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**LARRAU INVESTMENTS LIMITED**

**Report and Financial Statements  
For the year ended 31 December 2010**



**REGISTERED NUMBER (ENGLAND AND WALES): FC028039**

**REGISTERED NUMBER (CAYMAN ISLANDS): WK-199999**

## **LARRAU INVESTMENTS LIMITED**

Registered number in England and Wales FC028039

### **DIRECTORS' REPORT**

**For the year ended 31 December 2010**

The directors present their report together with the audited financial statements for the year ended 31 December 2010

#### **Change in accounting framework**

The financial statements have been prepared in accordance with the Overseas Companies Regulations 2009 (SI 2009/1081) made under section 1049 of the Companies Act 2006 (the "Regulations") The Company has applied Section 396 of the Companies Act 2006, as modified by the Regulations, in producing overseas companies individual accounts

This is the first set of financial statements prepared by the Company in accordance with the Regulations

Previously the Company prepared its financial statements in accordance with International Financial Reporting Standards ("IFRSs") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), as published by the International Accounting Standards Board ("IASB") and in accordance with the IFRSs and IFRIC interpretations as adopted by the European Union

The directors have changed the accounting framework following an internal assessment on preparing financial statements under IFRS The Directors concluded that preparation of financial statements under IFRSs entailed a disproportionate expense to the benefit arising Following this, the Directors elected to prepare accounts under the Regulations

#### **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 year The directors consider that the Company's position at the end of the year 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 is not necessary for an understanding of the development, performance or position of the business

#### **Results and Dividends**

During the year ended 31 December 2010, the Company made a profit after tax of €7,799 (2009 €25,597) The Company had net assets of €1,074,544 (2009 €1,064,442) During the year, preference dividends of €213,266,925 (2009 €225,012,060) were paid The directors consider that the performance of the Company has been satisfactory during the year

The Company has restated prior-year balances arising from the reclassification of the interest portion of the amounts due from group undertaking The adjustment does not have impact to the company's profit and loss and net asset value See note 10 further details on prior-year adjustments

## **LARRAU INVESTMENTS LIMITED**

Registered number in England and Wales FC028039

### **DIRECTORS' REPORT (continued)**

**For the year ended 31 December 2010 (continued)**

#### **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

N Abhat	(appointed 22 September 2010)
G Agrawal	(resigned 03 September 2010)
IEF Corswarem	(resigned 07 March 2011)
R Isman	(resigned 25 June 2010)
C Schulze	

Since the year end, RJ Craine was appointed as a Director on 3 February 2011 and IEF Corswarem resigned on 7 March 2011

#### **Directors' third party indemnity provisions**

Qualifying third party indemnity provisions were in force during the course of the financial year ended 31 December 2010 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 may occur (or have occurred) in connection with their duties, powers or 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

The Directors are required by the Companies Act 2006 as applicable to overseas companies 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

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and
- that the financial statements have been prepared on a going concern basis

## LARRAU INVESTMENTS LIMITED

Registered number in England and Wales FC028039

### DIRECTORS' REPORT (continued)

For the year ended 31 December 2010 (continued)

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 2006, 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
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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

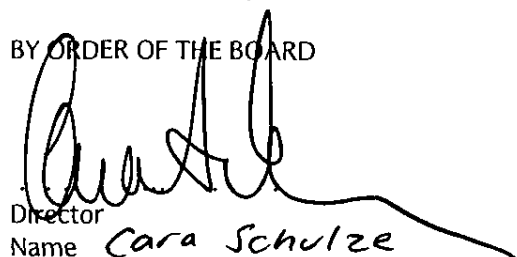
### Financial instruments

The Company operates within the Barclays financial risk management objectives and policies. These include a policy for hedging each major type of forecasted transaction for which hedge accounting is used.

### 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

*Cara Schulze*

Date 07 October 2011

For and on behalf of Larrau Investments Limited

## **LARRAU INVESTMENTS LIMITED**

Registered number in England and Wales FC028039

### **INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF LARRAU INVESTMENTS LIMITED**

We have audited the financial statements of Larrau Investments Limited for the year ended 31 December 2010 which comprises the Profit and Loss Account, the Statement of Comprehensive Income, The Balance Sheet, and the related notes. These financial statements have been prepared on the basis of preparation and accounting policies set out in the notes to the financial statements.

#### **Respective responsibilities of the directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the basis of preparation and accounting policies in notes 2 and 3 to the financial statements and the Companies Act 2006 as applicable to overseas companies. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the directors for management purposes 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.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements for the year ended 31 December 2010 have been properly prepared, in all material respects, in accordance with

- the basis of preparation and accounting policies in notes 2 and 3 to the financial statements; and
- the Companies Act 2006 as applicable to overseas companies

#### **Basis of preparation**

Without modifying our opinion, we draw attention to note 3 to the financial statements which discloses the basis of preparation. The financial statements have been prepared for the directors for management purposes and may not be suitable for another purpose.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants  
London, United Kingdom

Date *13 October 2011*

**LARRAU INVESTMENTS LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 €	2009 €
<b>Continuing operations:</b>			
Interest receivable and similar income	4	225,635,923	225,656,592
Interest payable and similar expenses	5	(225,630,244)	(225,630,234)
Net interest income		5,679	26,358
Other expenses		2,120	(761)
Profit on ordinary activities before taxation	6	7,799	25,597
Taxation	8	-	-
Profit for the year/period		7,799	25,597

Profit for the year is derived from continuing activities. The accompanying notes form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 €	2009 €
Net profit for the year	7,799	25,597
<b>Other comprehensive income/(expense):</b>		
Fair value gains /(losses) on available-for-sale assets	2,303	(9,688)
Tax relating to components of other comprehensive income		
Tax on fair value gains /(losses) on available-for-sale investments	(645)	2,713
Group relief claimed/(transferred) for nil consideration	645	(2,713)
Other comprehensive income/(expense) for the year net of tax	2,303	(9,688)
Total comprehensive income for the year	10,102	15,909

**LARRAU INVESTMENTS LIMITED**

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**BALANCE SHEET AS AT 31 DECEMBER 2010**

	Notes	2010 €	2009 * Restated €
<b>Non current assets</b>			
Loans and advances	10	5,130,000,000	5,130,000,000
<b>Current assets</b>			
Available-for-sale investments	9	1,002,053	991,417
Cash at hand		72,491	66,795
Loans and advances	10	27,817,425	15,460,355
<b>Total current assets</b>		28,891,969	16,518,567
<b>TOTAL ASSETS</b>		5,158,891,969	5,146,518,567
<b>Current liabilities</b>			
Creditors falling due within one year	11	27,817,425	15,454,125
<b>Total current liabilities</b>		27,817,425	15,454,125
<b>Net current assets</b>		1,074,544	1,064,442
<b>Non- current liabilities</b>			
Borrowings	12	5,130,000,000	5,130,000,000
<b>Total non- current liabilities</b>		5,130,000,000	5,130,000,000
<b>NET ASSETS</b>		1,074,544	1,064,442
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	13	1,000,001	1,000,001
Retained earnings	15	72,608	64,809
Available-for-sale reserve		1,935	(368)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		1,074,544	1,064,442

The accompanying notes from an integral part of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 07 October 2011 and were signed on its behalf by

Name

Cara Schulze

Date 07 October 2011

# LARRAU INVESTMENTS LIMITED

Registered number in England and Wales FC028039

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1 REPORTING ENTITY

The financial statements are prepared for Larrau Investments Limited (the Company), the principal activity of the Company is to act as an investment Company. The Company is a wholly owned subsidiary of Barclays Bank PLC and its ultimate parent Company is Barclays PLC. Barclays PLC prepares consolidated financial statements in accordance with IFRS, and accordingly consolidated financial statements have not been prepared for Larrau Investments Limited.

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

### 2. ACCOUNTING FRAMEWORK

The financial statements have been prepared in accordance with the Overseas Companies Regulations 2009 (SI 2009/1801) made under section 1049 of the Companies Act 2006 (the "Regulations"). The Company has applied Section 396 of the Companies Act 2006, as modified by the Regulations, in producing overseas companies individual accounts.

The Company applies the measurement and recognition requirements of 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") and in accordance with the IFRSs and IFRIC interpretations as adopted by the European Union.

However, for presentation and disclosure purposes, the directors have adopted the requirements under the Regulations and selected disclosures under IFRS which the directors deem to be relevant in understanding its state of affairs. As a result, the following items which are required under IFRS are not included in these financial statements:

- |   |   |
|---|---|
| 1 | Statement of Changes in Equity,   |
| 2 | Statement of Cash flows,  |
| 3 | Capital Management note,  |
| 4 | IFRS 7 Financial Instruments. Disclosures to the extent they are not relevant in assessing the Company's state of affairs |

The preparation of these financial statements in conformity with the Regulations 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 Company has made full retrospective application of Section 396 as modified by SI 2009/1081 of Companies Act 2006 for presentation and disclosure purposes in its Financial Statements.

## **LARRAU INVESTMENTS LIMITED**

Registered number in England and Wales FC028039

### **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.

#### **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.

#### **Interest**

Interest income or expense is recognised on all interest bearing financial instruments 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.

#### **Fees and commissions**

Fees and commissions are recognised in the income statement on an accruals basis as the service is provided.

#### **Foreign Exchange**

Foreign currency transactions are translated into Euros using average rates of exchange during the year.

Monetary items denominated in foreign currencies are translated into functional currency at the spot rate prevailing on the balance sheet date. All exchange gains and losses are recognised in the income statement.

Non-monetary items recognised at historical cost are not re-translated at subsequent dates. Non-monetary items that are measured at fair value are re-translated using the exchange rate at the date when the fair value was determined. Exchange differences on equities and similar non-monetary items held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items whose fair value gains or loss are recognised in equity are included directly in equity.

## **LARRAU INVESTMENTS LIMITED**

Registered number in England and Wales FC028039

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

##### **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.

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.

##### **Loans and advances**

Loans and receivables are initially recorded at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, 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 asset's 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 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 initially recognised at fair value and amortised to the redemption value using the effective rate of interest over the life of the instrument.

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 shareholders.

## LARRAU INVESTMENTS LIMITED

Registered number in England and Wales FC028039

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 3. SIGNIFICANT ACCOUNTING POLICIES

##### 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, including trade receivables, 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.

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. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 €	2009 €
Interest receivable from parent undertaking	225,630,364	225,630,418
Interest on available-for-sale investments	5,559	26,174
	<u>225,635,923</u>	<u>225,656,592</u>

#### 5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2010 €	2009 €
Preference share dividends payable to group undertaking	225,630,225	225,630,225
Interest payable to group undertaking	19	9
	<u>225,630,244</u>	<u>225,630,234</u>

#### 6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

There were no employees employed by the Company during the year (2009 Nil). Auditors' remuneration in 2010 and 2009 was borne by Barclays Bank PLC. The fee that would otherwise have been charged to the Company amounts to €4,592 (2009 €4,452). This amount has not been included as an expense in the financial statements.

#### 7. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during the year (2009 €Nil).

**LARRAU INVESTMENTS LIMITED**

Registered number in England and Wales FC028039

**NOTES TO THE FINANCIAL STATEMENTS (continued)****8 TAXATION**

	2010 €	2009 €
UK corporation tax	-	-
Tax on profit on ordinary activities	-	-

The UK corporation tax charge is based on the UK corporation tax rate of 28%

A numerical reconciliation of the applicable tax rate and the average effective tax rate is as follows

	2010 €	2009 €
Profit on ordinary activities before taxation	7,799	25,597
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	2,184	7,167
Effect of		
Non tax deductible dividend expense	63,176,463	63,176,463
Group relief claimed for nil consideration	(63,178,647)	(63,183,630)
Current tax charged to the Income Statement	-	-
	2010 €	2009 €
Tax on fair value gains/(losses) on available-for-sale investments	645	(2,713)
Group relief (claimed)/transferred for nil consideration	(645)	2,713
Current tax charged to equity	-	-

**LARRAU INVESTMENTS LIMITED**

Registered number in England and Wales FC028039

**NOTES TO THE FINANCIAL STATEMENTS (continued)****9. AVAILABLE-FOR-SALE INVESTMENTS**

	2010 €	2009 €
Brought forward	991,417	999,667
Additions	966,002	991,284
Net proceeds on maturity	(977,000)	(977,000)
Revaluation surplus transferred to equity	2,303	(9,688)
Interest receivable on available-for-sale investment	(1,324)	(924)
Accruals/(Amortisation) of discount/(premium)	20,655	(11,922)
Balance carried forward	<u>1,002,053</u>	<u>991,417</u>

The investments above represent investments in overseas debt securities

**10. LOANS AND ADVANCES**

	2010 €	2009 *Restated €
Non-Current Assets		
Amounts due from parent undertakings	5,130,000,000	5,130,000,000
Amounts due from group undertakings	-	6,230
Current Assets		
Interest receivable from parent undertaking	27,817,425	15,454,125
	<u>5,157,817,425</u>	<u>5,145,460,355</u>

The amount for 2009 was restated to reclassify the interest portion of the amounts due from parent undertakings as current assets. The restatement did not have an effect on the profit and loss and net asset value for the year.

**11. CREDITORS FALLING DUE WITHIN ONE YEAR**

	2010 €	2009 €
Dividend payable on preference shares	<u>27,817,425</u>	<u>15,454,125</u>

## LARRAU INVESTMENTS LIMITED

Registered number in England and Wales FC028039

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 12. BORROWINGS

The preference share liability detailed above consists of

	2010 €	2009 €
<b>Allotted and fully paid:</b>		
5,130 preference shares of €1 each	5,130	5,130
<b>Share premium:</b>		
5,130 preference shares of €999,999 each	5,129,994,870	5,129,994,870
	<u>5,130,000,000</u>	<u>5,130,000,000</u>

In issue are 5,130 preference shares with a group undertaking, Aspet Investments Limited at a subscription price of €1,000,000 per share. The preference shares carry a cumulative fixed rate preferential dividend equal to 4.338 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.

#### 13. CALLED UP SHARE CAPITAL

	2010 €	2009 €
<b>Allotted, called-up and fully paid:</b>		
1,000,001 Ordinary shares of €1 each	1,000,001	1,000,001

1,000,001 ordinary shares were issued to the parent undertaking at a subscription price of €1 per share.

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 preference shares rank senior to the holders of the ordinary shares. The ordinary share holders are entitled to participate in the distribution of any surplus assets.

## LARRAU INVESTMENTS LIMITED

Registered number in England and Wales FC028039

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 14. 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, subsidiary, as well as the Company's key management which includes its Directors Barclays Moselle No 2 Investments Limited is the parent undertaking and controlling party

During the period there have been no other transactions with related parties other than transactions disclosed in notes 4, 5, 7, 10, 11 and 12

#### 15. RETAINED EARNINGS AND OTHER RESERVES

	Available- for- sale	Retained earnings	Total
	€	€	€
Balance at 1 January 2010	(368)	64,809	64,441
Other comprehensive expense for the year net of tax	2,303	-	2,303
Net profit	-	7,799	7,799
<b>Balance at 31 December 2010</b>	<b>1,935</b>	<b>72,608</b>	<b>74,543</b>

	Available- for- sale	Retained earnings	Total
	€	€	€
Balance at 1 January 2009	9,320	39,212	48,532
Other comprehensive expense for the year net of tax	(9,688)	-	-
Net profit	-	25,597	25,597
Dividend Paid	-	-	(9,688)
<b>Balance at 31 December 2009</b>	<b>(368)</b>	<b>64,809</b>	<b>64,441</b>

#### 16. ULTIMATE HOLDING COMPANY

The Company's immediate parent undertaking is Barclays Moselle No. 2 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