Company No. 03091082

IBRC ASSET FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

IBRC ASSET FINANCE LIMITED

Contents

IBRC ASSET FINANCE LIMITED

Directors

F G Parker
J E Brydie

Secretary

F G Parker

Auditor

Deloitte LLP
London
United Kingdom

Bankers

Barclays Bank plc
Barclays Corporate
Level 11
1 Churchill Place
London
E14 5HP

Registered office

C/o Hold Store Limited
Unit 33A, Enterprise House
44-46 Terrace Road
Walton On Thames
Surrey
KT12 2SD

Registered number

03091082

Country of Incorporation

The United Kingdom

IBRC ASSET FINANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2016

The Directors present their strategic report on the Company for the year ended 30 June 2016.

1. REVIEW OF THE BUSINESS

The Company was a provider of finance for the funding of commercial real estate in the UK and mainland Europe and in recent years has concentrated on the management and collection of the loan amounts outstanding in this portfolio. Given the fact that the Company's ultimate parent company, Irish Bank Resolution Corporation Limited - in special liquidation ("IBRC") entered special liquidation on 7 February 2013, the focus of the Company moved from the management and orderly collection of the loan portfolio to the realisation of the assets through a sale of the loan portfolio. A sale of the Company's loan portfolio was agreed in February 2014 and completed in May 2014 as part of the overall sale of the IBRC group's loan assets originated in the United Kingdom.

2. RESULTS AND PERFORMANCE

The results for the year and the statement of financial position at 30 June 2016 are given on pages 9 and 10 and show a profit after taxation for the year amounted to £497,623 (2015: £3,708,301 loss).

3. GOING CONCERN

The Company's loans were sold in 2014 as part of the process of closing down the Company, given the fact that the ultimate parent company, IBRC, entered special liquidation on 7 February 2013. The Company is also currently subject to litigation the defence of which the Company has been advised by its lawyers has a strong prospect for success.

During 2015, the Joint Special Liquidators of IBRC disclosed that, contrary to previous indications, amounts will now be paid to unsecured creditors of IBRC although the percentage payable is currently unknown. In addition, the Joint Special Liquidators have not yet admitted the Company's claims. As the Company has amounts due from IBRC and other group undertakings which were fully provided for in 2013, the directors will continue to operate the Company until this matter is resolved. We still await admission of amounts due from IBRC into its special liquidation. Once admitted and a decision has been made on the distributions to unsecured creditors of IBRC and these are appropriately dealt with and after the litigation against the Company has been resolved, it is the directors' intentions to dissolve the Company. On the basis of the above assessment, the Directors have prepared the annual financial statements on a basis other than that of a going concern.

4. STRATEGY AND FUTURE DEVELOPMENTS

The directors are now dealing with the remaining affairs of the Company with the intention of closing and liquidating the Company in a timely fashion as further detailed in section 3 above.

5. KEY PERFORMANCE INDICATORS ('KPI's')

Given the above strategy, the concept of conventional KPI's were not relevant for the Company in the period as the total focus was on executing the sale of the loan portfolio.

6. PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to a variety of risks and uncertainties in the normal course of its business activities.

The principal business risks and uncertainties detailed below are those risks which the Directors believe at 30 June 2016 to be material to the Company. The precise nature of all the risks and uncertainties that the Company faces cannot be predicted and many of these risks are outside the Company's control.

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient funds available at all times to meet its contractual and contingent cash flow obligations or can only secure these resources at excessive cost. Given the sale of the loan portfolio in 2014 and the current limited activities of the Company, it is not expected that the Company will be exposed to adverse liquidity requirements.

Credit risk

Credit risk is the risk that the Company will suffer a financial loss from a counterparty's failure to pay interest, repay capital or meet a commitment, and the collateral pledged as security is insufficient to cover the payments due. The Company is only exposed to the credit risk of its bankers in respect of funds held at bank and to the credit risk of its ultimate parent undertaking and other group undertakings.

Operational risk

Operational risk is the risk of loss arising from inadequate controls and procedures, unauthorised activities, outsourcing, human error, systems failure and business continuity. Due to the limited nature of the Company's activities since the disposal of its loan portfolio, it is difficult for the Company to suffer an operational error.

The management of operational risk is monitored by the Board of Directors.

Market risk

Market risk is the risk of a potential adverse change in the Company's income or financial position arising from movements in interest rates, exchange rates or other market prices. Market risk arises from the structure of the Statement of Financial Position. Market risk primarily arises from exposure to changes in interest rates and exchange rates.

The majority of the Company's financial assets and liabilities are not interest bearing. Hence there is no material interest rate risk exposure.

The Company's assets and liabilities are all denominated in either pounds sterling or euros. To the extent they are held in Euro, the Company will be exposed to exchange rate risk. This policy is intentional as the ultimate shareholder is a Euro based company.

Litigation risk

The Company's business is subject to the risk of litigation by customers, shareholders or other third parties through private actions, class actions, administrative proceedings, criminal proceedings or other litigation or actions. The outcome of any such litigation, proceedings or actions is difficult to assess or quantify. The cost of defending such litigation, proceedings or actions may be significant. As a result, such litigation, proceedings or actions may adversely affect the Company's business, financial condition, results, operations or reputation.

Other risks

The Company must at all times comply with all relevant laws and good practice guidelines. Non compliance can give rise to reputational loss, legal or regulatory sanctions or material financial loss.

7. FINANCIAL INSTRUMENTS

The Company's use of financial instruments has reduced significantly due to the termination of various capital market instruments in the prior years. With the exception of the €100,000 A Preference Shares, the Company now only holds funds in bank accounts in sterling and euro. As the ultimate shareholder of the Company is a euro based entity, the euros held by the Company are not hedged against foreign exchange movements between the euro and pounds sterling as such action may have an adverse impact on the ultimate shareholder.

By Order of the Board

F G Parker
Company Secretary

Date: 30 March 2017

IBRC ASSET FINANCE LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of IBRC Asset Finance Limited ('the Company') together with the financial statements and audit report for the year ended 30 June 2016. We draw the reader's attention to the fact that these financial statements have been produced for the year ended 30 June 2016 and are therefore not directly comparable to the preceding period which was for the 18 months ended 30 June 2015.

1. PARENT COMPANY AND ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of CDB (U.K.) Limited, a company incorporated in the United Kingdom, which in turn is a wholly owned subsidiary of Irish Bank Resolution Corporation Limited (in Special Liquidation) ('IBRC'), incorporated in the Republic of Ireland, the ultimate parent undertaking. The registered address of CDB (U.K.) Limited is c/o Hold Store Limited, Unit 33A, Enterprise House, 44-46 Terrace Road, Walton on Thames, Surrey, KT12 2SD.

On 7 February 2013, the Irish Minister for Finance, made an Order pursuant to Section 4 of the Irish Bank Resolution Corporation Act, 2013 (the "Act") providing for the winding-up of the ultimate parent undertaking, IBRC, under the provisions of the Act. Pursuant to the same Order, Mr. Kieran Wallace and Mr. Eamonn Richardson (the "Joint Special Liquidators") of KPMG, 1 Stokes Place, St. Stephen's Green, Dublin 2 were appointed joint special liquidators of IBRC with all of the duties and powers conferred upon them by the Act.

2. DIVIDEND

The Directors do not propose the payment of a dividend in respect of the year ended 30 June 2016 (2015: £855,000,000).

3. DIRECTORS AND SECRETARY

F G Parker and J E Brydie continued to serve as directors throughout the year. F G Parker served as secretary throughout the year and the directors and secretary had no interests in the shares of the Company during the year.

4. AUDITOR

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

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

ON BEHALF OF THE BOARD:

F G Parker
Company Secretary

Date: 30 March 2017

REGISTERED OFFICE:

C/o Hold Store Limited
Unit 33A Enterprise House
44-46 Terrace Road
Walton On Thames
Surrey
KT12 2SD

IBRC ASSET FINANCE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company Law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International 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 year. In preparing these financial statements, International Accounting Standard 1 require 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 of 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IBRC ASSET FINANCE LIMITED

We have audited the financial statements of IBRC Asset Finance Limited for the year ended 30 June 2016 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, the statement of cash flows and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and independent auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.3 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IBRC ASSET FINANCE LIMITED (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Caroline Britton

Caroline Britton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date: 30 March 2017

IBRC ASSET FINANCE LIMITED
Statement of comprehensive income

For the year ended 30 June 2016

Discontinued operations:	**Notes**	**Year ended 30 Jun 2016** £	18 month period ended 30 Jun 2015 £
Interest and similar income	3	201,117	6,401,414
Interest and similar expense	4	(2,496)	(3,076)
Net interest income		198,621	6,398,338
Fee and commission income		-	23,292
Fee and commission expense		(372)	(2,743)
Foreign exchange gains / (losses)	5	832,454	(16,376,545)
Other operating income		-	1,443
Other income / (expense)		832,082	(16,354,553)
Total operating income / (expense)		1,030,703	(9,956,215)
Administrative expenses	6	(540,032)	(1,947,533)
Operating profit / (loss)		490,671	(11,903,748)
Loss on disposal of assets	9	-	(354,014)
Impairment reversal	10	6,952	8,549,461
Profit / (loss) before taxation		497,623	(3,708,301)
Taxation	11	-	-
Profit / (loss) for the year / period		497,623	(3,708,301)
Other comprehensive income for the year / period		-	-
Total comprehensive income and profit / (loss) for the year / period attributable to the equity holders of the Company		497,623	(3,708,301)

The notes on pages 13 - 25 form part of these financial statements.

IBRC ASSET FINANCE LIMITED

Statement of financial position

As at 30 June 2016

	Notes	30 Jun 2016 £	30 Jun 2015 £
Current assets			
Cash and cash equivalents		6,823,632	30,181,621
Loans and advances to banks	12	23,622,902	-
Other assets	14	23,526	20,553
Current assets		30,470,060	30,202,174
Current Liabilities			
Other liabilities	15	-	199,999
Accruals		55,631	96,343
Subordinated liabilities and other capital instruments	16	82,836	71,862
Current liabilities		138,467	368,204
Share capital	17	1,000,000	1,000,000
Capital contribution reserve	18	-	-
Retained earnings		29,331,593	28,833,970
Shareholders' funds		30,331,593	29,833,970
Total equity and liabilities		30,470,060	30,202,174

The notes on pages 13 - 25 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2017.
They were signed on its behalf by:

J E Brydie
Director
Date: 30 March 2017

F G Parker
Director

Company number: 3091082

IBRC ASSET FINANCE LIMITED
Statement of changes in equity
For the year ended 30 June 2016

	Notes	Share capital £	Retained earnings £	Capital contribution reserve £	Total £
Balance at 1 January 2014		1,220,000,000	(2,636,063,673)	2,304,605,944	888,542,271
Total comprehensive income and loss for the period		-	(3,708,301)	-	(3,708,301)
Issue of bonus shares settled by the capital contribution reserve	17	2,304,605,944		(2,304,605,944)	-
Share capital reduction	17	(3,523,605,944)	3,523,605,944	-	-
Interim dividend of £855 per ordinary share		-	(855,000,000)	-	(855,000,000)
Balance at 30 June 2015	17	1,000,000	28,833,970	-	29,833,970
Total comprehensive income and profit for the year		-	497,623	-	497,623
Balance at 30 June 2016	17	1,000,000	29,331,593	-	30,331,593

The notes on pages 13 - 25 form part of these financial statements.

IBRC ASSET FINANCE LIMITED
Statement of cash flows
For the year ended 30 June 2016

	Notes	Year ended 30 Jun 2016 £	18 month period ended 30 Jun 2015 £
Cash flows from operating activities			
Profit / (loss) before tax		497,623	(3,708,301)
Loss on disposal of assets held for sale		-	354,014
Other non-cash items	20	(38,752)	(24,401,225)
		458,871	(27,755,512)
Changes in operating assets and liabilities			
Net decrease in assets classified as held for sale		-	183,740,857
Sale proceeds on disposal of assets classified as held for sale.	9	-	435,862,294
Increase in loans and advances to banks		(23,622,902)	-
Net (increase) / decrease in other assets		(2,973)	136,755,488
Net decrease in other liabilities		(199,999)	(2,153,386)
Net cash flows (utilised in) / generated from operating activities before taxation		(23,367,003)	726,449,741
Tax recovered		-	-
Net cash flows (utilised in) / generated from operating activities		(23,367,003)	726,449,741
Cash flows from financing activities			
Dividends paid on ordinary shares		-	(855,000,000)
Dividend paid on preference shares		(2,496)	(3,076)
Net cash flows used in financing activities		(2,496)	(855,003,076)
Net decrease in cash and cash equivalents		(23,369,499)	(128,553,335)
Opening cash and cash equivalents		30,181,621	142,369,920
Foreign exchange gains		11,510	16,365,036
Closing cash and cash equivalents	20	6,823,632	30,181,621

The notes on pages 13 - 25 form part of these financial statements.

IBRC ASSET FINANCE LIMITED

Notes to the financial statements

1 General information and accounting policies

1.1 General information

The Company is a private limited company registered in England and Wales and incorporated in the United Kingdom.

1.2 Basis of preparation

The financial statements have been presented in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and applied in accordance with the Companies Act 2006, as applicable at 30 June 2016.

The financial statements have been prepared under the historical cost convention. They are presented in Sterling.

These financial statements are for the year ended 30 June 2016 and are therefore not directly comparable to the preceding period which was for an 18 month period to 30 June 2015.

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underline the preparation of the financial statements. UK Company Law and IFRS require the Directors, in preparing the Company's financial statements, to select multiple accounting policies, apply them consistently and make judgement and estimates that are reasonable and prudent. A description of the accounting estimates and judgements is set out in note 1.16.

1.3 Going Concern

The Company's loans were sold in 2014 as part of the process of closing down the Company, given the fact that the ultimate parent company, IBRC, entered special liquidation on 7 February 2013. The Company is also currently subject to litigation the defence of which the Company has been advised by its lawyers has a strong prospect for success.

During 2015, the Joint Special Liquidators of IBRC disclosed that, contrary to previous indications, amounts will now be paid to unsecured creditors of IBRC although the percentage payable is currently unknown. In addition, the Joint Special Liquidators have not yet admitted the Company's claims. As the Company has amounts due from IBRC and other group undertakings which were fully provided for in 2013, the directors will continue to operate the Company until this matter is resolved. We still await admission of amounts due from IBRC into its special liquidation. Once admitted and a decision has been made on the distributions to unsecured creditors of IBRC and these are appropriately dealt with and after the litigation against the Company has been resolved, it is the directors' intentions to dissolve the Company. On the basis of the above assessment, the Directors have prepared the annual financial statements on a basis other than that of a going concern.

1.4 *Adoption of new accounting standards*

A number of amendments and interpretation to IFRS have been published that first apply from 1 July 2015. These have not resulted in any material changes to the Company's accounting policies.

1.5 Interest income and expense recognition

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The calculation includes all fees, transaction costs and other premiums and discounts that are an integral part of the effective *interest rate on the transaction.*

Once an impairment loss has been recognised on an individual asset, interest income is recognised on the unimpaired portion of that asset using the rate of interest at which its estimated future cash flows were discounted in measuring the impairment.

1.6 Fee and commission income

Fees and commissions which are not an integral part of the effective interest rate are generally recognised on an accruals basis over the period that the service has been provided.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and *recognised as an adjustment to the effective interest rate on the loan once drawn.*

Commitment fees in relation to facilities where drawdown is not probable are recognised over the term of the commitment.

1 General information and accounting policies continued

1.7 Financial assets - loans and receivables

The Company has only one category of financial assets, namely loans and receivables. The Directors determine the classification of its financial assets at initial recognition.

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. They arise when the Company provides money to a counterparty with no intention of trading the receivable. Loans and receivables are initially recognised at fair value, including direct and incremental costs, and are subsequently carried on an amortised cost basis.

1.8 Impairment of financial assets

Provision is made for impairment of financial assets to reflect the losses inherent in those assets at the end of the reporting period.

The Company assesses at each financial reporting period 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 ('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, and can be reliably measured.

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

i. significant financial difficulty of the issuer or obligor;
ii. a breach of contract, such as a default or delinquency in interest or principal payments;
iii. the granting to the borrower of a concession, for economic or legal reasons relating to the borrower's financial difficulty that the Company would not otherwise consider;
iv. it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
v. the disappearance of an active market for that financial asset because of financial difficulties; or
vi. 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 within the individual financial assets in the portfolio, including:
- adverse changes in the payment status of borrowers in the portfolio; or
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

Specific examples of loss events or impairment triggers for commercial lending include loan covenant breaches, material decreases in the value of the underlying collateral securing the loan facility or the financial difficulty of the borrowers.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for any individually assessed financial asset, whether significant or not, it includes that asset in a group of financial assets with similar credit risk characteristics and includes these performing assets under the incurred but not reported ('IBNR') assessment.

An IBNR impairment provision represents an interim step pending the identification of impairment losses on an individual asset in a group of financial assets. As soon as information is available that specifically identifies losses on individually impaired assets in a group, those assets are removed from the group. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included under the collective assessment of impairment.

For loans and receivables, 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The amount of the loss is recognised using an allowance account and is included in the statement of comprehensive income.

1 General information and accounting policies continued

1.8 Impairment of financial assets continued

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

When a borrower fails to make a contractually due payment of interest or principal but the Company believes that impairment is not appropriate on the basis of the level of the security/collateral available and/or the stage of collections of amounts owed to the Company, a loan is classified as past due but not impaired. In this instance the entire exposure is reported as past due but not impaired, rather than just the amount in arrears.

Renegotiated loans are those loans and receivables outstanding at the end of the reporting period whose terms have been renegotiated during the financial period, resulting in an upgrade from impaired to performing status. This is based on subsequent good performance and/or an improvement in the profile of the borrower.

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 as a reduction to the heading "Provision for impairment", to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

When a loan is deemed to be uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for impairment in the statement of comprehensive income.

1.9 Financial liabilities

Financial liabilities are initially recognised at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently measured at either amortised cost or fair value through profit or loss. All liabilities, other than those designated at fair value through profit or loss, are subsequently carried at amortised cost. For financial liabilities measured at amortised cost, any difference between initial fair value and the redemption value is recognised in the statement of comprehensive income using the effective interest rate method.

A liability may be designated at fair value through profit or loss when:

a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases; or

b) a group of financial assets, financial liabilities, or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

c) a financial instrument contains one or more embedded derivatives that significantly modify the cash flows arising from the instrument and would otherwise need to be accounted for separately.

The classification of an instrument as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities. Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial liabilities designated at fair value through profit or loss are included directly in the statement of comprehensive income within foreign exchange gains/losses.

Preference shares are classified as financial liabilities if coupon payments are not discretionary. Distributions on these instruments are recognised in the statement of comprehensive income as interest expense using the effective interest rate method.

1 **General information and accounting policies** continued

1.10 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because the guaranteed party fails to meet a contractual obligation or to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, and other lending facilities and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and the payment of import duties and taxes.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of comprehensive income, the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the end of the reporting period.

1.11 Foreign currency translation

Functional and presentational currency

The financial statements are presented in Sterling, which is the Company's functional and presentational currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are recognised in the statement of comprehensive income. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1.12 Provisions and contingent liabilities

Provisions are recognised for present legal or constructive obligations arising from past events where it is probable that a transfer of economic benefits will be necessary to settle the obligation, and it can be reliably estimated.

Contingent liabilities are possible obligations whose existence depend on the outcome of uncertain future events or those present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

1.13 Taxation (current and deferred)

Current tax is the expected tax payable (shown as a liability) or the expected tax receivable (shown as an asset) on the taxable income for the period adjusted for changes to previous years and is calculated based on the applicable tax law in the United Kingdom. Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. Current and deferred taxes are determined using tax rates based on legislation enacted or substantively enacted at the financial reporting date and expected to apply when the related tax asset is realised or the related tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which temporary differences will be utilised.

Current and deferred taxes are recognised in the statement of comprehensive income in the period in which the profits or losses arise except to the extent that they relate to items recognised directly in equity, in which case taxes are also recognised in equity.

Deferred and current tax assets and liabilities are only offset where there is both the legal right and intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1 **General information and accounting policies** continued

1.14 Segmental reporting
The Company's single business activity has become the orderly resolution of the Company, maximising the recovery of its loan portfolio. As a result, performance is assessed on a total company basis as a single continuous business activity. Statutory financial information is therefore presented as one operating segment and actions taken to achieve this strategic objective, including the sale or transfer of assets and liabilities, are regarded as arising from a single continuing activity.

Geographical segments are distinguishable parts of the Company that provide products or services within a particular economic environment that is subject to risks and rewards that are different to those operating in other economic environments.

1.15 Cash and cash equivalents
For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits held in external banks. Cash equivalents are highly liquid investments convertible into cash with an insignificant risk of changes in value and with original maturities of less than six months.

1.16 Accounting estimates and judgement

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The preparation of financial statements requires the directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the end of each reporting date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes may differ from those estimates.

Given the disposal of the loan portfolio in this financial period, the particular accounting policies adopted by the Company are not subject to estimates and judgements which would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, other than as described in these financial statements.

1.17 Standards issued but not yet effective
The Company has not applied the following new standards, amendments to standards and interpretations (IFRICs) that have been approved by the International Accounting Standards Board and which would be applicable to the Company with an effective date after the date of these financial statements:

- IFRS 9 (Amendment) - Financial Instruments - effective for periods beginning on or after 1 January 2018.

The Company will apply this standard as it becomes effective.

2 Segmental reporting

As set out in Note 1.14, performance is assessed on a total company basis as a single continuing business activity. Statutory financial information is therefore presented as one operating segment and actions taken to achieve the Company's strategic objective of orderly resolution, including the sale or transfer of assets and liabilities, are regarded as arising from a single continuing activity.

All revenue from external customers and management of assets are derived from business carried out in the United Kingdom. Therefore no geographic analysis is provided.

3 Interest and similar income

	Year ended 30 Jun 2016 £	18 month period ended 30 Jun 2015 £
Interest on loans and advances to customers (including loans classified as held for sale)	-	6,232,764
Interest on deposits with banks	201,117	192,842
Interest on intercompany balances	-	(24,192)
	201,117	6,401,414

Included in interest on loans and advances to customers is £nil (2015: £3,623,483) which represents interest income earned on the performing element of impaired loans and advances (including loans classified as held for sale).

Specific impairment on individual loans is calculated based on the difference between the current loan balance and the discounted value of the estimated future cash flows of the loans. The impact of the unwinding of this discount, as the time to the realisation of the estimated future cash flows shortens, is recognised as interest income in accordance with IFRS.

4 Interest and similar expense

	Year ended 30 Jun 2016 £	18 month period ended 30 Jun 2015 £
Dividends on preference shares	2,496	3,076

Dividends paid on the €100,000 A Preference Shares ("Preference Shares") are payable provided the Company has distributable reserves available. Consequently, such dividends are treated as interest expense as the Preference Shares are classified as financial liabilities.

5 Foreign exchange gains / (losses)

	Year ended 30 Jun 2016 £	18 month period ended 30 Jun 2015 £
Foreign exchange gains / (losses)	832,454	(16,376,545)

The foreign exchange gain of £832,454 in the current year resulted from the difference in translation of the non-sterling assets and liabilities to sterling at the closing rate compared to the opening rate of exchange.
The foreign exchange loss of £16,376,545 arose in the prior period primarily from the impact of converting the non-sterling assets at the transaction rate existing at the date of disposal of the loan portfolio and the dividend payment at the same time compared to the foreign exchange rate applied to such assets at the prior year end date.

6 **Administrative expenses**	**Year ended 30 Jun 2016**	18 month period ended 30 Jun 2015
	£	£
Other administrative costs	540,032	1,947,533

Key management personnel that are directors of the Company were remunerated by the ultimate parent company, Irish Bank Resolution Corporation Limited - in special liquidation ('IBRC'). These directors were full time employees of IBRC and received no additional remuneration for their services to the Company until they ceased to be employees in 2014. Directors' remuneration received after they ceased to be employees of IBRC is shown in note 7. No directors' remuneration was payable for services to the Company prior to their cessation as employees of IBRC. The Company does not employ any staff.

7 **Directors' remuneration**	**Year ended 30 Jun 2016**	18 month period ended 30 Jun 2015
	£	£
Emoluments	11,000	11,000

8 Auditor's remuneration

The audit fee in respect of the Company was £5,000 (2015: £30,000). The audit fee for the statutory accounts of the Company in both periods was borne by CDB (U.K.) Limited, the Company's parent undertaking.

9 **Loss on disposal of assets**	**Year ended 30 Jun 2016**	18 month period ended 30 Jun 2015
	£	£
Carrying value of loans classified as held for sale	-	436,216,308
Consideration received	-	(435,862,294)
Loss on disposal of assets held for sale	-	354,014

The Company sold its loan portfolio to LSREF III Wight Limited, an affiliate of Lone Star, on 26 February 2014 with completion on 16 May 2014 as part of the overall disposal of loan assets by IBRC in the United Kingdom.

10 **Impairment reversal**	**Year ended 30 Jun 2016**	18 month period ended 30 Jun 2015
	£	£
Loans classified as held for sale		
Specific impairment reversal	6,952	9,869,037
Other provisions (note 14)		
Impairment loss against amounts due from ultimate parent or other group entities due to special liquidation of ultimate parent	-	(1,319,576)
Financial guarantees	-	-
Total impairment reversal / (loss)	6,952	8,549,461

11 Taxation

	Year ended 30 Jun 2016 £	18 month period ended 30 Jun 2015 £
Corporation tax		
- current year / period	-	-
- prior year / period	-	-
	-	-
Effective tax rate	0%	0%

The reconciliation of tax on profit on ordinary activities at the standard corporation tax rate to the Company's actual total tax charge / (credit) is analysed as follows:

	Year ended 30 Jun 2016 £	18 month period ended 30 Jun 2015 £
Profit / (loss) before taxation	497,623	(3,708,301)
Profit / (loss) on ordinary activities before taxation at 20.00% (2015: 21.16%)	99,525	(784,676)
Effects of:		
Non deductible expenses	75	-
Provision in relation to related parties not tax allowable (Note 10)	-	358,252
Other timing differences	307,295	482,672
Utilisation of tax losses not previously recognised	(366,671)	(56,248)
Group relief	(40,224)	-
Total taxation	-	-

The UK has passed legislation to reduce the UK tax rate from 20% to 19% from 1 April 2017 and 18% from 1 April 2020. The Company has not recognised a deferred tax asset as stated in note 13. Therefore, there is no impact on the Statement of Comprehensive Income.

12 Loans and advances to banks

	30 Jun 2016 £	30 Jun 2015 £
Placements with banks with an original maturity date over 6 months	23,622,902	-

The external ratings profile of loans and advances to banks is as follows:	30 Jun 2016 £	30 Jun 2015 £
A2 / A- (2015: A2 / A-)	23,622,902	-

13 Deferred taxation

At 30 June 2016, a deferred tax asset of £39,918,127 (2015: £44,812,370) has not been recognised by the Company in respect of unused tax losses carried forward and other timing differences, netted by a deferred tax liability arising from other temporary timing differences giving a net deferred tax asset of £39,915,750 (2015: £44,412,851).

14 Other assets

The following amounts are shown net of any provisions for irrecoverability:	**30 Jun 2016** £	30 Jun 2015 £
Amounts owed by ultimate parent undertaking (net of provision for impairment)	-	-
Amounts owed by group undertakings	23,526	20,553
	23,526	20,553

The facilities owed by the ultimate parent undertaking, IBRC has no fixed terms of repayment. During the period, no interest was charged (2015: £nil) by the Company. Full provision was made against the amounts due from IBRC as at 7 February 2013, the date of IBRC entering special liquidation, of £544,130,267 under the heading impairment reversal / (loss). The movement between 2015 and 2016 from £544,130,267 to £583,689,491 is solely due to equal and opposite movements in foreign exchange rates for both the balance outstanding and the related impairment provision.

Consequently, the following provisions were held against the gross balance outstanding, which has been netted off the amounts shown above as other assets:

	30 Jun 2016 £	30 Jun 2015 £
Provision held against amounts owed by ultimate parent undertaking	583,689,491	544,130,267
Provision against amounts owed by group undertaking:		
IBRC Treasury Financing Limited	8,215,509	8,215,509
IBRC Finance Limited	61,782	61,782
IBRC Commercial Properties Limited	63,844	63,844
Argyle Investment Finance Limited	6,076	6,076
IBRC Capital GP Limited	32,867,669	32,867,669
IBRC German Retail Limited	10,417,633	8,966,847
	51,632,513	50,181,727
	635,322,004	594,311,994

In 2016, full provision was held against all amounts outstanding with the exception of IBRC German Retail Limited where £23,526 (2015: £20,250) is considered collectible. The movement in provisions is solely due to movements in the foreign exchange rates on the underlying impairment balances with an equal and opposite movement in the gross balance outstanding.

Given the fact that the joint special liquidators of IBRC disclosed during 2015 that amounts will now be payable to unsecured creditors of IBRC, it is likely that part or all of the provisions made in 2013 and 2015 will be reversed in subsequent periods depending on the level of payment made to unsecured creditors by IBRC. These amounts have not been admitted into the liquidation by the joint special liquidators and no details have yet been made available as to the likely level of payment for this unsecured creditor of IBRC. Therefore, the directors have not recognised any reversal of the above provisions in respect of IBRC or other group undertakings until such information is available with certainty.

Notes to the financial statements continued

15 Other liabilities

	30 Jun 2016	30 Jun 2015
	£	£
Amounts owed to ultimate parent undertaking	-	-
Amounts owed to group undertakings	-	199,999
Other liabilities	-	-
	-	199,999

Amounts owed to group undertakings were repaid during the year ended 30 June 2016.

16 Subordinated liabilities and other capital instruments

	30 Jun 2016	30 Jun 2015
	£	£
Undated Loan Capital		
€100,000 A Preference Shares	82,836	71,862

The Company recommenced payment of dividends on the Preference Shares as the Company has had positive retained earnings since 28 May 2014.

17 Share capital

	30 Jun 2016	30 Jun 2015
	£	£
Ordinary share capital		
Ordinary Shares of £1 each		
Authorised: 1,000,000 Ordinary Shares of £1 each (2015: 1,000,000)	1,000,000	1,000,000
Allotted, called up and fully paid	1,000,000	1,000,000

On 27 May 2014, the Company issued and allotted 2,304,605,944 Ordinary Shares of £1 each, as a bonus share issue, to the shareholders settled through the appropriation of the amount outstanding to the credit of the capital contribution reserve of £2,304,605,944.

On 28 May 2014, the Company carried out a reduction of share capital, effected by a special resolution of the Company, reducing the share capital from 3,524,605,944 Ordinary Shares of £1 each to 1,000,000 ordinary Shares of £1 each with the reduction of £3,523,605,944 being credited to the retained earnings of the Company.

The impact of the above is shown in the statement of changes in equity.

18 Capital contribution reserve

	30 Jun 2016	30 Jun 2015
	£	£
Capital contribution reserve	-	-

On 27 May 2014, the Company issued and allotted 2,304,605,944 Ordinary Shares of £1 each, as a bonus share issue, to the shareholders settled through the appropriation of the amount outstanding to the credit of the capital contribution reserve of £2,304,605,944. This has the effect of extinguishing the capital contribution reserve.

19 Memorandum items

	30 Jun 2016	30 Jun 2015
	£	£
Contingent liabilities		
Guarantees and irrevocable letters of credit	1,455,779	1,455,779
Performance bonds, VAT guarantees and other transaction related contingencies	34,809	34,809
	1,490,588	1,490,588

Litigation
During the period ended 30 June 2015, an assignee of a customer of the Company instigated proceedings against the Company alleging that the Company had failed to advance funds to the customer under a loan agreement resulting in losses to the customer. The amount of the alleged losses has not been specified in the Particulars of Claim, but, in an application notice (seeking an extension of time), the Claimant has made the comment "*The claim is a substantial one, in the region of over £50 million*" and, more recently, in a witness statement, has put the claim at £554,856,000 (before interest). The Claimant stated, in the Amended Particulars of Claim, that the quantum of claim would be provided in expert evidence. The Claimant has failed to serve any expert evidence, despite the passing of the deadline for such evidence ordered by the Court.

The Company's lawyers have advised that they do not consider that the claim has merit. They consider that the latest quantification of the claim is massively inflated and that it underlines the fanciful nature of all aspects of the claim.

No provision has been made in these financial statements as the directors do not consider that there is any probable liability on the part of the Company. All costs of defending the litigation are taken as an expense to the Statement of Comprehensive Income as they are incurred.

20 Statement of cash flows

	Year ended 30 Jun 2016	18 month period ended 30 Jun 2015
Other non-cash items	£	£
Impairment reversal	-	(9,869,037)
Unwind of discount	-	(3,623,483)
Loans and advances written off net of recoveries	-	(10,167,820)
Net decrease in accruals	(41,248)	(743,961)
Interest expense	2,496	3,076
Change in capital reserve - settlement of bonus issue	-	(2,304,605,944)
Issue of bonus shares	-	2,304,605,944
	(38,752)	(24,401,225)
Cash and cash equivalents		
Cash and cash equivalents (with a maturity of less than six months)	6,823,632	30,181,621

21 Risk management and control

The Company is subject to a variety of risks and uncertainties in the normal course of its business activities. The principal risks and uncertainties facing the Company relate to the credit risk of its bankers in respect of funds held at bank and amounts due from the ultimate parent undertaking and other group undertakings. The other risks facing the Company include litigation risks.

Credit risk
Credit risk is the risk that the Company will suffer financial loss from a counterparty failure to pay interest, repay capital or meet a commitment. The Company is exposed to the credit risk of its bankers in respect of funds held at bank and to its ultimate parent undertaking, IBRC, and other group undertakings.

21 Risk management and control - *continued*

Market risk

Market risk is the risk of a potential adverse change in the Company's income or financial position arising from movements in interest rates, exchange rates or other market prices. Market risk arises from the structure of the Statement of Financial Position. Market risk primarily arises from exposure to changes in interest rates and exchange rates.

The majority of the Company's financial assets and liabilities are not interest bearing. Hence there is no material interest rate risk exposure.

The Company's assets and liabilities are all denominated in either pounds sterling or euros. To the extent they are held in Euro, the Company will be exposed to exchange rate risk. This policy is intentional as the ultimate shareholder is a Euro based company.

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources available at all times to meet its contractual and contingent cash flow obligations or can only secure these resources at excessive cost.

Given the limited nature of the Company's activities, it is not expected that the Company will be exposed to adverse liquidity requirements.

Operational risk

Operational risk is the risk of loss arising from inadequate controls and procedures, unauthorised activities, outsourcing, human error, systems failure and business continuity. Due to the limited nature of the Company's activities since the disposal of its loan portfolio, it is difficult for the Company to suffer an operational error.

The management of operational risk is monitored by the Board of Directors.

Compliance Risk

The directors are responsible for ensuring that the Company is compliant with all relevant laws and best practice guidelines. Non compliance can give rise to reputational loss, legal or regulatory sanctions or material financial loss.

The Directors monitor the activities of the Company and take appropriate advice to ensure that the Company continues to be compliant with all of its obligations.

Litigation risk

The Company's business is subject to the risk of litigation by customers, shareholders or other third parties through private actions, class actions, administrative proceedings, criminal proceedings or other litigation or actions. The outcome of any such litigation, proceedings or actions is difficult to assess or quantify. The cost of defending such litigation, proceedings or actions may be significant. As a result, such litigation, proceedings or actions may adversely affect the Company's business, financial condition, results, operations or reputation.

Capital management

The objectives of the Company's capital management policy are to efficiently manage the capital base to optimise the return of the Company.

The responsibility for capital adequacy rests with the directors. The directors manage the capital structure and make adjustments to it in light of changes in economic conditions or changes in the risk profile of assets.

Given the limited activity of the Company, no capital position is provided.

22 Parent Company and Ultimate Parent Company

The Company is a wholly owned subsidiary of CDB (U.K.) Limited, a company incorporated in the United Kingdom and registered in England and Wales, which in turn is a wholly owned subsidiary of Irish Bank Resolution Corporation Limited - in special liquidation, incorporated in the Republic of Ireland, the ultimate parent undertaking. The Company's financial statements will be consolidated only in the group financial statements of the parent company and a copy of these financial statements will be available from CDB (U.K.) Limited, c/o Hold Store Limited, Unit 33A, Enterprise House, 44-46 Terrace Road, Walton on Thames, Surrey, KT12 2SD.

23 Related party transactions

The Company has provided loans to IBRC with balances due before provision for impairment in respect of irrecoverability at 30 June 2016 of £583,689,491 (2015: £544,130,267). No interest is receivable on these loans.

The Company also provided loans to other IBRC Group entities. The balance on these loans before provisions for impairment at 30 June 2016 totalled £51,656,041 (2015: £50,202,282). The Company did not receive interest on these loans in 2016 (2015: £Nil). The following is an analysis by group undertaking before provision for impairment:

Name of group undertaking	**30 Jun 2016** £	30 Jun 2015 £
IBRC German Retail Limited	10,441,161	8,987,098
IBRC Capital GP Limited	32,867,669	32,867,669
Clickinput Limited	-	304
IBRC Commercial Properties Limited	63,844	63,844
IBRC Treasury Financing Limited	8,215,509	8,215,509
IBRC Finance Limited	61,782	61,782
Argyle Investment Finance Limited	6,076	6,076
	51,656,041	50,202,282

The Company has also received loans from other group IBRC entities. The balance on these loans at 30 June 2016 is £nil (2015: £199,999). No interest has been charged on these loans and they have no fixed repayment terms. The following is the amount due by entity:

Name of group undertaking	**30 Jun 2016** £	30 Jun 2015 £
IBRC Property Lending Limited	-	199,999
	-	199,999

Various provisions were made against amounts due from IBRC or from IBRC group entities, details of which are set out in Note 14.

Shark Investments (Scotland) Limited received fees of £9,000 (2015: £22,774) in respect of consultancy services. Mr J Brydie is a director of Shark Investments (Scotland) Limited. Hold Store Limited received £1,170 (2015: £nil) in respect of expenses incurred by it on behalf of the Company. Mr F G Parker is a director of Hold Store Limited.