

Company No. 3091082

**INTERIM REPORT AND FINANCIAL STATEMENTS**

**ANGLO IRISH ASSET FINANCE PLC**

**PERIOD ENDED 31 MARCH 2009**

## **ANGLO IRISH ASSET FINANCE PLC**

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## ANGLO IRISH ASSET FINANCE PLC

Directors	Registered office	Registered number
B Linehan D Quilligan F G Parker J Brydie T P Walsh	10 Old Jewry London EC2R 8DN	3091082

### Secretary

F G Parker

### Auditors

Ernst & Young LLP  
1 More London Place  
London, SE1 2AF

### Bankers

Anglo Irish Bank Corporation Limited 10 Old Jewry London EC2R 8DN	Barclays Bank plc 1 Churchill Place London, E14 5HP
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## FORWARD LOOKING STATEMENTS

This report contains certain forward looking statements with respect to the financial condition, results of operations and businesses of Anglo Irish Asset Finance plc. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. The statements are based on current expected market and economic conditions, the existing regulatory environment and interpretations of IFRS applicable to past, current and future periods. Nothing in this report should be construed as a profit forecast.

# ANGLO IRISH ASSET FINANCE PLC

## INTERIM MANAGEMENT REPORT

### 1. REVIEW OF BUSINESS PERFORMANCE

This interim management report covers the six months to 31 March 2009 and includes commentary on key areas of financial and operating performance of Anglo Irish Asset Finance plc ("the Company") during that period.

The Company reports a loss of £972m before tax for the period. This is primarily driven by two factors, being the impact of losses arising from a Yen financing transactions of £613m, which for the whole of the UK Group of Anglo Irish Bank Corporation Limited has resulted in an after tax benefit of £14.7m, together with the impact of impairment charges of £407.9m.

Since September 2008, there has been a rapid deterioration in global economic conditions and outlook. What started as a financial crisis has now transformed into a global economic recession. Property markets have been seriously impacted by a lack of confidence and liquidity which has led to a significant reduction in transactions and property prices across all of the Company's markets. Development land and construction have been most significantly impacted.

As a result the asset quality of the Company's loan book has deteriorated substantially with impaired loans increasing to £1 billion and specific impairment charge in the period of £335m. Since September 2008, land values in general have fallen significantly driven by the reduction in value of residential property and commercial property in the UK in particular. This impact has been incorporated in the assessment of loans and the specific impairment charge for the period. Real economy issues and reduced occupier demand have had a negative impact on rent and commercial property yields have widened further, thus driving down commercial property values. This is more evident in the UK rather than mainland Europe and is reflected in the fact that all the specific provisions exist against loans secured on UK property assets as opposed to mainland Europe property assets. The fall in property values has eroded borrowers equity in many transactions and the Company is now directly exposed to defaults and further declines in property values. As a result of this yield reduction and the fall in equity markets, borrowers total net worths have been severely impacted thereby reducing the amount of recourse available to the Company under personal guarantees and through cross collateralisation.

	<b>31 March</b>	30 Sept
	<b>2009</b>	2008
	<b>£m</b>	<b>£m</b>
<b>Lending and asset quality</b>		
Loans and advances to customers	<u>4,626</u>	<u>4,793</u>

Net loans and advances to customers decreased by £167m in the period, with an increase in gross loan balances of £231m being offset by an increase in provisions for impairment of £398m. Growth in gross lending consisted primarily of drawdown's on prior year commitments, which increased total gross customer lending to £5,170m at 31 March 2009, a 5% increase on 30 September 2008. In keeping with the Company's relationship based lending model, lending activity during the period was provided solely to the Company's existing customer base. The Company provides commercial finance to businesses and individuals supported by real estate and lease finance and hire purchase facilities.

The rapid worsening of the economic environment in the first interim period has led to increased specific impairments. In addition, the collective impairment provision has increased recognising the significant economic challenges existing at the period end. Cumulative balance sheet provisions as at 31 March 2009 total £543m which amounts to 10.5% of the closing loan book.

The Company's gross loan book of £5,170m at 31 March 2009 is 59% secured on commercial property, 33% secured on residential property and 8% other secured lending. Over 40% of the loan balances at period end are rated as satisfactory or above. Of the balance, 20% is impaired. Development lending totals £3,170m or 61% of the loan book, inclusive of £373m of land bank assets. 95% of this development lending is in the UK and covers all phases of development from unzoned land to completed units, some with presales or prelets.

# ANGLO IRISH ASSET FINANCE PLC

## INTERIM MANAGEMENT REPORT (Continued)

### 1. REVIEW OF BUSINESS PERFORMANCE (continued)

#### Lending and asset quality (continued)

The economic outlook has become increasingly challenging and continues to deteriorate. No significant improvement is anticipated over the next number of years.

The following are the key highlights regarding asset quality at the period end date:

	<b>6 months 31-Mar-09</b>	6 months 31-Mar-08	Year ended 30-Sept-08
	<b>£m</b>	£m	£m
Income Statement:			
Specific provision charge	335	7	58
Collective provision charge	73	-	67
Total lending impairment charge	408	7	124
% of average loan balances	7.95%	0.16%	2.76%
		<b>31-Mar-09</b>	30-Sept-08
		<b>£m</b>	£m
Balance Sheet:			
Impaired loans		1,037	202
% of closing loan balances		20.06%	4.09%
Specific provision		392	68
Collective provision		151	77
Total provisions		543	145
Total provisions as a % of impaired loans		52.36%	71.78%

#### Specific provision:

The specific lending impairment charge for the period totalled £335m or 650 basis points of average loan balances which compares with a charge of £58m for the year ended 30 September 2008. Impairment is calculated in accordance with IFRS and reflects losses incurred in the period based on conditions existing at 31 March 2009. The charge was determined following a detailed loan by loan review by Anglo Irish Bank Corporation Limited Group Risk Management and affirmed by a further assessment undertaken by independent external consultants. The charge is calculated based on discounting estimated future cashflows on loans and reflects the substantial price reductions in development assets and land holdings; reduced investment cash flows and asset values, much reduced borrower net worth and the increased time required to sell the assets.

The protracted decline in commercial and residential property values has resulted in impairments in respect of a large proportion of the Company's development loan portfolio with 28% of the portfolio now impaired. At 30 September 2008, projected net proceeds on development projects, together with cross collateralisation, were expected to fully repay outstanding debt, after taking account of profit margins and developers' equity. This is not the case at 31 March 2009 given further declines in property prices. High default rates coupled with substantial projected loss rates on development loans have led to very material provisions in these sectors.

Approximately 91% of the six month charge relates to development lending. Commercial and residential development values declined significantly in the last six months. Clients have continued to complete the sale of residential units during the period, albeit at lower levels than in the previous year, particularly for those properties which have been contracted. However, concerns have increased regarding the ongoing risks to residential property development completions with the continued reduction in the value of UK residential property, particularly apartments. The risks to UK retail property have also significantly increased due to the failure of a number of high profile retail companies in early 2009 putting significant downward pressure on retail rents and consequently impacting the end value of retail developments and investment property in the UK.

# ANGLO IRISH ASSET FINANCE PLC

## INTERIM MANAGEMENT REPORT (Continued)

### 1. REVIEW OF BUSINESS PERFORMANCE (continued)

#### Lending and asset quality (continued)

Collective provision:

A collective provision of £73m has also been charged. This reflects an allowance for loan losses existing in the performing loan book where there is currently no specific evidence of impairment on individual loans. The provision has been calculated with reference to historical loss experience supplemented by observable market evidence and management's judgement regarding current market conditions. The provision has increased significantly since 30 September 2008 reflecting the rapid deterioration in the macro economic environment, the substantial increase in the specific impairment charge in the current period and the weakening in the overall quality grading of the loan portfolio, especially the significant increase in past due but not impaired balances. Cumulative collective balance sheet provisions total £151m or 3.7% of total loan balances (excluding impaired loans).

#### Trading losses

In May 2008 the Company entered into a Japanese Yen financing arrangement to enable the parent company, CDB (UK) Limited, and therefore the ultimate parent company, Anglo Irish Bank Corporation Limited, to take advantage of the differential in interest rates between GBP LIBOR and Yen LIBOR and thus reduce the UK Group's overall funding cost. This structure matured in December 2008 and January 2009. The strengthening of Yen against Sterling during the period has resulted in the Company incurring foreign exchange losses of £613m in the period on this transaction. The losses to the Company on foreign exchange in the period on this financing transaction are reduced by £457m of translation gains across various UK group companies of the ultimate parent, Anglo Irish Bank Corporation Limited ("UK group"), and by a reduced taxation charge in the UK group resulting in an overall net after tax benefit of £14.7m in the six month period to the UK Group. The overall loss in this Company was economically hedged through the tax treatment of the transaction whereby any movement in the pre-tax line for foreign exchange has a greater opposite impact on the charge across the UK group.

#### Loans and borrowings

	<b>31-Mar-09</b>	30-Sept-08
	<u>£m</u>	<u>£m</u>
Loans and borrowings	3,914	2,826

Loans and borrowings increased by 38%, with the increase due to borrowing from the London Branch of the ultimate parent undertaking to fund the ongoing activities of the Company.

#### Subordinated liabilities and other capital instruments

There were no further issuances of subordinated liabilities or other capital instruments during the year. Further details of these are given in Note 17. The movement in subordinated liabilities and other capital instruments is due to the movement in the GBP/EUR foreign exchange rates, along with movement in fair value hedge adjustments.

#### Deferred taxation asset

A deferred taxation asset of £185m has been recognised in the current period as it is probable that future taxable profits will be available against which the loss in the current period will be utilised.

# ANGLO IRISH ASSET FINANCE PLC

## INTERIM MANAGEMENT REPORT (Continued)

### 2. PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to a variety of risks and uncertainties in the normal course of its business activities. The Disclosure Rules and Transparency Rules of the Financial Services Regulatory Authority in the United Kingdom requires a description of the principal risks and uncertainties facing the Company for the remaining six months of the financial year.

The Board of Directors have ultimate responsibility for the governance of all risk taking activity and have established a framework with its ultimate parent, Anglo Irish Bank Corporation Limited, to benefit from the various risk functions of the ultimate parent which monitors all risks of the Company as part of the overall risk framework of Anglo Irish Bank Corporation Limited and its group companies ("AIBC Group"). Further details are given in Note 24 of the 2008 Annual Report and Accounts.

The principal business risks faced by the Company are outlined below.

#### **Ultimate parent company and funding risk**

The Company relies on its ultimate parent, Anglo Irish Bank Corporation Limited (the "Bank") to provide all funding requirements to enable the Company to operate. On 21 January 2009, the Anglo Irish Bank Corporation Act 2009 (the "Act") was signed into Irish law. Under the Act all of the shares of the Bank were transferred to the Minister for Finance for Ireland. On the same day the Bank was re-registered as a private limited company.

The Minister for Finance for Ireland has stated that the Irish Government is committed to providing the support to ensure the Bank's continued commercial viability. This commitment significantly mitigates the potential impact of the risks and uncertainties facing the Bank. Following nationalisation the Bank continues to trade normally as a going concern.

The Bank and the Company's financial position will benefit significantly from participation in the recently announced National Asset Management Agency ("NAMA") being established by the Irish government. The final structure and operation of NAMA has yet to be announced and will have a significant impact on the future activities, funding and capital requirements of the Bank and the Company. The Irish Minister for Finance has confirmed on 28 May 2009 the Irish Government's intention, subject to European Union approval, to provide capital of up to €4 billion to the Bank.

Anglo Irish Bank Corporation Limited has confirmed to the directors that it will continue to provide financial support to the Company for the foreseeable future and at least until 31 July 2010.

#### **Asset quality**

The Company's business is primarily affected by economic conditions in the UK and to a lesser extent a number of European countries, where the majority of earnings are generated. Each of these economies is currently in recession with significant contractions of economic conditions being experienced in 2009 particularly in the UK. Property markets in these economies have been severely impacted by the retrenchment. Against this background the Company has experienced a marked deterioration in asset quality with a significant increase in impairment charges reported in the period to 31 March 2009.

A prolonged deterioration in economic conditions resulting in higher unemployment, reduced consumer and business confidence and a further contraction in housing markets will impact borrowers' ability to service debts and result in higher levels of client default. The fall in value of underlying collateral and reduction in recourse available through personal guarantees and cross-collateralisation will result in higher impairment charges in the event of client default.

The level of impaired loans and resultant impairment provisions may rise as our customers experience difficulties due to reduced cash flows from falling rents and business activity, declining capital values on collateral, in particular development assets, and erosion of borrower net worth.

# ANGLO IRISH ASSET FINANCE PLC

## INTERIM MANAGEMENT REPORT (Continued)

### 2. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

#### Asset quality (continued)

The pricing and the amount of assets being transferred to NAMA by the Company is being assessed and the eventual outcome will affect the Company. However, the continued support of the Bank will limit the impact on the Company's capital position.

#### Market risk

Market risk has increased globally due to recent volatility in interest and exchange rates. Changes in interest rates and spreads may affect the interest rate margin realised between lending and borrowing costs. This risk is largely mitigated by the fact that almost all the Company's lending assets and funding liabilities are priced off market related rates, with no asset pricing tied to official central bank rates. This ensures there is no structural interest rate pricing basis risk inherent in the Company's balance sheet. The Company's Japanese Yen foreign exchange risk is eliminated by matching assets and liabilities.

#### Other risks

Operational risk represents the risk that failed or inadequate processes, people or systems, or exposure to external events could result in unexpected losses. The risk is associated with human error, systems failure, and inadequate controls and procedures.

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.

### 3. IMPORTANT EVENTS SINCE THE YEAR END

The capital position of the Bank continued to weaken since 31 March 2009. On 28 May 2009 the Irish Minister for Finance confirmed the Irish Government's intention, subject to European Union approval to provide capital of up to €4 billion to the Bank. Further details can be obtained in the Interim Report of Anglo Irish Bank Corporation Limited available at [www.angloirishbank.com](http://www.angloirishbank.com).

### 4. FUTURE DEVELOPMENTS

The directors intend that the Company will continue to provide lending to business secured upon assets in the United Kingdom and in mainland Europe in such a manner as to reduce risk and protect asset quality to existing customers only. The Company has future commitments to lend of £378m (2008: £703m) to be funded by further facilities from Anglo Irish Bank Corporation Limited - London Branch. Work in progress has reduced substantially in the period due to a lower conversion rate to customer lending and a re-evaluation of previously approved projects from both an economic and liquidity protection perspective. This cautious approach will continue during the next six months.

### 5. FINANCIAL RISK MANAGEMENT

The directors of the Company utilise various financial instruments in the normal conduct of the Company's business, primarily in order to mitigate the interest rate risk arising from the Company's operations. It is the Company's policy to hedge all Capital Market instruments which are raised at a fixed rate of interest in order to match income from lending assets which is normally linked to 3 month LIBOR /EURIBOR. Risk management oversight for the Company is provided by the Risk Management function of Anglo Irish Bank Corporation Limited. Credit risk decisions are made on behalf of the Company by the Anglo Irish Bank Corporation Limited Credit Committee function. Further details on the Company's use of financial instruments is given in Note 10 of these Interim Financial Statements and in Note 24 of the 2008 Anglo Irish Asset Finance plc Annual Report and Accounts.

## **ANGLO IRISH ASSET FINANCE PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE INTERIM REPORT AND FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Interim Report and Financial Statements in accordance with International Accounting Standard 34 on Interim Financial Reporting (IAS 34) and the Disclosure Rules and Transparency Rules of the Financial Services Regulatory Authority in the United Kingdom.

The Directors confirm that to the best of their knowledge and belief the condensed set of financial statements have been prepared in accordance with IAS 34 and that they give a true and fair view of the assets, liabilities, financial position and loss of the Company and that as required by the Disclosure Rules and Transparency Rules, the Interim Statement includes a fair review of:

- important events that have occurred during the six months to 31 March 2009;
- the impact of those events on the condensed financial statements; and
- a description of the principal risks and uncertainties for the remaining six months of the financial year.

Brian Linehan - Director

Declan Quilligan - Director

Gordon Parker - Director and Company Secretary

James Brydie - Director

Thomas Walsh - Director

Date: 01 June 2009

# **INDEPENDENT REVIEW REPORT TO THE DIRECTORS OF ANGLO IRISH ASSET FINANCE PLC**

## **Introduction**

We have been engaged by Anglo Irish Asset Finance plc to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 which comprise the Income Statement, the Balance Sheet, the Statement of changes in Equity, the Cash Flow Statement and the related notes 1 to 23. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

## **Directors' Responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young  
Registered Auditor  
1 More London Place  
London, SE1 2AF

**ANGLO IRISH ASSET FINANCE PLC**  
**Income statement**

For the period ended 31 March 2009

		<b>6 months</b> <b>31-Mar-09</b> <b>Unaudited</b>	6 months 31-Mar-08 Unaudited	Year ended 30-Sept-08 Audited
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>
Interest and similar income	4	172,431,939	192,355,306	399,163,421
Interest and similar expenses	5	(119,624,233)	(152,699,698)	(286,960,207)
<b>Net interest income</b>		<b>52,807,706</b>	<b>39,655,608</b>	<b>112,203,214</b>
Fee and commission income		1,581,698	845,718	2,954,899
Fee and commission expense		(3,623)	(3,676)	(6,348)
Trading (losses) / profits	6	(615,188,120)	637,856	(99,907,934)
<b>Other (expense) / income</b>		<b>(613,610,045)</b>	<b>1,479,898</b>	<b>(96,959,383)</b>
<b>Net Operating (loss) / Income</b>		<b>(560,802,339)</b>	<b>41,135,506</b>	<b>15,243,831</b>
Administrative expenses	7	(3,738,395)	(4,203,621)	(7,963,413)
Depreciation of property, plant and equipment		(6,403)	(6,264)	(12,700)
<b>Total operating expenses</b>		<b>(3,744,798)</b>	<b>(4,209,885)</b>	<b>(7,976,113)</b>
<b>Operating (loss) / profit before impairment losses</b>		<b>(564,547,137)</b>	<b>36,925,621</b>	<b>7,267,718</b>
Impairment losses on loans and advances	8	(407,936,702)	(6,916,537)	(124,073,168)
<b>(Loss) / profit before taxation</b>		<b>(972,483,839)</b>	<b>30,009,084</b>	<b>(116,805,450)</b>
Taxation	9	184,507,083	(6,921,606)	33,948,738
<b>(Loss) / profit for the period</b>		<b>(787,976,756)</b>	<b>23,087,478</b>	<b>(82,856,712)</b>

The income statement includes net exchange gains of £238,444 (31 March 2008: gains £119,373) arising from the conversion of non-Sterling profits or losses at an average rate for the period as opposed to the period end rate.

The notes on pages 13 - 26 form part of these financial statements.

# ANGLO IRISH ASSET FINANCE PLC

## Balance sheet

As at 31 March 2009

		As At 31-Mar-09 Unaudited £	As At 30-Sept-08 Audited £	As At 31-Mar-08 Unaudited £
<b>Assets</b>	<b>Notes</b>			
Derivative financial instruments	10	161,297,105	31,212,066	47,556,214
Loans and advances to banks	11	1,274,228	14,332,222	201,527,630
Loans and advances to customers	12	4,626,257,690	4,792,977,845	4,563,070,030
Property, plant and equipment		10,559	16,962	22,288
Current taxation		20,474,173	20,523,689	-
Deferred taxation	14	185,944,712	1,892,351	265,305
Other assets	15	1,465,842,448	16,529,170	16,844,175
Prepayments and accrued income		115,088	114,263	94,501
<b>Total assets</b>		<b>6,461,216,003</b>	<b>4,877,598,568</b>	<b>4,829,380,143</b>
<b>Liabilities</b>				
Loans and borrowings	16	3,914,444,315	2,826,401,806	2,659,210,166
Derivative financial instruments	10	30,792,184	87,221,306	28,519,678
Other liabilities		99,317	9,941	36,734
Accruals and deferred income		65,585	53,279	194,176
Current Taxation		-	-	3,515,755
Deferred taxation	14	3,886,916	4,515,860	4,296,265
Subordinated liabilities and other capital instruments	17	2,065,666,341	1,725,158,275	1,793,425,078
<b>Total liabilities</b>		<b>6,014,954,658</b>	<b>4,643,360,467</b>	<b>4,489,197,852</b>
Share capital	18	1,220,000,000	220,000,000	220,000,000
Retained (Losses) / profits		(773,738,655)	14,238,101	120,182,291
Shareholders' funds		446,261,345	234,238,101	340,182,291
<b>Total equity and liabilities</b>		<b>6,461,216,003</b>	<b>4,877,598,568</b>	<b>4,829,380,143</b>

The notes on pages 13 - 26 form part of these financial statements.

F.G. Parker  
Director

T.P. Walsh  
Director

Date: 01 June 2009

**ANGLO IRISH ASSET FINANCE PLC****Statement of changes in equity**

For the period ended 31 March 2009

	<b>Share Capital £</b>	<b>Retained Profits/(Losses) £</b>	<b>Total £</b>
<b>Balance at 1 October 2007</b>	220,000,000	97,094,813	317,094,813
Profit for the period	-	23,087,478	23,087,478
<b>Balance at 31 March 2008</b>	<u>220,000,000</u>	<u>120,182,291</u>	<u>340,182,291</u>
Loss for the period	-	(105,944,190)	(105,944,190)
<b>Balance at 30 September 2008</b>	<u>220,000,000</u>	<u>14,238,101</u>	<u>234,238,101</u>
Share capital issued	1,000,000,000	-	1,000,000,000
Loss for the period	-	(787,976,756)	(787,976,756)
<b>Balance at 31 March 2009</b>	<u>1,220,000,000</u>	<u>(773,738,655)</u>	<u>446,261,345</u>

The notes on pages 13 - 26 form part of these financial statements.

# ANGLO IRISH ASSET FINANCE PLC

## Cash flow statement

For the period ended 31 March 2009

	<b>6 months 31-Mar-09 Unaudited</b>	6 months 31-Mar-08 Unaudited	Year ended 30-Sept-08 Audited
<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>			
(Loss) / profit before tax	(972,483,839)	30,009,084	(116,805,450)
Financing costs of subordinated liabilities and other capital instruments	55,596,344	61,651,199	123,795,370
Other non-cash items	20 397,545,424	(10,067,839)	84,213,187
<b>Net cash flows (utilised in) / from operating activities</b>	<b>(519,342,071)</b>	<b>81,592,444</b>	<b>91,203,107</b>
<b>Changes in operating assets and liabilities</b>			
Net increase in loans and advances to customers	(231,527,447)	(565,797,285)	(890,112,163)
Net decrease / (increase) in loans and advances to banks	9,486,294	(9,554,714)	(9,486,294)
Net increase in loans and borrowings	1,088,042,509	417,610,515	585,449,085
Net (decrease)/ increase in derivative financial instruments	(35,592,852)	(19,112,037)	10,192,713
Net increase in other assets	(1,449,313,278)	(138,855)	(1,612,148)
Net increase / (decrease) in other liabilities	89,376	(90,283)	(45,605)
Exchange movements	170,864,139	115,538,455	111,979,077
<b>Net cash flows (utilised in)/ from operating activities before taxation</b>	<b>(967,293,330)</b>	<b>20,048,240</b>	<b>(102,432,228)</b>
Tax (paid)/ recovered	(30,519)	(1,359,229)	13,375,180
<b>Net cash flows (utilised in) / from operating activities</b>	<b>(967,323,849)</b>	<b>18,689,011</b>	<b>(89,057,048)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	-	-	(1,110)
<b>Net cash flows used in investing activities</b>	<b>-</b>	<b>-</b>	<b>(1,110)</b>
<b>Cash flows from financing activities</b>			
Proceeds of equity share issues	1,000,000,000	-	-
Coupons paid on subordinated liabilities and other capital instruments	(36,190,628)	(61,140,435)	(140,163,327)
<b>Net cash flows from / (utilised in) financing activities</b>	<b>963,809,372</b>	<b>(61,140,435)</b>	<b>(140,163,327)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,514,477)</b>	<b>(42,451,424)</b>	<b>(229,221,485)</b>
Opening cash and cash equivalents	20 4,845,928	228,001,352	228,001,352
Effects of exchange rate changes on cash and cash equivalents	(57,223)	6,422,888	6,066,061
<b>Closing cash and cash equivalents</b>	<b>20 1,274,228</b>	<b>191,972,816</b>	<b>4,845,928</b>

# ANGLO IRISH ASSET FINANCE PLC

## Notes to the financial statements

### 1 Basis of preparation

On 15 January 2009, the Irish Government announced its intention to take Anglo Irish Bank Corporation plc ("the Bank"), the ultimate parent undertaking of the Company, into State ownership. The Bank's shares were subsequently suspended from trading on the Irish and London Stock Exchanges on 16 January 2009. The Anglo Irish Bank Corporation Act 2009 which provided for the transfer of shares of the Bank to the Irish Minister for Finance, was signed into Irish law on 21 January 2009. On the same date the Bank was re-registered as a private company and its name was changed from Anglo Irish Bank Corporation plc to Anglo Irish Bank Corporation Limited.

This interim report for the six months ended 31 March 2009 has been prepared in accordance with the requirements of the Disclosure Rules and Transparency Rules of the Financial Services Authority and IAS 34 'Interim Financial Reporting', as adopted by the European Union. It should be read in conjunction with the Company's financial statements for the year ended 30 September 2008, which are prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the EU and applicable at that date.

The Financial Statements are prepared on a going concern basis, as Anglo Irish Bank Corporation Limited, the ultimate parent undertaking, has agreed to provide financial support to the Company as would allow the Company to meet its future obligations as they fall due for at least 14 months from the date of signing the balance sheet and for the foreseeable future.

The Interim Report which covers the six months ended 31 March 2009 and the comparative amounts for six months ended 31 March 2008 is unaudited and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. However, the information for 31 March 2009 has been reviewed by the company's auditors, Ernst & Young LLP, and their report appears on page 7. Ernst & Young LLP did not perform a review of the 31 March 2008 financial information.

The financial information for the year ended 30 September 2008 contained within this Interim Report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. A copy of those statutory accounts has been reported on by Ernst & Young LLP and delivered to the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The reported results of the Company are sensitive to accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The judgements and estimates involved in the Company's accounting policies that are considered by the Board to be the most important are summarised in Note 1.19 to the 2008 Annual Report and Financial Statements. The use of estimates, assumptions or models that differ from those adopted by the Company could affect its reported results.

The interim financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain assets and liabilities to the extent required or permitted under accounting standards.

### 2 Accounting policies

The accounting policies applied in preparing this Interim Report are consistent with those set out in the Annual Report and Financial Statements for the year ended 30 September 2008.

Recent amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures permit the reclassification of certain financial instruments from held for trading and available for sale financial assets. The Company has made no such reclassifications.

# ANGLO IRISH ASSET FINANCE PLC

Notes to the financial statements continued

## 3 Segmental Reporting

Geographical segments	Six months ended 31 March 2009			
	UK £	Mainland Europe £ Equivalent	Rest of World £ Equivalent	Total £
<b>Revenue from external customers</b>	130,013,155	43,772,290	228,192	174,013,637
<b>(Loss)/profit before tax (a) (b) (c)</b>	(979,016,883)	6,684,772	(151,728)	(972,483,839)
<b>External assets</b>	3,637,631,556	1,348,460,429	9,281,570	4,995,373,555
<b>External liabilities (a)</b>	932,496,386	1,168,013,957	-	2,100,510,343
	Six months ended 31 March 2008			
	UK £	Mainland Europe £ Equivalent	Rest of World £ Equivalent	Total £
<b>Revenue from external customers</b>	156,414,054	36,111,214	675,756	193,201,024
<b>Profit before tax (a) (b)</b>	29,088,035	864,375	56,674	30,009,084
<b>External assets</b>	3,644,691,455	1,163,812,042	4,032,471	4,812,535,968
<b>External liabilities (a)</b>	860,287,613	969,700,073	-	1,829,987,686
	Year ended 30 September 2008			
	UK £	Mainland Europe £ Equivalent	Rest of World £ Equivalent	Total £
<b>Revenue from external customers</b>	327,025,356	74,110,399	982,565	402,118,320
<b>(Loss)/profit before tax (a) (b) (c)</b>	(122,456,342)	5,710,991	(60,099)	(116,805,450)
<b>External assets</b>	3,626,141,887	1,227,296,309	7,631,202	4,861,069,398
<b>External liabilities (a) (c)</b>	868,750,711	948,207,950	-	1,816,958,661

# ANGLO IRISH ASSET FINANCE PLC

## Notes to the financial statements continued

### 3 Segmental Reporting continued

Revenue includes interest and similar income and fee and commission income.

The geographical segments are based primarily on the currency of the related assets.

(a) All subordinated liabilities and other capital instruments are included under the relevant currency of issue. Thus Euro based subordinated liabilities and capital instruments are analysed against mainland Europe, where as Sterling based subordinated liabilities and capital instruments are analysed against the United Kingdom.

(b) Income generated from shareholders funds is allocated against the United Kingdom.

(c) All items related to the Japanese Yen financing arrangement have been allocated against the United Kingdom. (See Note 6).

The Company's primary segment is its sole business segment, namely the provision of commercial finance to corporate and non incorporated businesses.

<b>4 Interest and similar income</b>	<b>6 months 31-Mar-09 £</b>	<b>6 months 31-Mar-08 £</b>	<b>Year ended 30-Sept-08 £</b>
Interest on loans and advances to banks	573,546	6,017,798	9,380,658
Interest on loans and advances to customers	171,600,637	185,463,714	388,324,607
Finance leasing and hire purchase income	257,756	873,794	1,458,156
	<u>172,431,939</u>	<u>192,355,306</u>	<u>399,163,421</u>
<b>5 Interest and similar expenses</b>	<b>6 months 31-Mar-09 £</b>	<b>6 months 31-Mar-08 £</b>	<b>Year ended 30-Sept-08 £</b>
Interest on subordinated liabilities and other capital instruments	55,596,344	61,651,199	123,795,370
Interest on loans from banks	-	-	7,563
Interest on intercompany balances	64,027,889	91,048,499	163,157,274
	<u>119,624,233</u>	<u>152,699,698</u>	<u>286,960,207</u>
<b>6 Trading losses</b>	<b>6 months 31-Mar-09 £</b>	<b>6 months 31-Mar-08 £</b>	<b>Year ended 30-Sept-08 £</b>
Hedge ineffectiveness	(1,907,685)	637,856	893,371
Foreign exchange contracts	(156,054,028)	-	(24,399,377)
Foreign exchange revaluation on foreign currency liabilities	(457,226,407)	-	(76,401,928)
	<u>(615,188,120)</u>	<u>637,856</u>	<u>(99,907,934)</u>

Foreign exchange contracts and revaluation on foreign currency liabilities represent the impact of a Japanese Yen financing arrangement, entered into in May 2008 to enable the parent company and therefore the ultimate parent company to avail of low cost financing on an after tax basis at Yen interest rates. This transaction was ended during December 2008 and January 2009. The losses to the Company on foreign exchange in the period on this financing transaction are reduced by other foreign exchange gains in the period in various UK group companies of the ultimate parent, Anglo Irish Bank Corporation Limited ("UK group"), of £457,226,407 (31 March 2008: £nil, 30 September 2008: £76,401,928) leaving a net remaining pre-tax loss to the UK group of £156,054,028 (31 March 2008: £nil, 30 September 2008: £24,399,377). The loss arising in the six months to 31 March 2009 and in the year to 30 September 2008 resulted in an offset in the UK group's taxation charge in the current and prior periods of an amount greater than the foreign exchange losses resulting in an overall benefit from the transaction after tax of £14.7m.

# ANGLO IRISH ASSET FINANCE PLC

## Notes to the financial statements continued

<b>7 Administrative expenses</b>	<b>6 months 31-Mar-09</b>	6 months 31-Mar-08	Year ended 30-Sept-08
	<b>£</b>	<b>£</b>	<b>£</b>
Staff costs:			
Wages and salaries	2,321,052	2,770,300	4,953,318
Pension costs	331,328	342,864	578,873
Social welfare costs	268,481	335,293	583,297
Other staff costs	3,496	6,555	23,413
	<u>2,924,357</u>	<u>3,455,012</u>	<u>6,138,901</u>
Other administrative costs	814,038	748,609	1,824,512
	<u>3,738,395</u>	<u>4,203,621</u>	<u>7,963,413</u>

The decrease in wages and salaries and related social welfare costs for the six months ended 31 March 2009 reflects a reduction in variable employee compensation.

<b>8 Impairment Losses</b>	<b>6 months 31-Mar-09</b>	6 months 31-Mar-08	Year ended 30-Sept-08
	<b>£</b>	<b>£</b>	<b>£</b>
Specific (Note 13)	334,936,702	6,916,537	57,573,168
Collective (Note 13)	73,000,000	-	66,500,000
	<u>407,936,702</u>	<u>6,916,537</u>	<u>124,073,168</u>

The increase in provision for impairments on loans and advances to customers in the current period reflects the deteriorating economic conditions and significant declines in property valuations across the Company's lending markets of the United Kingdom and Europe.

By geography based on the location of the property the specific charge comprises:	<b>6 months 31-Mar-09</b>	6 months 31-Mar-08	Year ended 30-Sept-08
	<b>£</b>	<b>£</b>	<b>£</b>
United Kingdom	407,936,702	6,916,537	57,573,168
Europe	-	-	-
	<u>407,936,702</u>	<u>6,916,537</u>	<u>57,573,168</u>

By loan category, the specific charge comprises £194.7m (31 March 2008: £4.3m, 30 September 2008: £12.8m) in respect of commercial lending, £119.2m (31 March 2008: £2m, 30 September 2008: £43.4m) in respect of residential lending, £0.1m (31 March 2008: £0.5m, 30 September 2008: £nil) in respect of business banking, and £20.9m (31 March 2008: £0.1m, 30 September 2008: £1.4m) in respect of other lending.

The collective provision is applied to portfolios of customer loans for which there is no evidence of specific impairment. It has been calculated with reference to historical loss experience supplemented by observable market evidence and management's judgement regarding current market conditions. The emergence period applied is six months (31 March 2008: twelve months; 30 September 2008: twelve months). The reduction in the emergence period is effective of the losses from and attention on customer loans resulting in earlier identification of impairment.

Additional information explaining the increase in lending impairment is provided in the business review in the interim management report.

# ANGLO IRISH ASSET FINANCE PLC

Notes to the financial statements continued

<b>9 Taxation</b>	<b>6 months 31-Mar-09 £</b>	<b>6 months 31-Mar-08 £</b>	<b>Year ended 30-Sept-08 £</b>
<b>Corporation tax</b>			
- current period charge / (credit)	80,035	7,534,167	(32,916,543)
- prior periods charge	-	-	1,064,296
	<u>80,035</u>	<u>7,534,167</u>	<u>(31,852,247)</u>
<b>Deferred tax</b>			
- current period credit	(184,587,118)	(612,561)	(1,149,755)
- prior period credit	-	-	(946,736)
	<u>(184,507,083)</u>	<u>6,921,606</u>	<u>(33,948,738)</u>
Effective tax rate	<u>19%</u>	<u>23%</u>	<u>29%</u>

A deferred taxation credit has been recognised in the current period to the extent that it is probable that future taxable profits will be available against which the losses in the current period can be utilised.

A corporation tax credit has been recognised to the extent that the losses can be carried back against prior period profits or utilised against other UK group entities.

# ANGLO IRISH ASSET FINANCE PLC

Notes to the financial statements continued

## 10 Derivative financial instruments

Derivative financial instruments derive their value from the price of underlying variables such as interest rates, foreign exchange rates, credit spreads or equity and other indices. Derivatives enable users to efficiently reduce or alter market risks. In the normal course of business, the Company is party to various types of financial instruments used to reduce its own exposure to fluctuations in interest rates.

With the exception of designated hedging derivatives, as defined by IAS 39, derivatives are treated as held for trading. The held for trading classification includes economic hedges which do not meet the strict qualifying criteria for hedge accounting.

The notional amount of a derivative contract does not necessarily represent the Company's real exposure to credit risk, which is limited to the current replacement cost of contracts with a positive fair value to the Company should the counterparty default. To reduce credit risk the Company uses a variety of credit enhancement techniques such as master netting agreements and collateral support agreements, where cash security is provided against the exposure. Derivatives are carried at fair value and shown in the balance sheet as separate totals of assets and liabilities. Fair values are obtained from quoted market prices in active markets and using valuation techniques including discounted cash flows. Derivative assets and liabilities on different transactions are only netted if a legal right of offset exists and the cash flows are intended to be settled on a net basis.

The following table presents the notional and fair value amounts of derivative financial instruments, analysed by product and purpose.

	<b>31 March 2009</b>		
	<b>Contract notional amount</b>	<b>Fair values</b>	
		<b>Assets</b>	<b>Liabilities</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Derivatives held for trading</b>			
Cross currency swaps	-	-	-
<b>Derivatives held for hedging: designated fair value hedges</b>			
Interest rate swaps	<u>1,916,960,000</u>	<u>161,297,105</u>	<u>30,792,184</u>
<b>Total derivative financial instruments</b>	<u><u>1,916,960,000</u></u>	<u><u>161,297,105</u></u>	<u><u>30,792,184</u></u>

	<b>30 September 2008</b>		
	<b>Contract notional amount</b>	<b>Fair values</b>	
		<b>Assets</b>	<b>Liabilities</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Derivatives held for trading</b>			
Cross currency swaps	400,000,000	-	24,399,377
<b>Derivatives held for hedging: designated fair value hedges</b>			
Interest rate swaps	<u>1,748,360,000</u>	<u>31,212,066</u>	<u>62,821,929</u>
<b>Total derivative financial instruments</b>	<u><u>2,148,360,000</u></u>	<u><u>31,212,066</u></u>	<u><u>87,221,306</u></u>

# ANGLO IRISH ASSET FINANCE PLC

Notes to the financial statements continued

## 10 Derivative financial instruments continued

	31 March 2008		
	Contract notional amount £	Fair values	
		Assets £	Liabilities £
<b>Derivatives held for trading</b>			
Cross currency swaps	-	-	-
<b>Derivatives held for hedging: designated fair value hedges</b>			
Interest rate swaps	1,754,960,000	47,556,214	28,519,678
<b>Total derivative financial instruments</b>	<u>1,754,960,000</u>	<u>47,556,214</u>	<u>28,519,678</u>

The cross currency swaps matured in December 2008 and January 2009 as part of the maturity of the Yen financing transaction - see note 6.

The increase in the fair value of derivative assets and derivative liabilities since 30 September 2008 is largely attributable to the reduction in short and long interest rates over the period.

## 11 Loans and advances to banks

	6 months 31-Mar-09 £	Year ended 30-Sept-08 £	6 months 31-Mar-08 £
Placements with banks	<u>1,274,228</u>	<u>14,332,222</u>	<u>201,527,630</u>

The maturity profile of loans and advances to banks is as follows:

	6 months 31-Mar-09 £	Year ended 30-Sept-08 £	6 months 31-Mar-08 £
Due in less than 3 months	1,274,228	4,845,928	191,972,816
Due in greater than 3 months	-	9,486,294	9,554,814
	<u>1,274,228</u>	<u>14,332,222</u>	<u>201,527,630</u>

The external ratings profile of loans and advances to banks is as follows:

	6 months 31-Mar-09 £	Year ended 30-Sept-08 £
AAA / AA	1,274,228	4,845,826
A	-	-
BBB+ / BBB / BBB-	-	9,486,396
Total	<u>1,274,228</u>	<u>14,332,222</u>

# ANGLO IRISH ASSET FINANCE PLC

## Notes to the financial statements continued

### 12 Loans and advances to customers continued

	6 months 31-Mar-09 £	Year ended 30-Sept-08 £	6 months 31-Mar-08 £
Loans and advances to customers	5,153,370,198	4,914,691,441	4,579,245,238
Amounts receivable under finance leases	8,976,312	10,427,362	11,581,990
Amounts receivable under hire purchase contracts	7,209,348	12,909,608	22,911,737
	<u>5,169,555,858</u>	<u>4,938,028,411</u>	<u>4,613,738,965</u>
Provisions for impairment (Note 13)	<u>(543,298,168)</u>	<u>(145,050,566)</u>	<u>(50,668,935)</u>
	<u>4,626,257,690</u>	<u>4,792,977,845</u>	<u>4,563,070,030</u>

#### Loans assigned as collateral

Loans and advances to customers include loans of £38,575,591 (30 September 2008: £41,914,722, 31 March 2008: £nil) which have been transferred to Anglo Irish Covered Bonds LLP, a limited liability partnership in which the Company is a partner. The transferred loans secure bonds issued by the UK Branch of Anglo Irish Bank Corporation Limited under its €10bn (30 September 2008: €5bn, 31 March 2008: €5bn) covered bond programme. The loans remain on the Company's balance sheet as the Company retains substantially all of the risks and rewards relating to them.

#### Asset quality

The Company monitors lending asset quality on an ongoing basis using the rating categories outlined below. These ratings provide a common and consistent framework for aggregating and comparing exposures across all lending portfolios. The categories are as follows:

##### *Good quality*

Both good and high quality loans are managed similarly from a risk perspective and consequently have been aggregated in the current reporting period.

Good quality ratings apply to exposures that are performing as expected and are of sound financial standing. These exposures are considered low to moderate risk.

##### *Satisfactory quality*

This rating applies to exposures that continue to perform satisfactorily, but are subject to closer monitoring.

##### *Lower quality but not past due nor impaired*

This rating applies to exposures that require increased management attention to prevent any deterioration in asset quality. No evidence of specific impairment exists.

##### *Past due but not impaired*

These are loans and receivables where the contractual interest or principal payments are one day or more past due. As at the balance sheet reporting date there is no objective evidence of impairment due to the level of collateral and / or personal recourse available to the Company.

##### *Impaired loans*

Loans are classified as 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 loan. The loan is impaired if that loss event (or events) has an impact such that the estimated present value of future cashflow is less than the current carrying value and can be reliably measured.

## ANGLO IRISH ASSET FINANCE PLC

Notes to the financial statements continued

### 12 Loans and advances to customers continued

#### Credit grading of lending assets

	31 March 2009				Total £
	Commercial	Business Banking	Residential	Other	
	£	£	£	£	
Good quality	1,454,876,637	20,364,591	303,778,889	21,347,061	1,800,367,178
Satisfactory quality	172,505,469	-	66,163,515	75,300,144	313,969,128
Lower quality but not past due nor impaired	238,772,910	22,387,382	123,732,755	422,786	385,315,833
<b>Total neither impaired nor past due</b>	1,866,155,016	42,751,973	493,675,159	97,069,991	2,499,652,139
Past due but not impaired	721,885,731	799,244	663,036,505	247,558,739	1,633,280,219
Impaired loans	456,698,740	-	548,658,907	31,265,853	1,036,623,500
<b>Total loans</b>	<b>3,044,739,487</b>	<b>43,551,217</b>	<b>1,705,370,571</b>	<b>375,894,583</b>	<b>5,169,555,858</b>

#### Aged analysis of financial assets past due but not impaired

	31 March 2009				Total £
	Commercial	Business Banking	Residential	Other	
	£	£	£	£	
Past due 1 to 30 days	132,526,945	-	363,736,604	53,342,198	549,605,747
Past due 31 to 60 days	287,667,769	-	62,860,469	44,899,182	395,427,420
Past due 61 to 90 days	65,422,257	-	86,684,142	8,723,190	160,829,589
Past due 91 days and over	236,268,760	799,244	149,755,290	140,594,169	527,417,463
<b>Total</b>	<b>721,885,731</b>	<b>799,244</b>	<b>663,036,505</b>	<b>247,558,739</b>	<b>1,633,280,219</b>

Commercial includes both investment and development lending across retail, office, mixed use, industrial and leisure. Residential include both investment and development lending. Other lending includes advances to customers in a personal capacity and in respect of land banks where zoning has yet to be granted.

Additional information in respect of asset quality and impairment is included in the business review in the interim management report.

# ANGLO IRISH ASSET FINANCE PLC

## Notes to the financial statements continued

### 12 Loans and advances to customers continued

#### Credit grading of lending assets

	30 September 2008				Total £
	Commercial	Business Banking	Residential	Other	
	£	£	£	£	
Good quality	1,913,192,652	30,778,273	1,160,997,357	325,521,086	3,430,489,368
Satisfactory quality	416,704,484	-	125,065,818	25,132,000	566,902,302
Lower quality but not past due nor impaired	290,365,426	-	179,011,908	19,698,964	489,076,298
<b>Total neither impaired nor past due</b>	<b>2,620,262,562</b>	<b>30,778,273</b>	<b>1,465,075,083</b>	<b>370,352,050</b>	<b>4,486,467,968</b>
Past due but not impaired	143,857,827	-	103,375,682	2,653,599	249,887,108
Impaired loans	28,252,373	-	168,827,825	4,593,137	201,673,335
<b>Total loans</b>	<b>2,792,372,762</b>	<b>30,778,273</b>	<b>1,737,278,590</b>	<b>377,598,786</b>	<b>4,938,028,411</b>

#### Aged analysis of financial assets past due but not impaired

	30 September 2008				Total £
	Commercial	Business Banking	Residential	Other	
	£	£	£	£	
Past due 1 to 30 days	12,145,723	-	16,042,740	1,177,603	29,366,066
Past due 31 to 60 days	12,253,329	-	16,515,863	-	28,769,192
Past due 61 to 90 days	17,689,362	-	28,620,520	-	46,309,882
Past due 91 days and over	101,769,413	-	42,196,559	1,475,996	145,441,968
<b>Total</b>	<b>143,857,827</b>	<b>-</b>	<b>103,375,682</b>	<b>2,653,599</b>	<b>249,887,108</b>

# ANGLO IRISH ASSET FINANCE PLC

## Notes to the financial statements continued

### 13 Provisions for impairment

	<b>6 months</b> <b>31-Mar-09</b>	Year ended 30-Sept-08	6 months 31-Mar-08
	£	£	£
At beginning of year	145,050,566	60,198,596	60,198,595
Charge against profits - specific (Note 8)	334,936,702	57,573,168	6,916,537
Charge against profits - collective (Note 8)	73,000,000	66,500,000	-
	407,936,702	124,073,168	6,916,537
Unwind of discount	(4,917,105)	(4,795,676)	-
Write-offs	(5,493,830)	(34,946,158)	(16,986,748)
Recoveries of previous write-offs	1,773	41,447	7,743
Exchange rate movements	720,062	479,189	532,808
At end of year	<u>543,298,168</u>	<u>145,050,566</u>	<u>50,668,935</u>
Specific	392,402,818	67,875,278	39,965,460
Collective	150,895,350	77,175,288	10,703,475
Total provision	<u>543,298,168</u>	<u>145,050,566</u>	<u>50,668,935</u>
Impaired loans	<u>1,036,623,500</u>	<u>201,673,335</u>	<u>104,744,087</u>

The unwind of discount represents interest income earned on the performing element of impaired loans and advances.

### 14 Deferred taxation

	<b>6 months</b> <b>31-Mar-09</b>	Year ended 30-Sept-08
	£	£
At beginning of period	(2,623,509)	(4,732,269)
Credit for the period	184,587,118	2,096,491
Exchange movements	94,187	12,269
At end of period	<u>182,057,796</u>	<u>(2,623,509)</u>
Disclosed as :		
Deferred Tax Asset	185,944,712	1,892,351
Deferred Tax Liability	<u>(3,886,916)</u>	<u>(4,515,860)</u>
	<u>182,057,796</u>	<u>(2,623,509)</u>

The deferred tax assets and liabilities have been provided based on a tax rate of 28%.

A deferred tax asset has been recognised in the current period to the extent that it is probable that future taxable profits will be available against which the losses can be utilised.

# ANGLO IRISH ASSET FINANCE PLC

## Notes to the financial statements continued

### 15 Other assets

	<b>6 months</b> <b>31-Mar-09</b>	Year ended 30-Sept-08	6 months 31-Mar-08
	<b>£</b>	<b>£</b>	<b>£</b>
Other assets	5,655	112	116
Amounts due from parent undertaking	1,432,931,254	-	-
Amounts due from group undertakings	32,905,539	16,529,058	16,844,059
	<u>1,465,842,448</u>	<u>16,529,170</u>	<u>16,844,175</u>

Amount due from parent undertaking relates to a loan provided to CDB (UK) Limited as part of the Japanese Yen financing arrangement to ensure that the Company has no further exposure to Japanese Yen foreign exchange movements. (See Note 6 and Note 16)

### 16 Loans and borrowings

	<b>6 months</b> <b>31-Mar-09</b>	Year ended 30-Sept-08	6 months 31-Mar-08
	<b>£</b>	<b>£</b>	<b>£</b>
Amounts owed to ultimate parent undertaking	2,464,832,018	1,769,344,016	2,659,210,166
Amounts owed to other group undertaking	1,449,612,297	1,057,057,790	-
	<u>3,914,444,315</u>	<u>2,826,401,806</u>	<u>2,659,210,166</u>

Amounts owed to ultimate parent undertaking are provided by Anglo Irish Bank Corporation Limited - London Branch (AIBC). The facilities are provided by AIBC as required to enable the growth of the business with interest charges being on commercial terms. AIBC has confirmed that it will continue to make funding available for the foreseeable future.

Amounts owed to group undertaking are provided by a fellow CDB group undertaking in Japanese Yen as part of the Japanese Yen financing arrangement. (See Note 6)

### 17 Subordinated liabilities and other capital instruments

	<b>6 months</b> <b>31-Mar-09</b>	Year ended 30-Sept-08	6 months 31-Mar-08
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Undated Loan Capital</b>			
£200m Step-up Callable Perpetual Capital Securities	220,752,769	205,336,383	208,492,248
£250m Tier One Non-Innovative Capital Securities	297,051,226	262,025,980	268,036,843
Other subordinated liabilities	93,080	79,030	79,580
<b>Dated Loan Capital</b>			
€600m Fixed Rate/Variable Rate Subordinated Notes due 2034	527,737,756	432,860,985	462,145,979
€600m Fixed Rate/Variable Rate Subordinated Notes due 2036	609,390,937	454,554,633	481,631,533
£350m Fixed Rate/Floating Rate Subordinated Notes due 2037	410,640,573	370,301,264	373,038,895
	<u>2,065,666,341</u>	<u>1,725,158,275</u>	<u>1,793,425,078</u>

The carrying value of subordinated liabilities and other capital instruments includes the impact of fair value hedge adjustments.

# ANGLO IRISH ASSET FINANCE PLC

## Notes to the financial statements continued

<b>18 Called up share capital</b>	<b>6 months 31-Mar-09</b>	Year ended 30-Sept-08	6 months 31-Mar-08
	<u>£</u>	<u>£</u>	<u>£</u>
<b>Ordinary share capital</b>			
Ordinary shares of £1 each			
Authorised: 3,300,000,000 Ordinary shares of £1 each	<u>3,300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>
Allotted, called up and fully paid	<u>1,220,000,000</u>	<u>220,000,000</u>	<u>220,000,000</u>

On 18 November 2008, the authorised share capital was increased from 300,000,000 to 3,300,000,000 shares. The allotted called up and fully paid shares were increased from 220,000,000 to 1,220,000,000 shares. On 18 November 2008, 1,000,000,000 ordinary shares were issued at par and subscribed by CDB(UK) Limited, the parent company, thereby increasing ordinary share capital by £1,000,000,000 to £1,220,000,000.

<b>19 Memorandum items</b>	<b>6 months 31-Mar-09</b>	Year ended 30-Sept-08	6 months 31-Mar-08
	<u>£</u>	<u>£</u>	<u>£</u>
<b>Contingent liabilities</b>			
Guarantees and irrevocable letters of credit	46,349,658	44,657,242	43,995,402
Performance bonds, VAT guarantees and other transaction related contingencies	<u>17,463,997</u>	<u>17,006,821</u>	<u>17,314,281</u>
	<u>63,813,655</u>	<u>61,664,063</u>	<u>61,309,683</u>
<b>Commitments</b>			
Credit lines and other commitments to lend	<u>378,030,649</u>	<u>703,350,537</u>	<u>715,222,747</u>

The Company does not expect all commitments to be drawn.

<b>20 Cash flow statement</b>	<b>6 months 31-Mar-09</b>	6 months 31-Mar-08	Year ended 30-Sept-08
	<u>£</u>	<u>£</u>	<u>£</u>
<b>Other non-cash items</b>			
Provisions for impairment	407,936,702	6,916,537	124,073,168
Unwind of discount	(4,917,105)	-	(4,795,676)
Loans and advances written off net of recoveries	(5,492,057)	(16,979,005)	(34,904,711)
Net (decrease) / increase in accruals and deferred income	12,306	(143,365)	(284,262)
Net decrease / (increase) in prepayments and accrued income	(825)	131,730	111,968
Depreciation and amortisation	<u>6,403</u>	<u>6,264</u>	<u>12,700</u>
	<u>397,545,424</u>	<u>(10,067,839)</u>	<u>84,213,187</u>
<b>Cash and cash equivalents</b>			
	<b>6 months 31-Mar-09</b>	6 months 31-Mar-08	Year ended 30-Sept-08
	<u>£</u>	<u>£</u>	<u>£</u>
Loans and advances to banks due in less than 3 months	<u>1,274,228</u>	<u>191,972,816</u>	<u>4,845,928</u>

The Company is required by its ultimate parent, Anglo Irish Bank Corporation Limited, to utilise all surplus cash to reduce its Loans and Borrowings owed to parent undertaking (Note 16).

## **ANGLO IRISH ASSET FINANCE PLC**

**Notes to the financial statements** continued

### **21 Parent Company**

The Company is a wholly owned subsidiary of CDB (UK) Limited, a company incorporated in England, which in turn is a wholly owned subsidiary of Anglo Irish Bank Corporation Limited, incorporated in the Republic of Ireland. The Company's financial statements have been consolidated only in the group financial statements of the ultimate parent company and a copy of these financial statements are available from Anglo Irish Bank Corporation Limited Stephen Court, 18/21 St. Stephen's Green, Dublin 2, Ireland.

### **22 Related party transactions**

The ultimate parent company, Anglo Irish Bank Corporation Limited, has provided loans to the Company. The balance on these loans at 31 March 2009 totalled £2,464,832,018 (30 September 2008: £1,769,344,016). The Company also received a loan from another CDB Group entity. The balance on this loan at 31 March 2009 totalled £1,449,612,297 (30 September 2008: £1,057,057,790). During the period the Company provided a loan to its parent company CDB (UK) Limited of £1,432,931,254. Other loans provided to other AIBC Group entities totalled £32,905,539 at 31 March 2009 (30 September 2008:£16,529,058).

### **23 Events after the Balance Sheet date**

The capital position of the Bank continued to weaken since 31 March 2009. On 28 May 2009 the Irish Minister for Finance confirmed the Irish Government's intention, subject to European Union approval to provide capital of up to €4 billion to the Bank. Further details can be obtained in the Interim Report of Anglo Irish Bank Corporation Limited available at [www.angloirishbank.com](http://www.angloirishbank.com).