

MENLO INVESTMENTS LIMITED

**Report and Financial Statements
For the year ended 31 December 2004**

REGISTERED NUMBER: 03479178



MENLO INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

Review of business

The principal activity of the Company is to act as an investment company. No significant change in this activity is envisaged in the foreseeable future.

Results and Dividends

During the year the Company made a profit after taxation of £2,202,345 (2003: £2,143,764). The directors do not recommend the payment of a dividend (2003: £nil).

Directors

The directors of the Company, who served during the year, together with their dates of appointment and resignation, where appropriate, are as shown below:

Barcosec Limited (resigned 28 May 2004)
Barometers Limited (resigned 28 May 2004)
P Emney (resigned 30 March 2004)
D Hackett (resigned 31 March 2005)
MC Van Der Heijden (resigned 19 October 2004)
A Janisch (resigned 15 September 2004)
E J Kendall (appointed 26 February 2004)
S S Haworth (appointed 17 November 2004)
S E Turnill (appointed 15 October 2004, resigned 1 April 2005)
J Corswarem (appointed 11 May 2005)
NS Dhillon (appointed 11 May 2005)

Directors' Interests in Shares

(as defined by section 325 the Companies Act 1985)

The directors have no interests in the shares of the Company. The directors of the Company are also directors of Barclays Directors Limited and their interests in the ordinary shares of Barclays PLC, the ultimate holding company are disclosed in the accounts of that company.

MENLO INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 December 2004

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditors' Report set out on pages 3 to 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the Auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 11,

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and
- that all the accounting standards which they consider to be applicable have been followed, and
- that the financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors

On 14 October 1998 an Elective Resolution was passed by the shareholders of the Company pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint Auditors annually. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

BY ORDER OF THE BOARD



S Haworth
Director

1 August 2005

MENLO INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes, which have been prepared under the historical cost convention, and the accounting policies set out in Note 1.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

MENLO INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED
(continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PwC
PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London *3 Aug 2005*

MENLO INVESTMENTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Administrative expenses		(10,276)	(3,075)
Operating loss		<u>(10,276)</u>	<u>(3,075)</u>
Income from shares in subsidiary undertakings		14,494,200	14,494,200
Interest receivable from group undertakings		18,327,444	18,177,045
Interest payable and similar charges	4	(35,876,961)	(35,817,450)
Loss on ordinary activities before tax	5	<u>(3,065,593)</u>	<u>(3,149,280)</u>
Tax credit on loss on ordinary activities	6	5,267,938	5,293,044
Profit on ordinary activities after taxation		<u>2,202,345</u>	<u>2,143,764</u>
Retained profit brought forward		5,635,244	3,491,480
Retained profit carried forward		<u>7,837,589</u>	<u>5,635,244</u>

All recognised gains and losses are included in the profit and loss account. Operating loss is derived from continuing activities. There is no difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis. The notes on pages 7 to 11 form an integral part of these financial statements.

MENLO INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	2003 £
FIXED ASSETS	7	365,275,931	364,775,931
CURRENT ASSETS			
DEBTORS: Amounts falling due within one year	8	18,240,677	16,786,987
DEBTORS: Amounts falling due after more than one year	9	304,500,000	304,500,000
CREDITORS: amounts falling due within one year	10	(1,129,017)	(1,377,672)
NET CURRENT ASSETS		321,611,660	319,909,315
TOTAL ASSETS LESS CURRENT LIABILITIES		686,887,591	684,685,246
CREDITORS: Amounts falling due after more than one year	11	(669,000,000)	(669,000,000)
NET ASSETS		17,887,591	15,685,246
CAPITAL AND RESERVES			
Called up share capital	12	10,050,002	10,050,002
Profit and loss account		7,837,589	5,635,244
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	17,887,591	15,685,246

A reconciliation of movement in shareholders' funds is given in note 13.

The notes on pages 7 to 11 form an integral part of these financial statements.

The financial statements on pages 5 to 11 were approved by the Board of Directors on 1 August 2005.



S Haworth
Director

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards of the Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

Investments

Equity shares are stated at cost less any provision for impairment. Investment securities are intended for use on a continuing basis by the Company and have been identified as such.

Consolidated financial statements

The financial statements contain information about Menlo Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is included by full consolidation in the consolidated financial statements of its parent, Barclays Bank PLC, a company registered in England and Wales.

2. CASH FLOW STATEMENT

The Company's ultimate holding company has adopted the provisions of Financial Reporting Standard 1 ("FRS 1") revised 1996, Cash Flow Statements. Accordingly the Company, which is a wholly owned subsidiary of Barclays Bank PLC, has elected to utilise the exemption provided in FRS 1 not to produce a cash flow statement.

3. DIRECTORS' EMOLUMENTS

The Directors did not receive any emoluments in respect of their services to the Company during 2004 or 2003.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Interest payable to subsidiary undertakings	21,382,761	21,323,250
Interest payable under sale and put option agreement (see note 7)	14,494,200	14,494,200
	<u>35,876,961</u>	<u>35,817,450</u>

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £	2003 £
Profit on ordinary activities before taxation is stated after charging: -		
Auditors' remuneration	3,258	3,000
	<u>3,258</u>	<u>3,000</u>

There were no employees employed by the Company during 2004 or 2003.

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2004 £	2003 £
UK Corporation Tax	5,267,938	5,293,044
Tax credit on loss on ordinary activities	<u>5,267,938</u>	<u>5,293,044</u>

The tax credit is based on a standard UK Corporation Tax rate of 30%. The effective tax rate differs from the standard tax rate as a result of non-taxable items. These differences are explained below:

	2004 £	2003 £
Loss on ordinary activities before tax	3,065,593	3,149,280
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	919,678	944,784
Effects of:		
Non-taxable UK dividend income	4,348,260	4,348,260
Current tax credit for the period	<u>5,267,938</u>	<u>5,293,044</u>

7. FIXED ASSETS

	£
Cost at 1 January 2004	364,775,931
Additions	500,000
Cost at 31 December 2004	<u>365,275,931</u>

Fixed asset investments represent the ordinary and preference shares of the Company's subsidiaries Romintco Investments BV ('Romintco'), Gallaher (C.I.) Limited, Pippen Island Investments Limited, and Core Investments (Cayman) Limited.

The Company holds 100% of the Ordinary share capital of Romintco, a company incorporated in the Netherlands. On 19 December 2000, the Company sold the Romintco Preference Shares to a third party investor for value as at 22 December 2000. On the same date, the Company entered into a put option agreement with the third party investor over the Preference Shares. Since it is anticipated that the third party investor will exercise the put option in due course, the Preference Shares have not been derecognised and continue to be shown as an investment while recognising the amount payable under the put option as a creditor (see notes 10 & 11).

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. FIXED ASSETS (continued)

The terms of the put option allow the third party investor to sell the Preference Shares to the Company at any time up to 19 December 2005 and in certain circumstances after 19 December 2005 until 19 December 2007. The strike price of the put option is £304,500,000 plus accrued but unpaid dividends.

On 18 December 2003, the Company purchased 100% of the ordinary share capital of the Cayman company, Callaher (C.I.) Limited for £251,507.

On 23 February 2004, the Company purchased for £250,000 100% of the ordinary share capital of the Cayman company, Pippin Island Investments Limited in exchange for UK Government gilts with a value of £250,943.

On 3 March 2004, the Company purchased 1 Ordinary share and on 19 March 2004 a further 249,999 Ordinary shares of £0.01 each for a total consideration of £250,000 in the Cayman company, Core Investments (Cayman) Limited in exchange for UK Government gilts with a value of £250,030.

In the opinion of the directors, the value of the Company's investments in its subsidiary undertakings is not less than the amount stated in the balance sheet.

8. DEBTORS: Amounts falling due within one year

	2004 £	2003 £
Amounts owed by group undertakings	12,489,597	11,010,803
Group relief receivable	5,267,940	5,293,044
Amounts owed by subsidiary undertakings	483,140	483,140
	<u>18,240,677</u>	<u>16,786,987</u>

9. DEBTORS: Amounts falling due after more than one year

	2004 £	2003 £
Amounts owed by group undertakings	<u>304,500,000</u>	<u>304,500,000</u>

Barclays Bank PLC assumed joint and several liability for the payment obligations of the Company under the put option agreement with the third party investor and the Company. The Company has agreed to counter indemnify Barclays Bank PLC for such obligations.

In December 2000, the Company placed £304,500,000 into a deposit account which is charged to Barclays Bank PLC in support of the counter indemnity obligations.

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. CREDITORS: Amounts falling due within one year

	2004	2003
	£	£
Amounts due to subsidiary undertakings	642,619	701,038
Amounts due under sale and put option agreement	483,140	483,140
Amounts owed to group undertakings	3,258	193,494
	<u>1,129,017</u>	<u>1,377,672</u>

11. CREDITORS: Amounts falling due after more than one year

	2004	2003
	£	£
Amounts due under sale and put option agreement	304,500,000	304,500,000
Amounts due to subsidiary undertakings	364,500,000	364,500,000
	<u>669,000,000</u>	<u>669,000,000</u>

12. CALLED UP SHARE CAPITAL

	2004	2003
	£	£
Authorised:		
28,000,000 ordinary shares of £1 each	28,000,000	28,000,000
Allotted and fully paid:		
10,050,002 ordinary shares of £1 each	<u>10,050,002</u>	<u>10,050,002</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	2,202,345	2,143,764
Opening shareholders' funds	15,685,246	13,541,482
Closing shareholders' funds	<u>17,887,591</u>	<u>15,685,246</u>

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under the provisions of Financial Reporting Standard 8 ("FRS 8"), Related Party Disclosures not to disclose transactions with other group companies since the Company is a wholly owned subsidiary of Barclays Bank PLC, the consolidated financial statements of which are publicly available. There have been no transactions with related parties requiring disclosure in either 2004 or 2003.

15. PARENT UNDERTAKING AND ULTIMATE HOLDING COMPANY

The parent undertaking of the smallest group that presents group accounts is Barclays Bank PLC. The ultimate parent company and controlling party is Barclays PLC, which is the parent company of the largest group that presents group accounts. Barclays Bank PLC's and Barclays PLC's statutory accounts are available from the Barclays Corporate Secretariat at 1 Churchill Place, London E14 5HP.