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BALLON INVESTMENTS LIMITED

Report and Financial Statements
For the year ended 31 December 2009

REGISTERED NUMBER (CAYMAN ISLANDS) : WK-175318
REGISTERED NUMBER (ENGLAND AND WALES) : FC027172

BALLON INVESTMENTS LIMITED
REGISTERED NUMBER (ENGLAND AND WALES) : FC027172

DIRECTORS' REPORT
For the year ended 31 December 2009

The directors present their report together with the audited financial statements for the year ended 31 December 2009

Review of business and future outlook

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 and the directors expect the Company's future performance to be in line with the current year

The directors have reviewed the Company's business and performance and consider it to be satisfactory for the period The directors consider that the Company's position at the end of the period is consistent with the size and complexity of the business

Given the nature of the business, the Company's directors are of the opinion that analysis using Key Performance Indicators (KPI's) is not necessary for an understanding of the development, performance or position of the business

Results and dividends

During the year ended 31 December 2009, the Company made a profit after tax of €30,133,390 (31 December 2008 €30,228,119) The directors declared and paid ordinary dividends of €30,271,383 during the year and preference share dividends of €259,358,861 (31 December 2008 ordinary dividend of €30,106,417 and preference share dividends of €260,069,433) The Company has net assets of €3,750,617 (2008 €3,898,398)

Directors

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

J Corswarem	
R Craine	(appointed 8 October 2008)
E Edis	(appointed 3 November 2008)
M Purcell	(resigned 8 October 2008)
A Shah	(resigned 27 February 2009)
G Wade	(resigned 24 October 2008)

Since the year end, M Treharne, G Brawn and N Abhut were appointed as Directors on 30 June 2010, and R Craine resigned as a Director on 23 June 2010 and E Edis resigned as a Director on 07 May 2010

Directors' third party indemnity provisions

Qualifying third-party indemnity provisions were in force during the course of the financial period ended 31 December 2009 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties/powers of office

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

BALLON INVESTMENTS LIMITED
REGISTERED NUMBER (ENGLAND AND WALES) : FC027172

DIRECTORS' REPORT (continued)
For the year ended 31 December 2009

Statement of Directors' Responsibilities (continued)

The directors are required by the Companies Act 1985, as applicable to overseas companies, to prepare financial statements 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 period and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements,

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates,
- 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 in office as at the date of this report confirm that

- there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

Financial instruments

The Company's directors are required to follow the requirements of the Barclays Group risk management policies, which include specific guidelines on the management of foreign exchange, credit and interest rate risks and advise 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 for the year ended 31 December 2009 (see note 17) The Company's financial risk management objectives and policies , and the exposure to liquidity risk, credit risk and market risk are set out in note 16 'Financial Risks'.

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

Director
Name J CORSHALLEN
Date 04 August 2010
For and on behalf of Ballon Investments Limited

BALLON INVESTMENTS LIMITED
REGISTERED NUMBER (ENGLAND AND WALES) : FC027172

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BALLON INVESMENTS LIMITED

We have audited the financial statements of Ballon Investments Limited for the year ended 31 December 2009 which comprises the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out in the notes to the financial statements

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the Statement of Directors' Responsibilities

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 to assist them in assessing whether the directors have complied with the overseas companies regulation on accounts 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

This report, including the opinion, has been prepared for and only for the directors to meet their obligations under the Companies Act 1985 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 including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing

In addition we report to you if, in our opinion, 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BALLON INVESMENTS LIMITED (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, as applicable to overseas companies, and

- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

Date 10 August 2010

BALLON INVESTMENTS LIMITED
REGISTERED NUMBER (ENGLAND AND WALES) : FC027172

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009	2008
Continuing operations:		€	€
Interest receivable and similar income	5	289,492,251	290,298,033
Interest payable and similar expenses	6	(259,358,861)	(260,069,914)
Profit on ordinary activities before taxation	7	30,133,390	30,228,119
Taxation	9	-	-
Profit for the year		30,133,390	30,228,119
Profit attributable to shareholders		30,133,390	30,228,119

Profit for the year is derived from continuing activities Notes 1 to 18 form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	€	€
Net profit for the year	30,133,390	30,228,119
Other comprehensive income:		
Fair value (losses)/gains on available for sale investments	(9,788)	9,431
Other comprehensive(loss)/income for the year	(9,788)	9,431
Total comprehensive income for the year	30,123,602	30,237,550

BALLON INVESTMENTS LIMITED
REGISTERED NUMBER (ENGLAND AND WALES) : FC027172

BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	2009 €	2008 €
Current assets			
Available-for-sale investments	10	1,001,565	1,009,900
Loans and receivables	11	6,275,377,775	6,276,963,885
Cash and cash equivalents	12	109,588	84,069
Total current assets		6,276,488,928	6,278,057,854
TOTAL ASSETS		6,276,488,928	6,278,057,854
LIABILITIES			
Current liabilities			
Borrowings	13	(22,738,311)	(24,159,456)
Total current liabilities		(22,738,311)	(24,159,456)
Non-current liabilities			
Borrowings	13	(6,250,000,000)	(6,250,000,000)
Total non-current liabilities		(6,250,000,000)	(6,250,000,000)
NET CURRENT ASSETS		6,253,750,617	6,302,217,310
TOTAL LIBILITIES		(6,272,738,311)	(6,274,159,456)
NET ASSETS		3,750,617	3,898,398
SHAREHOLDERS' EQUITY			
Called up share capital	14	1,000,001	1,000,001
Retained earnings		2,750,937	2,888,930
Available-for-sale reserve		(321)	9,467
TOTAL SHAREHOLDERS' EQUITY		3,750,617	3,898,398

Notes 1 to 18 form an integral part of these financial statements
The financial statements were approved by the Board of Directors on 04 August 2010

Director
Name J. CORSWAREN
Date 04 August 2010

BALLON INVESTMENTS LIMITED
REGISTERED NUMBER (ENGLAND AND WALES) : FC027172

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2009

	Share capital	Available for sale reserve	Retained earnings	Total equity
	€	€	€	€
Balance at 1 January 2009	1,000,001	9,467	2,888,930	3,898,398
Total comprehensive income for the year	-	(9,788)	30,133,390	30,123,602
Dividends paid	-	-	(30,271,383)	(30,271,383)
Balance at 31 December 2009	1,000,001	(321)	2,750,937	3,750,617

	Share capital	Available for sale reserve	Retained earnings	Total equity
	€	€	€	€
Balance at 1 January 2008	1,000,001	36	2,767,228	3,767,265
Total comprehensive income for the year	-	9,431	30,228,119	30,237,550
Dividends paid	-	-	(30,106,417)	(30,106,417)
Balance at 31 December 2008	1,000,001	9,467	2,888,930	3,898,398

BALLON INVESTMENTS LIMITED
REGISTERED NUMBER (ENGLAND AND WALES) : FC027172

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 €	2008 €
CASH FLOWS USED IN OPERATING ACTIVITIES	4	291,091,341	289,506,521
NET CASH RECEIVED IN OPERATING ACTIVITIES		291,091,341	289,506,521
CASH FLOWS (USED IN) / RECEIVED IN INVESTING ACTIVITIES			
Purchase of available-for-sale securities		(1,001,433)	1,000,917
Redemption of available-for-sale securities		987,000	(1,000,000)
NET CASH (USED IN) / RECEIVED IN INVESTING ACTIVITIES		(14,433)	917
CASH FLOWS FROM FINANCING ACTIVITIES			
Ordinary dividends paid		(30,271,383)	(30,106,417)
Preference dividends paid		(260,780,006)	(259,358,861)
NET CASH USED IN FINANCING ACTIVITIES		(291,051,389)	(289,465,278)
NET INCREASE IN CASH AND CASH EQUIVALENTS		25,519	42,160
CASH AND CASH EQUIVALENTS AT 1 JANUARY		84,069	41,909
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		109,588	84,069
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash in hand	12	109,588	84,069

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

The financial statements are prepared for Ballon Investments Limited (the "Company"), the principal activity of which is to act as an investment company. The Company is a wholly owned subsidiary of Barclays Bank PLC which prepares consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and accordingly, consolidated financial statements have not been prepared for Ballon Investments Limited Ballon Investments Limited is a limited company incorporated in the Cayman Islands The Company's registered office is

87 Mary Street
George Town
Grand Cayman
KY1-9002
Cayman Islands

2. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting interpretations Committee (IFRIC), as published by the International Accounting standards Board (IASB) They are also in accordance with the IFRSs and IFRIC interpretations as adopted by the European Union

The Company is an overseas company and as such has prepared its financial statements in accordance with the Companies Act as applicable to overseas companies.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Company's accounting policies

The adoption of IAS 1 (revised) has resulted in the reformatting of the statement of recognised gains and losses into a statement of comprehensive income and the addition of a statement of changes in equity The adoption of IAS 1 (revised) does not change the recognition, measurement or disclosure of specific transactions and events required by other standards

The adoption of amendment to IFRS 7 – Financial Instruments Disclosures, has resulted in additional disclosures being made regarding liquidity risk and the fair value of financial instruments

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below These policies have been consistently applied

Basis of preparation
The financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments, recognition, and measurement' as set out in the relevant accounting policies They are stated in Euros, which is the Company's functional and presentation currency

The company financial statements have been prepared and approved by the directors in accordance with the International Financial Reporting Standards as adopted by the EU ("adopted IFRS")

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition
Revenue is recognised in the income statement when it is probable that the economic benefits associated with the transaction will be received by the Company Revenue is reported at the fair value of the consideration received or receivable

Foreign Exchange
The financial statements are presented in Euros, which is the functional currency of the Company. Items included in the financial statements of the Company are measured using their functional currency, being the currency of the primary economic environment in which the entity operates

Foreign currency transactions are translated into Euros using the exchange rates prevailing at the dates of the transactions Monetary assets and liabilities in foreign currencies are translated into Euros at rates of exchange ruling on the balance sheet date All exchange gains and losses, are recognised in the income statement

Determining fair value
Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted market value in an active market wherever possible Where no such active market exists for the particular asset, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants

Interest
Interest income or expense is recognised on all interest bearing financial assets classified as held to maturity, available for sale or other loans and advances, and on interest bearing financial liabilities, using the effective interest method

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Taxation
Taxation payable on taxable profits is recognised as an expense in the period in which the profits arise Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as probable that it is recoverable by offset against current or future taxable profits

Deferred tax is provided in full on temporary differences that arise from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements Deferred tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realized or the deferred tax liability is settled

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and receivables
Loans and advances are recorded on balance sheet according to the substance of the contractual arrangement entered into Loans and receivables are initially recorded at fair value, less any amounts that have been provided for to reflect impairment in the value of the investment where there is objective evidence of impairment. Income is recognised in the income statement, using the effective interest rate which discounts estimated future cash flows through the life of the financial asset to that assets net carrying value

Available-for-sale investments
Available for sale investments are non-derivative financial investments They are initially recognised at fair value including direct and incremental transaction costs They are subsequently held at fair value, and gains and losses arising from changes in fair value are included as a separate component of equity until sale or impairment when the cumulative gain or loss is transferred to the income statement The assets are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

Borrowings
Borrowings refer to Class A and B preference shares issued by the Company, and are recognised as a liability when a contractual agreement results in the Company having a present obligation to deliver cash or another financial asset to the holder. The liability is recognised at fair value and subsequently amortised using the effective rate of interest.

Borrowing costs are charged as an expense to the income statement in the period in which they are incurred

Share Capital
Share capital classified as equity, provided that there is no present obligation to deliver cash or another financial asset to the holder, is shown in called up share capital, and the costs associated with the issuance of shares are recorded as a deduction from equity

Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company's shareholder.

Cash and cash equivalents
For the purposes of the cash flow statement, the cash and cash equivalent balance relates to cash and short term money market positions Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months

Impairment of financial assets
The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired The factors that the Company takes into account include significant financial difficulties of the debtor or the issuer, a breach of contract or default in payments, the granting by the Company of a concession to the debtor because of a deterioration in its financial condition, the probability that the debtor will enter into bankruptcy or other financial reorganisation, or, in the disappearance of an active market for a security because of the issuer's financial difficulties

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

The Company also considers observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, arising from adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults on assets in the portfolio

The Company first assesses whether objective evidence of impairment exists individually for individually significant financial assets and then collectively assesses remaining financial assets that are not individually significant In addition, portfolios of financial assets with similar credit risk characteristics are also collectively assessed

Impairment allowances are calculated, based on the difference between the carrying amount of the asset and its estimated recoverable amount, calculated by reference to the expected cash flows from it discounted at the original effective interest rate for the asset

4. RECONCILIATION OF PROFIT BEFORE TAX TO CASH FLOWS USED IN OPERATING ACTIVITIES

	2009 €	2008 €
Profit before tax	30,133,390	30,228,119
Adjustments for		
Depreciation and amortisation	12,046	2,596
Preference dividends expense	259,358,861	260,069,433
Net (decrease)/increase in accrued interest	1,587,044	(793,627)
Cash flows used in operating activities	291,091,341	289,506,521

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 €	2008 €
Interest receivable from parent undertaking	289,465,798	290,260,199
Interest on available-for-sale investments	26,453	37,834
	289,492,251	290,298,033

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2009 €	2008 €
Preference dividends payable	259,358,861	260,069,433
Interest payable to group undertakings	-	481
	259,358,861	260,069,914

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

There were no employees employed by the Company during the year (31 December 2008 nil) Auditors' remuneration was borne by another group undertaking The fee that would otherwise have been charged to the Company amounts to €4,171 (31 December 2008 €4,171) This amount has not been included as an expense in the financial statements

8. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during the year (period to 31 December 2008 nil)

BALLON INVESTMENTS LIMITED
REGISTERED NUMBER (ENGLAND AND WALES) : FC027172

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TAXATION

	2009 €	2008 €
UK corporation tax	-	-
Tax on profit on ordinary activities	-	-

The UK corporation tax charge is based on the UK corporation tax rate of 28% (2008 28 5% blended rate) The reduction is due to the use of a blended corporation tax rate for the year 2008, as a result of the reduction of the corporation tax rate from 30% to 28% with effect from 1 April 2008 The effective tax rate is lower than the standard tax rate as a result of non-taxable items and group relief

Taxation charged to Equity

Fair value movements on available for sale assets are recognised in equity and the current tax recognised on these fair value movements is also recognised in equity An analysis of the tax (credit)/charge on items charged directly to equity is as follows.-

	2009 €	2008 €
Available for sale investments	(2,741)	2,688
Group relief received for nil consideration	2,741	(2,688)

The tax effects relating to each component of other comprehensive income were as follows

	2009			2008		
	Before Tax Amount	Tax charge	Net of tax amount	Before Tax Amount	Tax charge	Net of tax amount
	€	€	€	€	€	€
Available for sale assets	(9,788)	-	(9,788)	9,431	-	9,431

The overall tax charge is explained in the following table	2009 €	2008 €
Profit on ordinary activities before taxation	30,133,390	30,228,119
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2008 28 5%)	8,437,349	8,615,014
Effect of		
Non deductible dividend expense	72,620,481	74,119,788
Group relief received for nil consideration	(81,057,830)	(82,734,802)
Current tax charge	-	-

The corporate taxation rate changed from 30% to 28% from 1 April 2008, a blended rate of 28 5% has been applied to calculate the tax charge for the prior year

BALLON INVESTMENTS LIMITED
REGISTERED NUMBER (ENGLAND AND WALES) : FC027172

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	€	€
Opening balance	1,009,900	1,003,406
Acquisitions	1,001,433	1,000,917
Amortisation	(12,046)	(2,596)
Accrued coupon interest	(934)	(1,258)
Disposals through redemption	(987,000)	(1,000,000)
Changes in fair value reserve in equity	(9,788)	9,431
Fair value of debt securities as at 31 December 2009	1,001,565	1,009,900

The investments above represent investments in overseas debt securities The interest rate risk inherent in these debt securities is disclosed in note 16

11. LOANS AND RECEIVABLES

	2009	2008
	€	€
Amounts due from parent undertakings-accrued interest	25,377,762	26,963,885
Amounts due from parent undertakings-deposit principal	6,250,000,013	6,250,000,000
	6,275,377,775	6,276,963,885

The fair value of the loans and advances approximates the book value

12. CASH AND CASH EQUIVALENTS

	2009	2008
	€	€
Cash held with fellow group undertakings	109,588	84,069

13. BORROWINGS

	2009 €	2008 €
Current Liabilities		
Accrued preference dividends	22,738,311	24,159,456
Non-current liabilities		
Class A preference shares	4,200,000,000	4,200,000,000
Class B preference shares	2,050,000,000	2,050,000,000
	6,250,000,000	6,250,000,000

The preference share liability detailed above consists of

	2009 €	2008 €
Authorised:		
4,200 Class A preference shares of €1 each	4,200	4,200
2,050 Class B preference shares of €1 each	2,050	2,050
	6,250	6,250
Allotted and fully paid:		
4,200 Class A preference shares of €1 each	4,200	4,200
2,050 Class B preference shares of €1 each	2,050	2,050
	6,250	6,250
Share premium:		
4,200 Class A preference shares of €999,999 each	4,199,995,800	4,199,995,800
2,050 Class B preference shares of €999,999 each	2,049,997,950	2,049,997,950
	6,249,993,750	6,249,993,750

13. BORROWINGS (continued)

The Class A and Class B preference shares carry a cumulative fixed rate preferential dividend equal to 3 861 and 4 568 per cent respectively

The holders of the preference shares are not entitled to vote at the general meetings of the Company

The preference shares are not redeemable and on a return of capital or a liquidation or otherwise, the holders of the preference shares rank senior to the holders of the ordinary shares The preference share holders are not entitled to participate in the distribution of any surplus assets

The non redeemable preference shares are issued to a fellow group undertaking The fair value of the non-redeemable preferences shares approximates to their carrying value as they are expected to be realised through the repurchase of the shares at their carrying value

The Directors consider that the carrying value of the Company's preference shares approximates their fair values

14. CALLED UP SHARE CAPITAL

	2009	2008
Authorised:	€	€
1,000,001 Ordinary shares of €1 each	1,000,001	1,000,001
Allotted, called-up and fully paid:		
1,000,001 Ordinary shares of €1 each	1,000,001	1,000,001

The holders of the ordinary shares are entitled to vote at the general meetings of the Company and are entitled to receive such dividends as directors may declare

The ordinary shares are not redeemable and on a return of capital or a liquidation or otherwise, the holders of the Class A and Class B preference shares rank senior to the holders of the ordinary shares The holders of the ordinary shares are entitled to participate in the distribution of any surplus assets of the Company

15. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions, or one other party controls both

The definition of related parties includes parent company, ultimate parent company, as well as the Company's key management which includes its Directors Particulars of transactions, and the balances outstanding at the year end, are disclosed in the notes cross referenced below

Amounts payable and receivable to related parties are disclosed in notes 5 and 6 Balance sheet positions with related parties are reported in notes 11, 12, 13 and 14 There have been no other transactions with related parties requiring disclosure in the accounts

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISKS

The Company's activities expose it to a variety of financial risks These are liquidity risk, credit risk and market risk, (which includes foreign currency risk, interest rate risk and price risk)

The Company's Directors are required to follow the requirements of the Barclays Group risk management policies This policy includes specific guidelines on the management of foreign exchange, liquidity, interest rate and credit risks, and advises on the use of financial instruments to manage them The Company seeks to minimize its exposure to liquidity, credit and market risk by applying these policies, and monitors exposures on a portfolio basis.

Liquidity risk

This is the risk that the Company's cash and committed facilities may be insufficient to meet its debts as they fall due The Company maintains facilities, including financial support from the parent, Barclays Bank PLC The Company seeks to match the cash flow profile of its assets and liabilities to ensure that it has sufficient funds to make payments when they fall due These are designed to ensure the Company has sufficient available funds for operations and planned expansion

The table below shows the maturity of financial liabilities the company is exposed to, and the undiscounted contractual maturity of the liabilities it faces

	2009 Borrowings	Total
	€	€
Financial liabilities repayable:		
- over three months but not more than one year	22,738,311	22,738,311
- over five years	6,250,000,000	6,250,000,000
Total	**6,272,738,311**	**6,272,738,311**

	2008 Borrowings	Total
	€	€
Financial liabilities repayable:		
- over three months but not more than one year	24,159,456	24,159,456
- over five years	6,250,000,000	6,250,000,000
Total	**6,274,159,456**	**6,274,159,456**

The principal due under perpetual preference shares has been included in the over five years category. Further interest payments have not been included on this amount, which according to their strict contractual terms, could carry on indefinitely.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISKS (continued)

Credit Risk

This is the risk that counterparties to the Company's financial assets may default The Company assesses all counterparties, including its customers, for credit risk before contracting with them The Company monitors its exposures and seeks to minimize its credit exposures by monitoring the credit rating of its counterparties in accordance with Barclays Group risk management policies The Company's assets are neither past due or impaired The company's assets are of investment grade

The Company's maximum exposure to credit risk is detailed in the table below The exposure reported in the table represents the gross receivable amounts and not the fair value The exposure is reported gross and does not include any collateral or other credit risk mitigants which reduce the Company's exposure

	Available for sale investments	Loans and advances	Total
	€	€	€
Carrying value	1,001,565	6,275,377,775	6,276,379,340
Total	1,001,565	6,275,377,775	6,276,379,340

The table below describes the Company's credit exposure by industry type

	Available for sale investments	Loans and advances	Total
	€	€	€
Other financial intermediaries	-	6,275,377,775	6,275,377,775
German Government	1,001,565	-	1,001,565
Total	1,001,565	6,275,377,775	6,276,379,340

The Company does not hold any collateral as security There were no significant concentrations of credit risk

Impaired assets
We expect the majority of assets to fall within the neither past due nor impaired category

Market Risk
Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates

16. FINANCIAL RISKS (continued)

Interest rate risk
Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and / or reduced income from the Company's interest bearing financial assets and liabilities The Company's financial assets and liabilities are all at fixed rates of interest. Accordingly, no interest rate sensitivity analysis has been performed

Valuation methodology
The table below shows the Company's financial assets that are recognised and measured at fair value analysed by valuation technique The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations based on unobservable inputs is described below

	31 December 2009			
	Level 1	Level 2 – Valuations based on observable inputs	Level 3 – Valuations based on unobservable inputs	Total
	€	€	€	€
Financial assets				
Available for sale investments				
- Debt securities	1,001,565	-	-	1,001,565

Valuations based on observable inputs include

Level 1
– Financial instruments for which their valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis,

Level 2
Financial instruments valued using inputs other than quoted prices as described above for level 1 but which are observable for the asset or liability, either directly or indirectly, such as

– using recent arm's length market transactions or with reference to the current fair value of similar instruments,
– linear financial instruments such as swaps and forwards which are valued using market standard pricing techniques,
– options that are commonly traded in markets whereby all the inputs to the market-standard pricing models are deemed observable

Valuations based on unobservable inputs

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISKS (continued)

Level 3
Valuations based on inputs that are not based on observable market data

Fair values
The fair value of financial instruments is disclosed in the respective notes to the accounts

17. ULTIMATE HOLDING COMPANY

The Company's immediate parent undertaking is Barclays Darnay Euro Investments Limited The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC The ultimate holding company and the parent company of the largest group presents consolidated financial statements is Barclays PLC All three companies are incorporated in Great Britain and registered in England and their statutory financial statements are available from the Barclays Corporate Secretariat, 1 Churchill Place London E14 5HP

18. CAPITAL MANAGEMENT

The Company is required to operate within the risk management policies of Barclays Bank PLC, its ultimate parent, which include guidelines covering capital management. The capital management objectives and policies for Barclays Bank PLC can be found in its financial statements (see note 26)

The Company's objectives when managing capital are

- To safeguard the Company's ability to continue as a going concern
- To maintain an optimal capital structure in order to reduce the cost of capital

The board of directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management. The Company regards as capital its equity reported on balance sheet Although the preference shares in issue are redeemable on demand, the directors expect that these funds will remain available to the company in support of its continuing activities and they are therefore managed as part of the capital of the company

Total capital of the Company is as follows

	2009 €	2008 €
Ordinary shares	1,000,001	1,000,001
Retained earnings	2,750,937	2,888,930
Preference shares in issue	6,250,000,000	6,250,000,000
Total capital resources	**6,253,750,938**	**6,253,889,931**