

000146 / 560

LOXLEY INVESTMENTS LIMITED

**Report and Financial Statements
For the year ended 31 December 2005**



**REGISTERED NUMBER (CAYMAN): WK127159
REGISTERED NUMBER (UK): FC024755**

LOXLEY INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

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 CAD\$2,268,714 (2004: CAD\$426,368). No final dividend is recommended in respect of the ordinary shares (2004: Nil). The directors consider that the performance of the Company has been satisfactory during the year.

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:

A C Franz
D Hackett (resigned 31 March 2005)
L Humphries
A Ioannidis (appointed 25 April 2005, resigned 22 March 2006)
E Kendall
R Phelps (appointed 25 April 2005)
S E Turnill (resigned 1 April 2005)

Directors' Interests in Shares

(as defined by section 325 the Companies Act 1985)

No disclosure is made as the directors have taken advantage of the modifications and exemptions from disclosure that are set out in the Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990.

Going Concern

After reviewing the Company's performance and taking into account the likelihood of available bank facilities from its ultimate parent, the directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the financial statements.

Derivatives and financial instruments

The Company's directors are required to follow the requirements of the Barclays Group risk management policies, which includes specific guidelines on the management of foreign exchange and interest rate and advises on the use of financial instruments to manage them. Barclays Group risk management policies can be found in the financial statements of Barclays Bank PLC (see note 16). The exposure of the company to foreign exchange and interest rate risk is set out in note 12.

LOXLEY INVESTMENTS LIMITED

DIRECTORS' REPORT (continued) For the year ended 31 December 2005

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditors' Report, 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 UK Companies Act 1985, as applicable to overseas companies, to prepare accounts for each financial period 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 accounts:

- 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 as applicable to overseas companies.

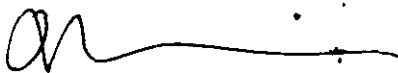
The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors

The directors have appointed PricewaterhouseCoopers LLP as auditors to the Company. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

BY ORDER OF THE BOARD

Leo Humphries



Director

LOXLEY INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOXLEY INVESTMENTS LIMITED

We have audited the financial statements of Loxley Investments Limited for the year ended 31 December 2005 which comprise the primary financial statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 as applicable to overseas companies 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 into 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 as applicable to overseas companies. 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

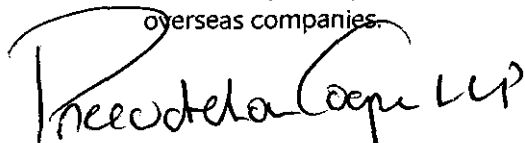
LOXLEY INVESTMENTS LIMITED

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985 as applicable to overseas companies.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

[Date] 29 June 2006

LOXLEY INVESTMENTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 CAD\$	2004 CAD\$ (Restated)
Other income/(expenses)		59,210	(6,457)
Operating profit/(loss)		<u>59,210</u>	<u>(6,457)</u>
Interest receivable and similar income	3	286,652,121	288,492,195
Interest payable and similar charges	4	(193,070,376)	(193,599,336)
Profit on ordinary activities before taxation	5	<u>93,640,955</u>	<u>94,886,402</u>
Tax on profit on ordinary activities	6	(91,372,241)	(94,460,034)
Profit on ordinary activities after taxation		<u>2,268,714</u>	<u>426,368</u>
Retained profit brought forward		632,997	206,629
Retained profit carried forward		<u><u>2,901,711</u></u>	<u><u>632,997</u></u>

All recognised gains and losses are included in the profit and loss account. Operating profit/(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 to the accounts form an integral part of these financial statements.

LOXLEY INVESTMENTS LIMITED

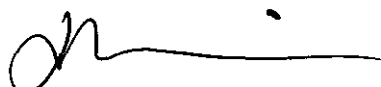
BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 CAD\$	2004 CAD\$ (Restated)
FIXED ASSET INVESTMENTS	7	4,002,948,986	4,002,952,366
CURRENT ASSETS			
DEBTORS: Amounts falling due within one year	8	9,265,202	8,356,151
Cash at bank and in hand		40,257,587	40,005,562
CREDITORS: Amounts falling due within one year	9	(4,047,570,064)	(4,048,681,082)
NET CURRENT ASSETS		<u>(3,998,047,275)</u>	<u>(4,000,319,369)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,901,711	2,632,997
NET ASSETS		<u>4,901,711</u>	<u>2,632,997</u>
CAPITAL AND RESERVES			
Equity share capital	10	2,000,000	2,000,000
Profit and loss account		2,901,711	632,997
TOTAL EQUITY SHAREHOLDERS' FUNDS	11	<u>4,901,711</u>	<u>2,632,997</u>

A reconciliation of movement in shareholders' funds is given in note 11.

The notes to the accounts form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 26 June 2006.


Leo Humphries
Director

LOXLEY INVESTMENTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

		2005	2004
	Notes	CAD\$	CAD\$
Net cash inflow/(outflow) from operating activities	13	40,267	1,122
Returns on investments and servicing of finance	14	83,268,614	83,932,299
Taxation		(82,905,521)	(71,674,848)
Increase in cash during the year		<u>403,360</u>	<u>12,258,573</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005 CAD\$	2004 CAD\$
Increase in cash during the year	403,360	12,258,573
Change in net funds	<u>403,360</u>	<u>12,258,573</u>
Net funds at start of year	40,034,645	27,776,072
Net funds at end of year	<u>40,438,005</u>	<u>40,034,645</u>

LOXLEY 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.

Basis of preparation

After reviewing the Company's performance and taking into account the likelihood of available bank facilities from its ultimate parent, the directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the financial statements.

Revenue Recognition

Dividend income is recognised in the profit and loss account either on the date the directors recommend the payment of a dividend, or on the date the Company becomes obligated to pay a dividend under a contractual agreement. Interest income and expense is recognised on an accruals basis.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Foreign Exchange

Assets and liabilities in foreign currencies are translated into Canadian dollars at the exchange rate ruling at the balance sheet date except where rates of exchange are fixed under contractual arrangements. Trading results denominated in foreign currencies are translated into Canadian dollars at average rates of exchange during the year unless a contracted rate applied. All other exchange profits and losses, which arise from normal trading activities, are included in the profit and loss account. The Canadian dollar to Sterling exchange rate prevailing at the balance sheet date was CAD\$2.00187/£1 (2004: CAD\$2.32639/£1).

Investments

Investment debt securities 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.

Derivative Financial Instruments

The Company is party to financial instruments that reduce exposure to fluctuations in foreign currency exchange rates. The purpose of these instruments is to reduce risk.

LOXLEY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Derivative Financial Instruments (continued)

Derivative financial instruments are accounted for on an accruals basis in line with the underlying assets or liabilities. Income and expense is taken to the same line in the profit and loss account as the underlying asset or liability. Disclosures about derivative financial instruments to which the Company is a party are provided in note 12.

Overseas Companies

The financial statements have been prepared in accordance with the Companies Act 1985 applicable to overseas companies. The Company has taken advantage of the modifications and exemptions from disclosure that are set out in the Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990.

Change in Accounting Policy

During the financial year, the Company adopted the requirements of 'Financial Reporting Standard 25 'Financial instruments: Disclosure and Presentation'. The liability in respect of the redeemable preference shares issued by the Company has been reclassified from non-equity shareholders funds to creditors falling due within one year. The dividend expense has been reclassified to interest payable and similar charges. The prior period balances have been restated on a consistent basis. This has resulted in CAD\$193,599,336 being reclassified in the 2004 profit and loss account from dividends paid to interest payable and similar charges, and CAD\$4,001,000,000 reclassified in the 2004 balance sheet from non-equity shareholders funds, to creditors falling due within one year.

2. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during the year ended 31 December 2005 (2004: Nil).

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 CAD\$	2004 CAD\$
Interest receivable from fixed asset investments	285,983,939	287,839,911
Other interest receivable	668,182	652,284
	<u>286,652,121</u>	<u>288,492,195</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 CAD\$	2004 CAD\$
Dividends paid and accrued on preference shares	<u>193,070,376</u>	<u>193,599,336</u>

LOXLEY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 CAD\$	2004 CAD\$
Profit on ordinary activities before taxation is stated after charging: -		
Auditors' remuneration:		
Audit Services	-	7,579

Auditors' remuneration for the year ending 2005 has been borne by Barclays Bank PLC. There were no employees employed by the Company during the year (2004: nil).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 CAD\$	2004 CAD\$
United Kingdom: Corporation taxation	82,987,121	83,189,417
Overseas tax	10,087,593	11,187,684
Foreign exchange: prior year	(1,043,258)	(20,452)
Foreign exchange: current year	(534,354)	103,385
Prior year adjustment	(124,861)	-
	<u>91,372,241</u>	<u>94,460,034</u>

The UK corporation tax charge is based on a standard UK corporation tax rate of 30%. The effective tax rate is higher than the standard tax rate as a result of foreign withholding tax suffered, foreign exchange and non-deductible preference share dividends. These differences are explained below.

	2005 CAD\$	2004 CAD\$
Profit on ordinary activities before taxation	<u>93,640,955</u>	<u>94,886,402</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	28,092,287	28,465,920
Effects of:		
Overseas tax suffered	10,087,593	11,187,684
Relief for overseas tax suffered	(3,026,278)	(3,356,304)
Foreign exchange	(1,577,612)	82,933
Prior year adjustment	(124,861)	-
Non-deductible preference share dividends	57,921,112	58,079,801
Current tax charge for the year	<u>91,372,241</u>	<u>94,460,034</u>

LOXLEY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. FIXED ASSET INVESTMENTS

	Investment in Debt securities CAD\$	Government securities CAD\$	Total CAD\$
As at 31 December 2004	4,000,000,000	2,952,366	4,002,952,366
Amortisation of premium	-	(3,380)	(3,380)
As at 31 December 2005	4,000,000,000	2,948,986	4,002,948,986

Fixed asset investments consist of Fixed Rate Deposit Notes issued by The Bank of Nova Scotia and Canadian government securities. The Fixed Rate Deposit Notes have a face value of JPY 346,238,000,000 (CAD\$4,000,000,000) and pay interest at a rate of 2.3750% per annum. The market value of the Canadian government securities at 31 December 2005 is CAD\$3,658,389 (2004: CAD\$3,260,123).

8. DEBTORS: Amounts falling due within one year

	2005 CAD\$	2004 CAD\$
Amounts owed by group undertakings	180,421	29,082
Other debtors	9,084,781	8,327,069
	9,265,202	8,356,151

Included within amounts owed by group undertakings are cash equivalents of CAD\$180,417 (2004: 29,082) held with Barclays Bank PLC.

9. CREDITORS

Creditors falling due within one year	2005 CAD\$	2004 CAD\$ (Restated)
Amounts due to group undertakings	1,937	13,301
Corporation tax	40,222,544	41,843,417
Dividends payable	6,345,583	5,816,785
Preference share liability	4,001,000,000	4,001,000,000
Accruals	-	7,579
	4,047,570,064	4,048,681,082

LOXLEY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. CREDITORS (continued)

The preference share liability falling due within one year represents redeemable preference shares issued and allotted by the Company as follows:

	2005 CAD\$	2004 CAD\$
Authorised:		
6,555 Cumulative Redeemable "B" Shares of CAD\$ 1,000,000 each	6,555,000,000	6,555,000,000
723 Redeemable "C" Shares of CAD\$ 1,000,000 each	723,000,000	723,000,000
Allotted and fully paid:		
3,278 Cumulative Redeemable "B" Shares of CAD\$ 1,000,000 each	3,278,000,000	3,278,000,000
723 Redeemable "C" Shares of CAD\$ 1,000,000 each	723,000,000	723,000,000

The 3,278 Cumulative Redeemable "B" Shares (the "B" shares) carry the right to fixed rate dividends of 5.8092% per annum payable monthly on a cumulative basis. In a vote on a proposed dissolution resolution, the "B" shares carry 33% of the voting rights. In all other matters, the "B" shares carry 67% of the vote.

The "B" Shares are redeemable at any time, subject to the holder giving the Company three business days' notice. The "B" Shares may be redeemed in cash or in specie. Where the redemption is in cash, the redemption amount will be the lower of the issue price of the shares and a share of the fair market value of the net assets of the Company based on the number of B shares in issue as a percentage of all shares in issue. Where there is a redemption in specie, the redemption amount will be the lower of the issue price of the shares and the fair market value of specified assets.

The 723 issued Redeemable "C" Shares (the "C" shares) are redeemable after the redemption of the "B" Shares, at their issue price, and carry no voting rights.

On unwind, the Company first pays any dividend due to the holders of the "B" shares. The Company then redeems the "B" Shares via an in specie distribution of its assets or a cash distribution, or combination of both. The "C" Shares are then entitled to any dividend declared but not paid and redemption of the "C" Shares.

10. CALLED UP SHARE CAPITAL

	2005 CAD\$	2004 CAD\$
Authorised:		
2 Ordinary "A" Shares of CAD\$1,000,000 each	2,000,000	2,000,000
Allotted and fully paid:		
2 Ordinary "A" Shares of CAD\$1,000,000 each	2,000,000	2,000,000

LOXLEY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. CALLED UP SHARE CAPITAL (continued)

The 2 issued Ordinary "A" Shares carry 67% of the voting rights of the Company on a proposed dissolution resolution and 33% of the voting rights in all other matters.

On unwind, the holders of the Ordinary "A" shares are entitled to any remaining distributable amounts after the settlement of the redeemable "B" and "C" shares (see note 9).

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 CAD\$	2004 CAD\$ (Restated)
Profit for the year	2,268,714	426,368
Increase in shareholders' funds	2,268,714	426,368
Opening shareholders' funds	2,632,997	2,206,629
Net proceeds on issue of ordinary shares	-	-
Closing shareholders' funds	4,901,711	2,632,997

12. FINANCIAL INSTRUMENTS

The Company is exposed to foreign exchange rate risk caused by the Company having payable and receivable balances denominated in currencies other than its functional currency. In order to hedge the foreign exchange exposure, the Company has entered into cross currency swap contracts and foreign exchange forward contracts. The cross currency swap contracts exchange expected Japanese Yen for Canadian Dollars and the forward contracts exchange expected Sterling receipts for Canadian Dollars.

As at 31 December 2005, the notional of the Japanese and Canadian cross currency swaps outstanding was JPY 346,238,000,000 (2004: JPY 346,238,000,000) and CAD\$4,000,000,000 (2004: CAD\$4,000,000,000) respectively. The fixed rate of interest on the Japanese Yen leg is fixed at 2.3750% and on the Canadian Dollar leg fixed at 6.7989%. The cross currency swaps expire on 19 August 2033.

As at 31 December 2005, the Company had entered into forward exchange contracts to receive £9,832,041 and to pay CAD\$20,718,351 with an expiry date of 13 January 2006 and to receive £10,172,516 and to pay CAD\$20,718,351 with an expiry date of 13 April 2006.

LOXLEY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. FINANCIAL INSTRUMENTS (continued)

The fair value of Company's derivatives the positions are given below:

	2005 CAD\$	2004 CAD\$
Fair value of cross currency swaps	585,134,799	(43,403,849)
Fair value of forward currency exchange contracts	(1,460,622)	469,570
	<u>583,674,177</u>	<u>(42,934,279)</u>

13. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES

	2005 CAD\$	2004 CAD\$
Operating profit/(loss)	59,210	(6,457)
Changes in operating assets and liabilities:		
(Decrease)/Increase in accruals	(7,579)	7,579
(Decrease)/increase in amounts due to group undertakings	(11,364)	-
	<u>40,267</u>	<u>1,122</u>
Net cash inflow/(outflow) from operating activities		

14. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2005 CAD\$	2004 CAD\$
Interest received from group undertakings	-	-
Other interest received	275,810,192	278,060,595
Preference dividends paid	(192,541,578)	(194,128,296)
	<u>83,268,614</u>	<u>83,932,299</u>

15. 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. During the year there have been no undisclosed transactions with related parties other than group companies.

LOXLEY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. PARENT UNDERTAKING AND ULTIMATE PARENT 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.