

ALIE STREET INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2012**

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ALIE STREET INVESTMENTS LIMITED

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ALIE STREET INVESTMENTS LIMITED

GENERAL INFORMATION

DIRECTORS

C H Hand
L B Lee
G J Mulligan (resigned 01 October 2012)
C I Reynolds (resigned 30 October 2012)
P J Wood (appointed 30 October 2012)

COMPANY SECRETARY

Merrill Lynch Corporate Services Limited

REGISTERED OFFICE

2 King Edward Street
London
EC1A 1HQ
England

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

ALIE STREET INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2012

The directors present their report and the audited financial statements of Alie Street Investments Limited (the "Company") for the year ended 31 December 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The 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.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company is a wholly owned subsidiary of Banc of America Securities Limited ("the Immediate Parent Company") and is part of the Bank of America Corporation ("BAC") group, one of the world's leading financial institutions.

The Company is engaged in investment banking activities.

There have been no changes in the principal activities of the Company during the year and the directors expect the principal activities will continue in 2013.

The Company held loans and received interest on these loans. The loans were hedged with and funded by a credit linked note purchase agreement with the Immediate Parent Company. No loans are currently held.

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

The profit for the year, after taxation, amounted to \$6,009 (2011 \$5,996).

The directors do not recommend the payment of a dividend for the year ended 31 December 2012 (2011 \$nil).

DIRECTORS' REPORT
For the year ended 31 December 2012

PRINCIPAL ACTIVITY AND BUSINESS REVIEW (continued)

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

GOING CONCERN

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

RISK MANAGEMENT

The Company's risk management objectives and policies, as well as exposures in relation to the principal risks of liquidity risk, credit risk and operational risk are more fully described in note 3.

DIRECTORS

The directors who served during the year and up to the date of signing this report were as follows:

- C H Hand
- L B Lee
- G J Mulligan (resigned 01 October 2012)
- C I Reynolds (resigned 30 October 2012)
- P J Wood (appointed 30 October 2012)

DISCLOSURE OF INFORMATION TO INDEPENDENT AUDITORS

Each of the persons who is a director at the date of approval of this 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.

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

This report was approved by the board on 13 June 2013 and signed on its behalf by



Philip John Wood
Director

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

We have audited the financial statements of Alie Street Investments Limited (the "Company") for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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 directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' 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.

H Varley

Heather Varley (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 June 2013

ALIE STREET INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
TURNOVER	4	18,000	18,000
Operating expenses	5	(11,991)	(12,004)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	6,009	5,996
Tax on profit on ordinary activities	9	-	-
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	13	6,009	5,996
		<hr/> <hr/>	<hr/> <hr/>

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents

The profit for the year was derived wholly from continuing operations

There are no recognised gains or losses for the current or preceding year other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 7 to 12 form part of these financial statements

ALIE STREET INVESTMENTS LIMITED

BALANCE SHEET

As at 31 December 2012

Registered number: 4188463

	Notes	2012 \$	2011 \$
ASSETS			
Cash at Bank		171	162
Debtors Amounts falling due within one year	10	129,500	123,500
		<u>129,671</u>	<u>123,662</u>
LIABILITIES			
Creditors Amounts falling due within one year	11	(14,294)	(14,294)
		<u>(14,294)</u>	<u>(14,294)</u>
NET ASSETS			
		<u>115,377</u>	<u>109,368</u>
SHAREHOLDER'S FUNDS			
Called up share capital	12	146	146
Profit and loss account	13	115,231	109,222
TOTAL SHAREHOLDER'S FUNDS			
	14	<u>115,377</u>	<u>109,368</u>

The financial statements were approved and authorised for issue by the Board of Directors on 13 June 2013 and signed on its behalf by



Philip John Wood
Director

The notes on pages 7 to 12 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

1. ACCOUNTING POLICIES

1.1 Basis of accounting

The financial statements have been prepared on the going concern basis, and in accordance with the Companies Act 2006, other applicable law and accounting standards in the UK. The principal accounting policies, which have been applied consistently, are set out below.

1.2 Accounting convention

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

1.3 Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (Revised 1996) - "Cash Flow Statements," as a consolidated cash flow statement is included in the publicly available consolidated financial statements of BAC, the ultimate parent company.

1.4 Translation of foreign currencies

The financial statements have been presented in US dollars ("\$\$") which is also the functional currency of the Company. The Company's share capital was denominated in Sterling upon its incorporation.

Revenue and expenses arising from transactions to be settled in foreign currencies are translated into US dollars at the average monthly market rates of exchange. Monetary assets and liabilities are translated into US dollars at the market rate of exchange ruling at balance sheet date. Exchange differences arising from the translation of foreign currencies are reflected in the profit and loss account.

1.5 Turnover

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

1.6 Operating expenses

The operating expense comprises management and other service expenses, calculated in accordance with a service level agreement between the Company and the Immediate Parent Company and gains or losses on foreign exchange translation. The management and other service expenses are accounted for on an accruals basis.

1.7 Taxation

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

1.8 Offsetting

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

2. SEGMENTAL ANALYSIS

The Company operates substantially under one principal business activity comprising the Global Markets Credit Products. The Company's income is generated primarily in the United Kingdom. Accordingly, segmental data is not disclosed.

3. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: liquidity risk, credit risk and operational risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management for the Company is the responsibility of the board.

Liquidity risk

Liquidity risk is the potential inability to meet contractual and contingent financial obligations, on or off balance sheet, as they become due. Liquidity risk also includes both the potential inability to raise funding with appropriate maturity, currency and interest rate characteristics and the inability to liquidate assets in a timely manner at a reasonable price.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Liquidity Risk Management Group of BAC is responsible for measuring, monitoring and controlling the BAC group's liquidity risk. This group establishes methodologies and specifications for measuring liquidity risk, performs the scenario analysis and liquidity stress testing, and sets and monitors liquidity limits. The group works with business units to limit liquidity risk exposures and reviews liquidity risks associated with new products and new business strategies.

The Company has no financial obligations aside from the amounts owed to its Immediate Parent Company.

Credit risk

Credit risk is the potential risk of financial loss arising from the failure of a counterparty to settle its financial and contractual obligations.

The Company has no financial or contractual obligations aside from the amounts owed from its Immediate Parent Company.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

The Company defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Some of these risks cannot be avoided, for example, the exposure to natural or man-made disasters, but can be mitigated by management actions, recovery plans and insurance. The Company manages operational risks in a variety of ways. These include maintaining a comprehensive system of internal controls, using technology to automate processes and reduce manual errors, monitoring and analysing risk events and trends, employing experienced staff, compliance and audit professionals monitoring business activities, maintaining fully operational off-site backup facilities, requiring education and training of employees and emphasising the importance of management oversight.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its Immediate Parent Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may change the amount of dividends paid to its Immediate Parent Company, return capital to its Immediate Parent Company, issue new shares or sell assets to reduce debt.

Due to the straight forward nature of the Company, minimal capital management is required.

4. TURNOVER

	2012	2011
	\$	\$
Turnover consists of the following		
Service fees receivable from the Immediate Parent	<u>18,000</u>	<u>18,000</u>

5. OPERATING EXPENSES

	2012	2011
	\$	\$
Management fees payable to the Immediate Parent Company	(12,000)	(12,000)
Foreign exchange gain/(loss)	9	(4)
	<u>(11,991)</u>	<u>(12,004)</u>

6. DIRECTORS' REMUNERATION

No directors received any remuneration for services as a director of the Company during the year (2011 nil)

ALIE STREET INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012

7. EMPLOYEES

The Company did not have any employees during the year (2011 nil)

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Statutory auditors' fees of \$10,566 for the year ended 31 December 2012 are borne by the Immediate Parent Company (2011 \$10,542)

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax for the year is as follows	2012 \$	2011 \$
Current tax (see note below)		
UK corporation tax on profits of the year	-	-
Total current tax	-	-
Tax on ordinary activities	-	-

The tax assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK applicable to the company at 24.5% (2011 26.5%). The differences are explained below

Profit on ordinary activities before taxation	6,009	5,996
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	1,472	1,589
Effects of		
Tax losses claimed from affiliated companies for no payment	(1,472)	(1,589)
Current tax charge for the year	-	-

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 \$	2011 \$
Amounts owed by group companies	129,500	123,500

This balance is the net of service fees receivable from, less management fees payable to, the Immediate Parent Company. This balance is repayable on demand.

ALIE STREET INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	\$	\$
Amounts owed to group companies	<u>14,294</u>	<u>14,294</u>

This balance is owed in respect of tax paid on behalf of the Company The balance is payable on demand

12. CALLED UP SHARE CAPITAL

	2012	2011
	\$	\$
Allotted, called up and fully paid:		
100 ordinary shares (2011 100) of £1 each	<u>146</u>	<u>146</u>

13. PROFIT AND LOSS ACCOUNT

	2012	2011
	\$	\$
Retained profits brought forward	109,222	103,226
Profit for the financial year	<u>6,009</u>	<u>5,996</u>
Retained profits carried forward	<u>115,231</u>	<u>109,222</u>

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2012	2011
	\$	\$
Opening shareholder's funds	109,368	103,372
Profit for the financial year	<u>6,009</u>	<u>5,996</u>
Closing shareholder's funds	<u>115,377</u>	<u>109,368</u>

15. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption from related party disclosures available in Paragraph 3(c) of Financial Reporting Standard 8 - Related Party Disclosures, as it is a wholly owned subsidiary and the consolidated financial statements of the ultimate parent company are publicly available as noted below

There were no related party transactions other than those with affiliated companies covered by the exemption noted above

ALIE STREET INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

16. ULTIMATE HOLDING COMPANY

The Company's immediate parent undertaking, Banc of America Securities Limited, is incorporated in the United Kingdom, and is the smallest to consolidate the results of the Company. Copies of the group financial statements of the immediate parent undertaking can be obtained from the Company Secretary, 2 King Edward Street, London EC1A 1 HQ.

The Company's ultimate holding company is BAC, which is organised and existing under the laws of the State of Delaware in the United States of America. This is the largest group to prepare consolidated financial statements which include the financial statements of the Company. Copies of BAC's financial statements can be obtained from the Corporate Secretary's Office, 214 North Tryon Street, Charlotte, North Carolina, 28255, USA.