no remuneration from this Company.

Parent and partnership undertaking

There were no transactions and outstanding balances with the Company's parent or partnership undertaking at 31 December 2020 and 2019.

6. Ultimate controlling party

AIB UK Loan Management Limited, a company registered in the United Kingdom, is the immediate parent company of the General Partner. Reference to the penultimate parent refers to AIB.

AIB Group plc a company registered in the Republic of Ireland, is the ultimate parent company and ultimate controlling party of the Company.

The financial statements of AIB and AIB Group plc are available from AIB, 10 Molesworth Street, Dublin 2. Alternatively, information can be viewed by accessing AIB's website at www.aib.ie/investorrelations.

7. Non-adjusting events after reporting period

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



AIB PFP Scottish Limited Partnership

Annual Report and Financial Statements
for the year ended 31 December 2020

Company registration number SL014428.

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Strategic report

Principal activities

The AIB PFP Scottish Limited Partnership ('the Limited Partnership') was formed by Allied Irish Banks p.l.c. ('AIB') in order to execute a series of agreements to give effect to an asset backed funding plan for the AIB Group UK Defined Benefit Pension Scheme ('the UK Scheme'). AIB is a bank registered in the Republic of Ireland.

The Limited Partnership commenced activities on 19 December 2013 when the original partners agreed to admit AIB Pensions UK Limited, in its capacity as trustee of the UK Scheme, to the Limited Partnership as a Limited Partner.

Under the terms of the asset backed funding plan, the beneficial interest in a portfolio of high quality commercial loans was transferred to the Limited Partnership from AIB UK Loan Management Limited ('UKLM'), one of the partners in the Limited Partnership, for the purpose of ring-fencing the repayments on these loans to fund future deficit payments to the UK Scheme.

Results

The Limited Partnership's statement of comprehensive income is set out on page 13. The Limited Partnership made a profit during the year of £21m (2019: £32m).

The Limited Partnership's statement of financial position is set out on page 14. The Limited Partnership's total partners' interests at 31 December 2020 was £690m (2019: £700m).

Review of business and future developments

There have not been any significant changes in the Limited Partnership's principal activity during the year ended 31 December 2020 and no significant change in the Limited Partnership's principal activity is expected.

The asset backed funding plan granted the UK Scheme a regular contribution which was determined through an independent triennial actuarial valuation of the defined benefit scheme. The most recent valuation was carried out as at 31 December 2017 and was approved in May 2019. It concluded that the contribution amount payable to the UK Scheme would be £15m per annum, payable quarterly with effect from 1 January 2019 to 31 December 2032. In addition, if the 31 December 2032 actuarial valuation of the UK Scheme revealed a deficit, then the UK Scheme would receive a payment equal to the lower of the deficit or £60m.

In December 2019 this funding plan was replaced with a new funding plan, following the purchase of two insurance policies by the Trustees, with the intention of reducing the risks associated with the UK Scheme. The insurance policies were purchased utilising UK Scheme assets, together with an additional amount of contributions of £22m received via this asset backed funding arrangement (£10m contribution paid in December 2019, £12m contribution paid in January 2020).

As a result of the purchase of the insurance policies, the asset backed funding plan agreed in October 2013, which granted the UK Scheme a regular income payable quarterly to 31 December 2032, was updated with a replacement funding plan. The new funding plan entitles the UK Scheme to annual contributions of £19m per annum for five years from 1 January 2020 to 31 December 2024, with a final contribution of £31m also payable in 2024.

The present value of the amount AIB Pensions UK Limited is entitled to receive as at 31 December 2020 is £118m (2019: £144m). This valuation will change based on the cash flows payable to the UK Scheme each year. Under the revisions to the SLP agreement in December 2019, AIB Pensions UK Limited's recourse to SLP assets is capped at £400m less contributions made under the new funding plan.

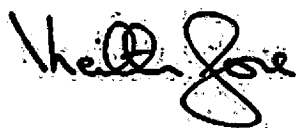
The general partner in the Limited Partnership is AIB PFP (General Partner) Limited ('the General Partner'), which is a subsidiary of AIB and has controlling power over the Limited Partnership. The majority of the risks and rewards will be borne by AIB as, while the UK Scheme has a priority right to the cash flows from the Limited Partnership, it is expected that the majority of and any variability in these cash flows will be recovered or suffered by AIB through UKLM. As UKLM continues to bear substantially all the risks and rewards of the loans, the loans are not derecognised from UKLM's statement of financial position.

As the loans are not derecognised from UKLM's statement of financial position, the Limited Partnership records its interest in the loans on its statement of financial position as loans receivable from partner undertakings. Although the loans are not recorded on the Limited Partnership's statement of financial position, information on the underlying loans is provided in the Risk Management report, as the Limited Partnership has an interest in the performance of these loans.

Strategic report (continued)

Principal risks and uncertainties

The risk management report on pages 4 to 6, sets out the Limited Partnership's policies for the management of credit risk and other significant risks.



Keith Gore

Director

AIB PFP (General Partner) Limited

*(General Partner of AIB PFP Scottish
Limited Partnership)*

Date: 5 July 2021

Risk management report

The Limited Partnership's risk management function is managed by AIB Group (UK) p.l.c. ('AIB UK Group') as part of the loan servicing arrangements between the Limited Partnership, AIB UK Loan Management Limited and AIB UK Group. The management of the Limited Partnership's activities is based on the policies applied by AIB and the processes and procedures adopted by AIB UK Group. The UK Senior Management Team ('UK SMT') of AIB UK Group has responsibility to ensure risk processes and procedures for the underlying loan portfolio are appropriate and properly fulfilled. It is the responsibility of the Directors of the General Partner to provide oversight over this function.

Full details of AIB UK Group's risk policies and its current position on managing its market, liquidity, credit and other related risks are set out in its Annual Report. A summary of those policies and structures which affect the Limited Partnership, are set out on the following pages.

Risk management

Risk taking is inherent in the loan servicing provided by AIB UK Loan Management Limited and as a result of its interest in the underlying portfolio of loans, the Limited Partnership is also exposed to certain risks. Risk is defined as any event that could damage the core earnings capacity of the Limited Partnership, increase earnings or cash flow volatility and/or breach regulatory or legal obligations.

Consequently, effective risk management is essential to the Limited Partnership and is a key part of its overall strategy. In keeping with AIB, AIB UK Group has adopted an Enterprise Risk Management approach to identifying, assessing and managing risks, the core elements of which are set out in the risk management framework summarised below which has been in operation throughout the year.

Risk philosophy

The UK SMT have adopted a broad set of risk management principles reflecting the Limited Partnership's risk philosophy and culture, and articulating the high-level standards against which risk taking decisions are made. The key principles are:

- to take intelligent risk, with shared responsibility between Business and Risk managers, while maintaining individual accountability;
- the Limited Partnership does not have a separately approved Risk Appetite but operates within AIB's Risk Appetite as approved by the AIB Board; and
- to take on only what can be measured, recorded and managed within the Limited Partnership's capabilities.

The General Partner approves business strategy and the objectives designed to achieve business strategy. Line management is responsible for managing these objectives within the AIB UK Group enterprise risk framework.

Risk appetite

The Limited Partnership adheres to the AIB Risk Appetite Framework which seeks to encourage appropriate risk-management by setting direction and boundaries to ensure that risks are aligned to business strategy and objectives. AIB's Risk Appetite Statement has been considered by the General Partner and the UK SMT, and is used as the Limited Partnership's risk framework with specific key metrics that are relevant to the Limited Partnership. The risk appetite is supported by a range of approved limits and delegated authorities within the enterprise risk management framework.

Risk governance and risk management organisation

The Limited Partners have ultimate responsibility for the governance of all risk-taking activity in the Limited Partnership. AIB uses a 'three lines of defence' framework in the delineation of accountabilities for risk governance with each business area (the first line of defence) directly accountable for managing its own risks. The objective is to ensure that business decisions strike an appropriate balance between risk and reward, consistent with the Risk Appetite Statement. Risk (the second line of defence) provides oversight and challenge to ensure the effective implementation of policy. AIB's Internal Audit function (the third line of defence) provides independent assurance to the AIB UK Group Board about the effectiveness of the internal control framework and adherence to policy.

Risk identification and assessment process

Risk is identified and assessed through a combination of top-down and bottom-up risk assessment processes that focus on broad risk types and common risk drivers as well as on specific individual risk events, and adopt a forward-looking view of perceived threats over the planning horizon. Risk is regularly reported on to the UK SMT. These processes are brought together in the quarterly Material Risk Assessment that directly feeds into AIB's Enterprise-wide Risk Assessment, and identifies any significant risks facing the Limited Partnership.

Risk strategy

AIB's risk strategy is informed by its risk appetite and the risk profile which emerges from the risk assessment process. To the extent that mismatches are identified between risk appetite and the actual risks being taken, action to address such gaps is undertaken.

Risk management report (continued)

Principal risks

Based on the assessment and quantification of the various risks being managed as part of the business, the principal risks and uncertainties facing the Limited Partnership that could have an impact on the success of delivering against the long-term strategic objectives and the key mitigating actions are set out below.

Overall it is deemed that the risk profile of the Limited Partnership has increased over the reporting period due to the UK's exit from the EU, the related impact on the business environment and ways of working and the COVID-19 pandemic, the national and supranational public policies introduced to control the spread of the virus and the corresponding economic impacts.

Credit risk

Credit risk is defined as the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into and that the Limited Partnership is unable to recover the full amount that it is owed through the realisation of any security interests. The credit risk in the Limited Partnership arises from the loans to customers held by UKLM, in which the Limited Partnership has an interest. Credit risk is the most material risk to which the partnership is exposed.

The Limited Partnership is dependent on the management of the credit risk of the loans held by UKLM. While the Limited Partnership's assets are primarily receivables from UKLM, the underlying assets are loans held by UKLM. UKLM has outsourced its credit risk function to AIB UK Group.

Risk management and mitigation

Credit risk is managed and controlled through established credit processes and within a framework of credit policy together with delegated authorities based on skill and experience. Credit grading, scoring and monitoring systems accommodate the early identification and management of any deterioration in loan quality. The credit management system is underpinned by an independent system of credit review applying to all frontline credit units and carried out in accordance with defined methodologies and standards, as well as independent quarterly criticised loan reviews.

The most significant and widely used credit risk mitigation tool available to the Limited Partnership, particularly around the underwriting and credit review, is the robust internal credit risk control framework in place in AIB UK Group. Credit management processes within AIB UK Group were enhanced to manage asset deterioration in relation to the pandemic, including ensuring sectoral impacts of COVID-19 were incorporated into case and portfolio reviews. The performance of the underlying loan portfolio has been affected by the COVID-19 outbreak and public policies introduced to mitigate the spread, with the credit risk outlook considered to be elevated given the economic impact of the pandemic.

Risk monitoring and reporting

The primary objective of the credit risk management monitoring and reporting within the partnership is to provide timely, relevant credit risk information to the appropriate management level so as to enable informed management action/decisions to be taken.

Credit risk is monitored regularly and reported on a monthly basis to the UK Risk Committee, which reviews a suite of reports specific to the UKLM portfolio of loans, which include the loans in which the Limited Partnership has an interest, on a monthly basis. These reports include advances and concentrations including the key indicators of credit risk: grade movements; provision trends and forecasts; delinquency information; updates on significant credit case developments; and portfolio reports. A quarterly report on the performance of the Limited Partnership, which includes credit risk information, is produced for the Limited Partners.

Legal/regulatory risk

The Limited Partnership is exposed to the risk that changes to applicable laws or changes in pension's legislation could change the objective of the Limited Partnership and may require the Limited Partnership structure to be unwound.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems or from external events. It includes legal risk, but excludes strategic and reputational risk. In essence, operational risk is a broad collection of individual risk types which includes information technology and business continuity risk, internal and external fraud risk, fiduciary and legal risk and outsourcing and insourcing risk. The Limited Partnership adheres to all of the operational risk control processes that are in place within AIB. Within AIB, operational contingency plans are maintained and were invoked in response to the COVID-19 crisis and operational processes adapted, including ensuring social distancing on site, enabling remote working and increased use of digital processes to help serve customers.

Liquidity risk

The objective of liquidity management is to ensure that, at all times, the Limited Partnership holds sufficient funds to meet its contracted and contingent commitments at an economic price. The Limited Partnership maintains sufficient liquid funds in its bank accounts to ensure it can meet obligations as they arise. Overall liquidity risk is managed at an overall AIB Group level.

Risk management report (continued)

Pension valuation risk

While the ultimate distribution of capital and profits to limited partners is dependent on the proceeds from loans and receivables (i.e. subject to credit risk), the allocation of the distribution of capital and profits between the limited partners is subject to pension risk. This arises as the capital and profits distributed to one limited partner is dependent on the valuation of the UK Pension Scheme and related cash payments due to make up any deficit in that scheme. Following the new funding arrangement and revisions made to the Limited Partnership agreement in December 2019, the recourse that the UK Pension Scheme has to the Limited Partnership's assets remains capped at a defined amount, known as the Aggregate value, which is £400m less contributions made under the new funding arrangement.

Interest rate risk

Structural interest rate risk arises in the Limited Partnership where adverse movements in interest rates lead to a fall in floating interest rates on loans to customers held by UKLM, in which the Limited Partnership has an interest. This would lead to a reduction in cash inflows of interest from customers, which the Limited Partnership is collecting to fund deficit payments to the UK Pension Scheme. The Bank of England cutting interest rates further to 0.1% will impact the level of income generated cash inflows arising from interest. Uncertainty regarding the potential deployment of negative interest rates is monitored regularly by AIB UK Group and a working group has been established to assess tactical solutions for the potential deployment of negative interest rates. The risk is considered to be medium with an increasing outlook.

General Partner's report

The Directors of the General Partner presents herewith its annual report and audited financial statements (which comprise the statement of comprehensive income, statement of financial position, statement of changes in partners' interests, statement of cash flows and the related notes) of the Limited Partnership for the financial year ended 31 December 2020.

The Limited Partnership was formed on 9 October 2013 pursuant to a limited partnership agreement among the General Partner, and the Initial Limited Partners, UKLM and AIB UK Group, and was registered in Scotland as a limited partnership under the Limited Partnerships Act 1907.

Going concern

The Directors have considered the appropriateness of the going concern basis in preparing the financial statements for the year ended 31 December 2020 and have concluded that it is appropriate to prepare the financial statements on a going concern basis. More detail behind this conclusion is set out in note 1.3: Basis of preparation.

Partners

The following companies were partners during the year and to the date of approval of this report:

AIB PFP (General Partner) Limited	(General Partner) founding partner
AIB Group (UK) p.l.c.	(Limited Partner) founding partner
AIB UK Loan Management	(Limited Partner) founding partner
AIB Pensions UK Limited	(Limited Partner) joined partnership 19 December 2013

The Limited Partners' interests are set out on pages 15 and 16 of the financial statements.

The policies under which distributions are made and contributions returned to the partners are determined by the Limited Partnership Agreement.

Directors of the General Partner

The following is the list of the Directors of the General Partner who were in place during the financial year ended 31 December 2020 and up to the date of signing:

Keith Gore
William R MacLeod

Accounting records

The Directors of the General Partner believe that they have complied with the requirements of Section 386 to 389 of the Companies Act 2006 with regard to adequate accounting records.

The accounting records of the Limited Partnership are maintained at its registered office at 227 West George Street, Glasgow, G2 2ND.

Events after the reporting period

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

Disclosure of relevant audit information

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

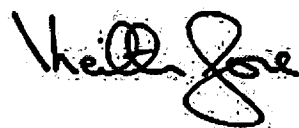
- so far as the Director of the General Partner is aware, there is no relevant audit information of which the Limited Partnership's auditor is unaware; and
- the Director of the General Partner has taken all the steps that he/she ought to have taken as a partner in order to make themselves aware of any relevant audit information and to establish that the Limited Partnership'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.

General Partner's report (continued)

Auditor

Deloitte LLP, Statutory Auditor, have expressed their willingness to continue in office under Section 487 of the Companies Act 2006.



Keith Gore

Director

AIB PFP (General Partner) Limited
(General Partner of AIB PFP Scottish
Limited Partnership)

Date: 5 July 2021

General Partner's responsibility statement

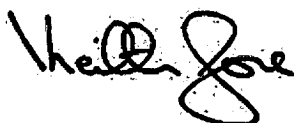
The Directors of the General Partner are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors of the General Partner to prepare financial statements for each financial year. Under that law the Directors of the General Partner have elected to prepare the financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ('relevant financial reporting framework'). Under company law the Directors of the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the limited partnership as at the financial year end date and of the profit or loss of the limited partnership for the financial year and otherwise comply with the Companies Act 2006.

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

- select suitable accounting policies for the partnership financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

The Directors of the General Partner are responsible for ensuring that the partnership keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the partnership, enable at any time the assets, liabilities, financial position and profit or loss of the partnership to be determined with reasonable accuracy, enable them to ensure that the financial statements and General Partner's report comply with the Companies Act 2006 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Keith Gore

Director

AIB PFP (General Partner) Limited
(General Partner of AIB PFP Scottish
Limited Partnership)

Date: 5 July 2021

Independent auditor's report to the members of AIB PFP Scottish Limited Partnership

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of AIB PFP Scottish Limited Partnership (the 'Limited Partnership'):

- give a true and fair view of the state of the Limited Partnership's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in partners' interests;
- the statement of cash flows; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Limited Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Limited Partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of AIB PFP Scottish Limited Partnership (continued)

Responsibilities of directors

As explained more fully in the General Partner's responsibility statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Limited Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Limited Partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Limited Partnership's industry and its control environment, and reviewed the Limited Partnership's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Limited Partnership operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Limited Partnership's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of AIB PFP Scottish Limited Partnership (continued)

Report on other legal and regulatory requirements

Opinions 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 General Partner's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the General Partner's report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Limited Partnership and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the General Partner's report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Limited Partnership'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 Limited Partnership'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 Limited Partnership and the Limited Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ben Jackson FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
Date: 05 July 2021

Statement of comprehensive income

for the financial year ended 31 December 2020

	Note	2020 £m	2019 £m
Interest income	3	19	23
Net interest income		19	23
Other operating income	4	3	10
Total operating income		22	33
Administrative expenses	5	(1)	(1)
Operating profit before taxation		21	32
Income tax charge		—	—
Profit on ordinary activities for the year	9	21	32
Other comprehensive income for the year		—	—
Total comprehensive income for the year		21	32

The operating profit in the current and prior year arises from continuing operations.

The notes on pages 18 to 32 form part of these financial statements.

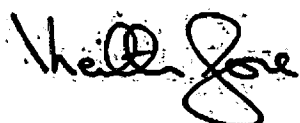
Statement of financial position

as at 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Cash and cash equivalents		13	45
Loans and receivables	7	686	663
Total assets		699	708
Liabilities			
Accruals and deferred income		9	8
Total liabilities		9	8
Partners' interests			
Partners' capital		690	700
Total partners' interests		690	700
Total liabilities and partners' interests		699	708

The notes on pages 18 to 32 form part of these financial statements.

These financial statements were approved by the Directors of the General Partner on 5 July 2021 and signed on its behalf by:



Keith Gore

Director

AIB PFP (General Partner) Limited
(General Partner of AIB PFP Scottish
Limited Partnership)

Date: 5 July 2021

Company Registration Number: SL014428

Statement of changes in partners' interests

		2020			
	Note	Capital account £m	Capital reserve account £m	Current account £m	Partners' interests £m
<u>AIB PFP (General Partner) Limited</u>					
At 1 January 2020		—	—	—	—
Total comprehensive income		—	—	—	—
At 31 December 2020					
<u>AIB Group (UK) p.l.c. (Limited Partner)</u>					
At 1 January 2020		—	—	—	—
Total comprehensive income		—	—	—	—
At 31 December 2020					
<u>AIB UK Loan Management Limited (Limited Partner)</u>					
At 1 January 2020		—	516	40	556
Total comprehensive income	9	—	—	21	21
<u>Allocations</u>					
Finance charge expense		—	—	(4)	(4)
Profit allocation to Partners	9	—	—	(31)	(31)
Revaluation of fair value of Defined Benefit Pension Scheme		—	30	—	30
At 31 December 2020					
<u>AIB Pensions UK Limited (Limited Partner)</u>					
At 1 January 2020		—	(3)	147	144
<u>Allocations</u>					
Finance charge income		—	—	4	4
Profit allocation to UK scheme	9	—	—	31	31
Revaluation of fair value of Defined Benefit Pension Scheme		—	(30)	—	(30)
Contribution to UK Scheme		—	(31)	—	(31)
At 31 December 2020					
Total partners' interests at 31 December 2020					
		—	482	208	690

Statement of changes in partners' interests (continued)

		2019			
	Note	Capital account £m	Capital reserve account £m	Current account £m	Partners' interests £m
<u>AIB PFP (General Partner) Limited</u>					
At 1 January 2019		—	—	—	—
Total comprehensive income		—	—	—	—
At 31 December 2019		—	—	—	—
<u>AIB Group (UK) p.l.c. (Limited Partner)</u>					
At 1 January 2019		—	—	—	—
Total comprehensive income		—	—	—	—
At 31 December 2019		—	—	—	—
<u>AIB UK Loan Management Limited (Limited Partner)</u>					
At 1 January 2019		—	465	32	497
Total comprehensive income	9	—	—	32	32
<u>Allocations</u>					
Finance charge expense		—	—	(2)	(2)
Profit allocation to Partners	9	—	—	(22)	(22)
Revaluation of fair value of Defined Benefit Pension Scheme		—	51	—	51
At 31 December 2019		—	516	40	556
<u>AIB Pensions UK Limited (Limited Partner)</u>					
At 1 January 2019		—	69	123	192
<u>Allocations</u>					
Finance charge income		—	—	2	2
Profit allocation to UK scheme	9	—	—	22	22
Revaluation of fair value of Defined Benefit Pension Scheme		—	(50)	—	(50)
Contribution to UK Scheme		—	(22)	—	(22)
At 31 December 2019		—	(3)	147	144
Total partners' interests at 31 December 2019		—	513	187	700

The notes on pages 18 to 32 form part of these financial statements.

Statement of cash flows

for the financial year ended 31 December 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Profit for the year before taxation		21	32
Adjustments for:			
Interest income under effective interest rate method (non-cash portion)	3	(6)	(6)
Gain on disposal	4	(3)	(10)
Increase in accruals		1	1
		13	17
Changes in operating assets and liabilities			
Net decrease in loans and receivables to Partner	8	26	51
Net cash inflow from operating activities		39	68
Cash flows from investing activities			
Net increase in loans and receivables to Parent	8	(40)	(6)
Net cash outflow from investing activities		(40)	(6)
Cash flows from financing activities			
Contributions paid to Partner		(31)	(27)
Net cash outflow from financing activities		(31)	(27)
Net movement in cash and cash equivalents		(32)	35
Cash and cash equivalents at 1 January		45	10
Cash and cash equivalents at 31 December		13	45

The notes on pages 18 to 32 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

The accounting policies that the Limited Partnership applied in the preparation of the financial statements for the year ended 31 December 2020 are set out below.

1.1. Reporting entity

The Limited Partnership is domiciled in Scotland and its registered office is at 227 West George Street, Glasgow, G2 2ND. The principal activity of the Limited Partnership is to act as an asset backed funding plan for the UK Scheme.

The General Partner approved these financial statements for issue on 5 July 2021.

AIB UK Loan Management Limited, a company registered in the United Kingdom is the parent company of the General Partner. AIB Group plc, a company registered in the Republic of Ireland is the ultimate parent company. The address of its headquarters and registered office is 10 Molesworth Street, Dublin 2, Republic of Ireland.

1.2. Statement of compliance

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with the Companies Act 2006 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

1.3. Basis of preparation

Functional and presentation currency

The financial statements are presented in pound sterling (£), which is the functional currency of the partnership. Except as otherwise indicated, financial information presented in pound sterling has been rounded to the nearest million.

Basis of measurement

The financial statements have been prepared under the historical cost basis, with the exception of loans to and receivables from partner undertakings, which are stated under the recognition and measurement requirements of IAS 39 *Financial Instruments: Recognition and Measurement*, as permitted under FRS 102, which are recognised initially at their fair value and subsequently measured at amortised cost.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in partners' interests and the statement of cash flows together with the related notes.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, in the application of accounting policies, and estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, and disclosures 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 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.

The judgements made in applying the significant accounting policies that have the most significant effect on the financial statements and the estimates with a significant risk of material adjustment in the next year are in the areas of loan impairment and the determination of the fair value of loans and receivables.

A description of these judgements and estimates is set out in note 2: Critical accounting judgements and estimates.

Going concern

The financial statements for the year ended 31 December 2020 have been prepared on a going concern basis as the Directors of the General Partner are satisfied, having considered the risks and uncertainties affecting the Limited Partnership, that it has the ability to continue in business for the period of assessment. The period of assessment used is twelve months from the date of approval of these financial statements.

In making their assessment, the Directors have considered a wide range of information relating to present and future conditions. These have included strategic requirements as well as business and financial performance. The Directors have considered the current UK economic environment, as well as the outlook for the Irish and Eurozone economies, and the factors and uncertainties impacting their performance.

The Directors of the General Partner have also considered the risk factors which could materially affect the Limited Partnership's future business performance and profitability and which are outlined in the Risk management report. The Directors of the General Partner believe that the Limited Partnership's capital resources are sufficient to ensure that the Limited Partnership is adequately capitalised.

Notes to the financial statements

1. Accounting policies (continued)

1.3. Basis of preparation (continued)

Going concern (continued)

The Directors of the General Partner have also considered the principal risks and uncertainties as part of the MRA process, including the COVID-19 pandemic, which could materially affect the Limited Partnership's future business performance and profitability and which are outlined on pages 4 to 6. The impact of COVID-19 and the continued uncertainty on trading partnerships with the EU following the UK's exit from the EU could lead to a further deterioration in market and economic conditions in the UK and Ireland, which could adversely affect the Limited Partnership's business, financial condition, results of operations and prospects. The Directors have also considered the reliance on AIB UK Group and AIB, via UKLM, for outsourced operational activities.

Conclusion

On the basis of the above, the Directors of the General Partner are satisfied that it is appropriate to prepare the financial statements of the Limited Partnership on a going concern basis.

Adoption of new accounting standards

The General Partner has considered all amendments to FRS 102 and interpretations adopted during the year ended 31 December 2020 and confirm they do not believe they have any impact on the accounting policies, financial positioning or performance of the Limited Partnership.

1.4. Foreign currency translation

Foreign currency transactions are translated into the respective entity's functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate prevailing at the year end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at year end exchange rates of the amortised cost of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1.5. Interest income and expense recognition

Interest income and expense is recognised in the statement of comprehensive income 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 estimated future cash payments or receipts through the expected life of the financial instrument 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 Limited Partnership 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, 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. The effective interest rate is used to determine the amount of amortisation released to the statement of comprehensive income and the bad debt charge in each year.

Interest receivable from group companies represents the Limited Partnership's interest in the cash flows related to the underlying loans.

The finance charge represents the unwind of the present value of AIB Pensions UK Limited's interest in the Limited Partnership.

Following impairment, interest income is recognised using the original effective interest rate which is used to discount the future cash flows for the purpose of measuring the impairment loss.

1.6. Income tax

The Limited Partnership is a transparent entity for UK tax purposes and as such is not liable to UK corporation tax or income tax. For UK tax purposes, the profits of the Limited Partnership are apportioned to the partners in accordance with the Partnership Agreement and are taxed on the partners, depending on their individual circumstances.

Notes to the financial statements

1. Accounting policies (continued)

1.7. Financial assets

The Limited Partnership classifies its financial assets into loans and receivables and financial assets at amortised cost. Purchases and sales of financial assets are recognised on trade date, being the date on which the Limited Partnership commits to purchase or sell the asset. Financial assets are initially recognised at fair value, and are subsequently carried on an amortised cost basis.

Interest is calculated using the effective interest method and credited to the income statement. Impairment losses and translation differences on monetary items are recognised in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Limited Partnership has transferred substantially all the risks and rewards of ownership and no longer controls the asset.

Determination of fair value of financial instruments

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 Limited Partnership has access at that date. The Limited Partnership considers the impact of non-performance risk when valuing its financial liabilities.

Financial instruments are initially recognised at fair value and the initial carrying amount is adjusted for direct and incremental transaction costs. In the normal course of business, the fair value on initial recognition is the transaction price (fair value of consideration given or received). If the Limited Partnership determines that the fair value at initial recognition differs from the transaction price and the fair value is determined by a quoted price in an active market for the same financial instrument, or by a valuation technique which uses only observable market inputs, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss. If the fair value is calculated by a valuation technique that features significant market inputs that are not observable, the difference between the fair value at initial recognition and the transaction price is deferred.

Subsequently, the difference is recognised in the statement of comprehensive income or on an appropriate basis over the life of the financial instrument, but no later than when the valuation is supported by wholly observable inputs; the transaction matures; or is closed out.

Subsequent to initial recognition, the methods used to determine the fair value of financial instruments include quoted prices in active markets where those prices are considered to represent actual and regularly occurring market transactions. Where quoted prices are not available or are unreliable because of market inactivity, fair values are determined using valuation techniques. These valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that market participants would take into account in pricing a transaction. Valuation techniques include the use of recent orderly transactions between market participants, reference to other similar instruments, option pricing models, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Quoted Prices in Active Markets

Quoted prices in active markets are used where those prices are considered to represent actual and regularly occurring market transactions for financial instruments in active markets. Where quoted market prices have been used to value financial instruments, these have been disclosed as Level 1 in the fair value hierarchy.

Valuations for negotiable instruments such as debt and equity securities are determined using bid prices for asset positions and ask prices for liability positions.

Where securities are traded on an exchange, the fair value is based on prices from the exchange. The market for debt securities largely operates on an 'over-the-counter' basis which means that there is not an official clearing or exchange price for these security instruments. Therefore, market makers and/or investment banks ('contributors') publish bid and ask levels which reflect an indicative price that they are prepared to buy and sell a particular security. The Limited Partnership's valuation policy requires that the prices used in determining the fair value of securities quoted in active markets must be sourced from established market makers and/or investment banks.

Notes to the financial statements

1. Accounting policies (continued)

1.7. Financial assets (continued)

Valuation techniques

In the absence of quoted market prices, and in the case of over-the-counter derivatives, fair value is calculated using valuation techniques. Where the fair value is calculated using discounted cash flow analysis, the methodology is to use, to the extent possible, market data that is either directly observable or is implied from instrument prices, such as interest rate yield curves, equities and commodities prices, credit spreads, option volatilities and currency rates. In addition, the Limited Partnership considers the impact of own credit risk and counterparty risk when valuing its derivative liabilities. Where observable market data has been used to value financial instruments, these have been disclosed as Level 2 in the fair value hierarchy.

The valuation methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The assumptions involved in these valuation techniques include:

- the likelihood and expected timing of future cash flows of the instrument. These cash flows are generally governed by the terms of the instrument, although management judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. In addition, future cash flows may also be sensitive to the occurrence of future events, including changes in market rates; and
- selecting an appropriate discount rate for the instrument, based on the interest rate yield curves including the determination of an appropriate spread for the instrument over the risk-free rate. The spread is adjusted to take into account the specific credit risk profile of the exposure.

All adjustments in the calculation of the present value of future cash flows are based on factors market participants would take into account in pricing the financial instrument.

Certain financial instruments (both assets and liabilities) may be valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. When applying a valuation technique with unobservable data, estimates are made to reflect uncertainties in fair values resulting from a lack of market data, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on non-observable data are inherently uncertain because there is little or no current market data available from which to determine the price at which an orderly transaction between market participants would occur under current market conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments will be based on some market observable inputs even where the non-observable inputs are significant. All unobservable inputs used in valuation techniques reflect the assumptions market participants would use when fair valuing the financial instrument. Where the Limited Partnership has used unobservable market data to value financial instruments, these have been disclosed as Level 3 in the fair value hierarchy.

The Limited Partnership tests the outputs of each valuation model to ensure that it reflects current market conditions. The calculation of fair value for any financial instrument may require adjustment of the quoted price or the valuation technique output to reflect the cost of credit risk and the liquidity of the market, where these are not embedded in underlying valuation techniques or prices used.

The choice of contributors, the quality of market data used for pricing, and the valuation techniques used are all subject to internal review and approval procedures.

Transfers between levels of the fair value hierarchy

The Limited Partnership recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

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 classified as available for sale. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs, and are subsequently carried on an amortised cost basis.

Loans and receivables consist of loan cash flows receivable from AIB and balances with Partner undertakings.

Notes to the financial statements

1. Accounting policies (continued)

1.8. Impairment of financial assets

It is the Limited Partnership's policy to make provisions for impairment of financial assets to reflect the incurred losses in relation to those assets at the reporting date.

The underlying loans to customers have not been derecognised from UKLM's balance sheet and the Limited Partnership records its interest in the loans on its balance sheet as loans receivable from Partner undertakings, being UKLM. However, to assess the loan from UKLM for impairment, the Limited Partnership must assess the underlying loans to customers for objective evidence of impairment

Impairment

The Limited Partnership assesses at each reporting date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and on or before the reporting date ('a loss event') and that loss event or events has had an impact such that the estimated present value of future cash flows is less than the current carrying value of the financial asset, or portfolio of financial assets.

Objective evidence that a financial asset, or a portfolio of financial assets, is impaired includes observable data that comes to the attention of the Limited Partnership about the following loss events:

- a. significant financial difficulty of the issuer or obligor;
- b. a breach of contract, such as a default or delinquency in interest or principal payments;
- c. the granting to the borrower of a concession, for economic or legal reasons relating to the borrower's financial difficulty that the Limited Partnership would not otherwise consider;
- d. it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- e. the disappearance of an active market for that financial asset because of financial difficulties; or
- f. observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - i adverse changes in the payment status of borrowers in the portfolio; and
 - ii national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment loss

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is included in the statement of comprehensive income.

Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

When a loan has been subjected to a specific provision and the prospects of recovery do not improve, a time will come when it may be concluded that there is no real prospect of recovery. When this point is reached, the amount of the loan which is considered to be beyond the prospect of recovery is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of comprehensive income.

1.9. Sales and repurchase agreements

Financial assets may be lent or sold subject to a commitment to repurchase them ('repos'). Such securities are retained on the statement of financial position when substantially all the risks and rewards of ownership remain with the Limited Partnership. The liability to the counterparty is included separately on the statement of financial position. The difference between the sale and repurchase price is accrued over the life of the agreements using the effective interest method.

1.10. Cash and cash equivalents

For the purposes of the cash flows statement, cash comprises cash on hand and amounts due from Partner.

1.11. Prospective accounting changes

There are no new standards and amendments to existing standards which have been approved by the FRC, but not early adopted by the Limited Partnership, that will impact the Limited Partnership's financial reporting in future periods.

Notes to the financial statements

2. Critical accounting judgements and estimates

The preparation of financial statements requires management to make judgements, in the application of accounting policies, and estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, and disclosures 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 judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates.

The areas involving a higher degree of judgement, or areas where assumptions and estimates are deemed to have a significant impact on the financial statements, are set out in this note.

Loan impairment

The Limited Partnership's accounting policy for impairment of financial assets is set out in note 1.8. The provisions for impairment on loans and receivables at 31 December 2020 represent management's best estimate of the losses incurred in the loan portfolios at the reporting date and, as set out in the accounting policy, this is linked to the performance of the underlying loan portfolio on the balance sheet of UKLM.

Judgement is required in: determining the criteria for objective evidence of impairment; determining credit ratings; assessing expected trends in delinquency rates, assessing borrower quality; assessing the economic conditions in the various sectors to which the Limited Partnership is exposed; and assessing the impact of other external factors such as legal and regulatory requirements.

Estimates are required in inputs such as: collateral valuations; future cash flows; discount rates.

Credit risk is identified, assessed and measured through the use of credit rating and scoring tools. The ratings influence the management of individual loans. Special attention is paid to lower quality rated loans and, where appropriate, loans are transferred to specialist units to help avoid default, or where in default, to help minimise loss.

The credit rating triggers the impairment assessment and, if relevant, the raising of specific provisions on individual loans where there is doubt about their recoverability.

The management process for the identification of loans requiring provision is underpinned by independent review. Credit quality and loan loss provisioning are independently monitored by credit and risk management on a regular basis. The Limited Partnership assesses its provisions and provision adequacy on a quarterly basis. These provisions are reviewed and approved by the AIB UK Credit Committee and the AIB Group Credit Committee on a quarterly basis.

Specific provisions

A specific provision is made against problem loans when, in the judgement of management, the estimated repayment realisable from the obligor, including the value of any security available, is likely to fall short of the amount of principal and interest outstanding from the obligor. The amount of the specific provision made in the financial statements is intended to cover the difference between the assets' carrying value and the present value of estimated future cash flows discounted at the assets' original effective interest rates upon transfer to the Limited Partnership. The amount of specific provision required on an individually assessed loan is highly dependent on estimates of the amount of future cash flows and their timing.

Incurred but not reported provisions

Incurred but not reported ('IBNR') provisions are also maintained to cover loans which are impaired at the reporting date, and while not specifically identified, are known from experience to be present in any portfolio of loans. IBNR provisions were not deemed necessary during the year as the loan portfolio the Limited Partnership has an interest in are managed on an individual basis, with specific provisions being raised as and when issues have been identified.

Determination of the fair value of loans and receivables

The Limited Partnership's accounting policy for the determination of fair value of financial instruments is set out in note 1.7.

The best evidence of fair value is quoted prices in an active market. In the absence of quoted prices judgement is required in selecting suitable valuation techniques to obtain an estimation of fair value. Valuation techniques that rely to a greater extent on non-observable data require a higher level of management judgement to calculate a fair value than those based wholly on observable data.

The loans that transferred to the Limited Partnership from AIB UK Loan Management were recognised at fair value on the date of transfer. The fair value discount received on these loans is being amortised through the income statement over the expected life of the loans, using the effective interest method, as detailed in note 1.5.

Notes to the financial statements

2. Critical accounting judgements and estimates (continued)

Determination of the fair value of loans and receivables (continued)

Judgement is required in deriving the expected lives of the loans.

Estimates are involved in calculating an appropriate effective interest rate for the loans upon transfer to the Limited Partnership. As the effective interest rates were calculated at the point of transfer of the loans to the Limited Partnership and will not change, a sensitivity analysis on the effective interest rate has not been included. The amortisation of the fair value discount received at transfer can be found in note 3.

The choice of contributors, the quality of market data used for pricing and the valuation techniques used are all subject to internal review and approval procedures. Given the uncertainty and subjective nature of valuing financial instruments at fair value, any change in these variables could give rise to the financial instruments being carried at a different valuation, with a consequent impact on shareholders' equity.

The fair value of the loan portfolio at the date of transfer, 19 December 2013, was determined to be £587m. To determine this fair value, external consultants were engaged to conduct a market valuation of the portfolio at the date of transfer. The work performed by the external consultants was used as a basis for determining the fair value at which the assets would be transferred.

Notes to the financial statements

3. Interest income

	2020 £m	2019 £m
Interest receivable from group companies	13	17
Amortisation of fair value adjustment ⁽¹⁾	6	6
Interest income	19	23

⁽¹⁾This represents the amortisation of fair value discount in the year, using the effective interest rate method.

During 2020, interest income recognised on impaired loans was £nil (2019: £nil).

4. Other operating income

	2020 £m	2019 £m
Accelerated amortisation of fair value adjustment ⁽¹⁾	3	11
Loss on disposal of financial assets	—	(1)
Other operating income	3	10

⁽¹⁾This represents the accelerated amortisation of fair value adjustments using the effective interest rate method for unscheduled loan repayments and disposals made during the year.

5. Administrative expenses

	2020 £m	2019 £m
General and administrative expenses	1	1
Administrative expenses	1	1

The total monthly average number of persons employed by the Limited Partnership during the year was nil (2019: nil).

The loans in which the Limited Partnership has an interest are held by UKLM. The loans held by UKLM are managed and serviced by AIB UK Group under a memorandum of understanding between the two companies.

AIB UK Group is remunerated by the Limited Partnership and UKLM for the cost of providing this service.

AIB UK Group recharged the Limited Partnership £1m in 2020 (2019: £1m), being the proportion of the costs of its personnel who carry out work for the Limited Partnership. This includes a charge for key management personnel who are employed by AIB UK Group, see Note 12 Related party transactions.

6. Auditor's fees

The auditor's remuneration of £54,075 (2019: £54,000) for the audit of the financial statements has been accrued within general and administrative expenses. This amount includes auditor's remuneration of £6,300 (2019: £6,000) for the audit of the financial statements of the General Partner.

Notes to the financial statements

7. Loans and receivables

	2020 £m	2019 £m
Loans to and receivables from AIB (under repurchase agreement)	267	227
Loans and receivables to Partner undertakings	419	436
Loans and receivables	686	663
Maturity analysis⁽¹⁾		
Over 5 years	368	420
5 years or less but over 1 year	42	11
1 year or less but over 3 months	9	5
Repayable on demand	267	227
	686	663

⁽¹⁾This maturity analysis relates to loans to and receivables from AIB and to Partner undertakings (which is representative of the underlying loans held by UKLM).

	2020 £m	2019 £m
Movement in provision for impairment of loans and receivables		
Specific provisions		
At 1 January	—	—
Disposals	—	—
At 31 December	—	—

8. Credit risk disclosures

(a) Maximum credit risk exposure

The table below sets out the maximum exposure to credit risk (net of existing impairments) that may impact the Limited Partnership, ignoring any collateral that may be held:

	2020 £m	2019 £m
Cash and cash equivalents	13	45
Loans and receivables ⁽¹⁾	686	663
Maximum exposure to credit risk	699	708

⁽¹⁾Loans and receivables consist of £419m (2019: £436m) in loans and receivables to Partner undertakings and £267m (2019: £227m) in loans to and receivables from AIB (under the repurchase agreement).

Notes to the financial statements

8. Credit risk disclosures (continued)

(a) Maximum credit risk exposure (continued)

Loans and receivables are made up of the following:

	2020 £m	2019 £m
Gross loans to Partner undertakings	519	545
Unamortised fair value discount	(100)	(109)
Net loans to Partner undertakings	419	436
Loans to Parent under repurchase agreement	267	227
Loans and receivables	686	663

(b) Concentration exposure

The table below gives a breakdown of the gross loans to customers balance held by UKLM, in which the Limited Partnership has an interest, by borrower sector:

	2020 Gross value £m	2019 Gross value £m
Student accommodation	262	270
Private finance initiatives	241	252
Housing associations	13	19
Charity and education	3	4
Gross loans to Partner undertakings	519	545

The table below gives a breakdown of the gross loans to customers balance held by UKLM, in which the Limited Partnership has an interest, by transfer mechanism:

	2020 Gross value £m	2019 Gross value £m
Legal assignment	166	171
Sub-participation	353	374
Gross loans to Partner undertakings	519	545

Notes to the financial statements

8. Credit risk disclosures (continued)

(c) Credit quality of loans and receivables

The table below shows the loan rating profile of the loans to customers balance held by UKLM in which the Limited Partnership has an interest:

Customer loan rating profile

Masterscale grade	2020 Gross value £m	2019 Gross value £m
1 to 3	519	545
4	—	—
8	—	—
Gross loans to Partner undertakings	519	545

Grades 1 - 3 would typically include strong lending at the upper end of the scale (Grade 1), satisfactorily performing exposures (Grade 2) and at the lower end of the scale (Grade 3) includes a portion of criticised loans (i.e. loans requiring additional management attention over and above that normally required for the loan type).

Grades 4 contains the remainder of the criticised loans, excluding impaired loans.

Grades 5 - 8 contains loans in which management has lost confidence and there is a strong likelihood of loss.

(d) Collateral

Credit risk mitigation may include a requirement for UKLM to obtain collateral in support of its lending activities when deemed appropriate and UKLM has a series of policies and procedures in place for the assessment, valuation and taking of such collateral. In some circumstances, depending on the customers standing and/or the nature of the product, UKLM may lend unsecured.

Where collateral or guarantees are required, they are usually taken as a secondary source of repayment in the event of the borrower's default. UKLM maintains policies which detail the acceptability of specific classes of collateral.

The principal collateral types for loans and advances are:

- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over residential and commercial real estate; and
- Charges over financial instruments such as debt securities and equities.

The nature and level of collateral required depends on a number of factors such as the type of the facility, the term of the facility and the amount of exposure. 99% (2019: 99%) of the value of the loans in which the Limited Partnership has an interest are secured on property.

(e) Forbearance

UKLM has a number of forbearance strategies in operation to assist borrowers who have difficulty in meeting repayment commitments. Where a customer requests forbearance, the circumstances are assessed on an individual loan case basis, and the request is considered as a potential impairment indicator, whether the forbearance is agreed to or not.

A commercial forbearance measure occurs when UKLM, for reasons relating to the actual or apparent financial stress of the borrower, grants a concession or modification to the original contract terms to that borrower, which would otherwise not be justified, with a view to receiving more sustainable repayments and improved likelihood of ultimate repayment.

None of the loans in which the Limited Partnership has an interest have been identified as being subject to forbearance in 2020 and in 2019.

Notes to the financial statements

9. Partners' interests

Total comprehensive profit in the reporting period was allocated to the Partners' Current accounts, in accordance with the Limited Partnership agreement, in the order of priority shown in the table below.

Partner	Profit allocation	2020	2019
		£'000	£'000
AIB PFP (General Partner) Limited	lower of 0.1% of profit, or £50,000	21	32
AIB Group (UK) p.l.c.	5% of Partner's Capital account	—	—
AIB UK Loan Management Limited	5% of Partner's Capital account	—	—
AIB Pensions UK Limited	annual contribution amount and any overdue contribution	30,500	21,763
AIB UK Loan Management Limited	remaining profit balance	(8,821)	10,705
Partners' interests		21,700	32,500

10. Fair value of financial instruments

The term 'financial instrument' 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 Limited Partnership has access at that date.

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 of financial instruments are measured according to the following fair value hierarchy that reflects the observability of significant market inputs:

- Level 1 - financial assets and liabilities measured using quoted market prices from an active market (unadjusted).
- Level 2 - financial assets and liabilities measured using valuation techniques which use quoted market prices from an active market or measured using quoted market prices unadjusted from an inactive market.
- Level 3 - financial assets and liabilities measured using valuation techniques which use unobservable market data.

The fair values of the financial assets and liabilities, together with their carrying amounts shown in the statement of financial position are as follows:

	Note	2020		2019	
		Carrying amount	Fair value	Carrying amount	Fair value
		£m	£m	£m	£m
Assets					
Cash and cash equivalents	(a)	13	13	45	45
Loans and receivables to AIB (under repurchase agreement)	(a)	267	267	227	227
Loans and receivables to Partner undertakings	(b)	419	453	436	459

Notes

- (a) The fair value of these financial instruments is considered to equal the carrying value (Level 1).
- (b) These instruments are carried at amortised cost. In the absence of quoted market prices, fair value is calculated using valuation techniques - primarily discounted cash flows analysis, using market data where possible (Level 3). In addition an adjustment is made for credit risk and for future forecast losses expected on the disposal of loans. This is the same basis as used by UKLM in applying a fair value to these loans.

Notes to the financial statements

11. Interest rate sensitivity

The table below sets out the re-pricing interest rate exposure of the Limited Partnership's assets and liabilities. This is the market risk to which the Limited Partnership is exposed.

The loans in which the Limited Partnership has an interest are recorded in the accounts of UKLM, not in the Limited Partnership. The Limited Partnership's interest in the loans is represented by an intercompany loans and receivables balance with UKLM. Given this accounting treatment, the interest rate re-pricing information below does not show the re-pricing dates of the underlying loans to customers in which the Limited Partnership has an interest, but the re-pricing of the intercompany assets. The interest re-pricing dates of the underlying loans to customers are included within the disclosures of UKLM's entire loan book in the financial statements of UKLM.

Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and maturity date. Transactions without defined re-pricing terms are shown according to management expectations. Contractual re-pricing does not illustrate the potential impact of early repayment or withdrawal. Positions may not be reflective of those in adjacent and/or future periods. Major changes can be made rapidly as the market outlook fluctuates. Further, significant variability may exist within the re-pricing periods presented.

	2020					
	0<1 month	1<3 months	3<12 months	1<5 years	5 years +	Non- interest bearing
	£m	£m	£m	£m	£m	£m
Assets						
Cash and cash equivalents	13	—	—	—	—	—
Loans and receivables ⁽¹⁾	786	—	—	—	—	(100)
Total assets	799	—	—	—	—	(100)
Liabilities						
Accruals and deferred income	—	—	—	—	—	9
Partner's capital	—	—	—	—	—	690
Total liabilities and partners' interests	—	—	—	—	—	699
Interest rate sensitivity gap	799	—	—	—	—	(799)
Cumulative gap	799	799	799	799	799	—

⁽¹⁾ Loans and receivables re-pricing in less than one month consist of loans and receivables to Partner undertakings of £519m and loans and receivables from the Parent under repurchase agreements of £267m. The non-interest bearing component of the loans and receivables balance consists of the unamortised fair value discount on loans transferred to the Limited Partnership of £100m.

Notes to the financial statements

11. Interest rate sensitivity (continued)

	0<1 month	1<3 months	3<12 months	1<5 years	5 years +	Non- interest bearing	2019 Total
	£m	£m	£m	£m	£m	£m	£m
Assets							
Cash and cash equivalents	45	—	—	—	—	—	45
Loans and receivables ⁽¹⁾	772	—	—	—	—	(109)	663
Total assets	817	—	—	—	—	(109)	708
Liabilities							
Accruals and deferred income	—	—	—	—	—	8	8
Contributions payable to UK scheme	—	—	—	—	—	—	—
Partner's capital	—	—	—	—	—	700	700
Total liabilities and partners' interests	—	—	—	—	—	708	708
Interest rate and sensitivity gap	817	—	—	—	—	(817)	
Cumulative gap	817	817	817	817	817	—	

⁽¹⁾ Loans and receivables re-pricing in less than one month consist of loans and receivables to Partner undertakings of £545m and loans and receivables from the Parent under repurchase agreements £227m. The non-interest bearing component of the loans and receivables balance consists of the unamortised fair value discount on loans transferred to the Limited Partnership of £109m.

Interest rate risk

The following table sets out the estimated impact on the Company's base case projected net interest income for 2020 due to shocks of 100 basis points (bps) to the current market-implied path of interest rates.

	2020 £m	2019 £m
Sensitivity of projected net interest income to interest rate movements		
+ 100 basis point parallel move in all interest rates	6.7	6.7
- 100 basis point parallel move in all interest rates	(6.7)	(6.7)

Notes to the financial statements

12. Related party transactions

Related parties are those persons or entities that are related to the entity preparing its financial statements. They can include persons who have significant control or influence on the entity, entities that are members of the same group of companies, or associated companies or joint ventures.

In the Limited Partnership's case, related parties comprise the Partners in the Limited Partnership (as listed in note 9) and AIB (the penultimate parent company of the General Partner). Loans to related parties are made in the ordinary course of business on normal commercial terms.

The table below provides the balances that the Limited Partnership has with AIB and the Partners and the transactions included in the income statement.

		2020		2019	
		AIB	Partners	AIB	Partners
		£m	£m	£m	£m
Statement of financial position					
Cash and cash equivalents	(a)	—	13	—	45
Loans and receivables		267	419	227	436
Accruals and deferred income		—	(9)	—	(8)
Statement of comprehensive income					
Interest income		—	13	—	17
Administrative expenses		—	(1)	—	(1)

Notes

(a) Under the Limited Partnership agreement, cash held by the Limited Partnership can be utilised in sale and repurchase transactions with AIB on a short term basis.

13. Ultimate controlling party

The Limited Partnership is controlled by the General Partner. AIB UK Loan Management Limited is the immediate parent company of the General Partner, a company registered in the United Kingdom. AIB Group plc is the ultimate parent company.

Reference to the penultimate parent refers to AIB.

The financial statements of the Limited Partnership are consolidated in the financial statements of AIB. AIB Group plc is the largest undertaking of which the General Partner is a member and for which group financial statements are prepared. The financial statements of AIB and AIB Group plc are available from its registered address at 10 Molesworth Street, Dublin 2. Alternatively, information can be viewed by accessing AIB's website at www.aib.ie/investorrelations.

14. Non-adjusting events after reporting period

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