LARRAU INVESTMENTS LIMITED

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Report and Financial Statements
For the period from 27 November 2007 to 31 December 2008

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COMPANIES HOUSE

REGISTERED NUMBER (ENGLAND AND WALES): FC028039

REGISTERED NUMBER (CAYMAN ISLANDS): WK-199999

Company Number FC028039.

LARRAU INVESTMENTS LIMITED

DIRECTORS' REPORT
For the period from 27 November 2007 to 31 December 2008

The directors present their report together with the audited financial statements for the period from 27 November 2007 (the date of incorporation) to 31 December 2008.

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 period.

The Company was incorporated in the Cayman Islands on 27 November 2007 and established as a branch in the United Kingdom on 28 November 2007.

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 is not necessary for an understanding of the development, performance or position of the business.

Results and Dividends

During the period ended 31 December 2008, the Company made a profit after tax of €39,212. The company has net assets of €1,048,533. The directors consider that the performance of the Company has been satisfactory during the period.

Financial instruments

The Company's financial risk management objectives and policies, and the exposure to interest rate risk, credit risk, price risk, liquidity risk and foreign currency risk are set out in note 21 'Financial Risks'.

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:

G Agrawal	(appointed 28 November 2007)
JEF Corswarem	(appointed 28 November 2007)
R Isman	(appointed 28 November 2007)
C Schulze	(appointed 28 November 2007)

Directors' Indemnities

Qualifying third-party indemnity provisions (as defined by section 309B of the Companies Act 1985 as applicable to overseas companies) were in force during the course of the financial period ended 31 December 2008 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.

LARRAU INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)
For the period from 27 November 2007 to 31 December 2008

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 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 period.

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.

Each of the directors in office as at the date of this report confirms that:

- there is no relevant audit information of which the company's auditors are unaware; and
- that 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.

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
For and on behalf of Larrau Investments Limited

Date: 17 July 2009

LARRAU INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LARRAU INVESMENTS LIMITED

We have audited the financial statements of Larrau Investments Limited for the period 27 November 2007 (the date of incorporation) to 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985, as applicable to overseas companies. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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 LARRAU INVESMENTS LIMITED (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and of its profit and cash flows for the period 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
Date: 24/7/09

LARRAU INVESTMENTS LIMITED

INCOME STATEMENT
FOR THE PERIOD FROM 27 NOVEMBER 2007 TO 31 DECEMBER 2008

	Notes	For the period from 27 November 2007 to 31 December 2008 €
Continuing operations:		
Other income/(expense)		(59)
Interest receivable and similar income	6	241,741,960
Interest payable and similar expenses	7	(241,702,689)
Profit on ordinary activities before taxation	8	39,212
Taxation	10	-
Profit for the period		39,212
Profit attributable to shareholders		39,212

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

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE PERIOD FROM 27 NOVEMBER 2007 TO 31 DECEMBER 2008

	Notes	For the period from 27 November 2007 to 31 December 2008 €
Profit for the period		39,212
Available-for-sale reserve:		
Gains from changes in fair value	18	9,320
Total recognised income and expense for the period		48,532

LARRAU INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 €
Current assets		
Available-for-sale investments	11	999,667
Loans and advances	12	5,144,835,960
Other receivables	13	6,960
Cash and cash equivalents	14	41,906
Total current assets		5,145,884,493
TOTAL ASSETS		5,145,884,493
Current liabilities		
Creditors falling due within one year	15	14,835,960
Total current liabilities		14,835,960
Net current assets		5,131,048,533
Non- current liabilities		
Borrowings	16	5,130,000,000
Total Non- current liabilities		5,130,000,000
NET ASSETS		1,048,533
SHAREHOLDERS' EQUITY		
Called up share capital	17	1,000,001
Retained earnings	19	39,212
Available-for-sale reserve	18	9,320
TOTAL SHAREHOLDERS' EQUITY	19	1,048,533

The accompanying notes form an integral part of these financial statements.

The financial statements and accompanying notes were approved by the Board of Directors on 17 July 2009.

Director
Date: 17 July 2009

LARRAU INVESTMENTS LIMITED

CASHFLOW STATEMENT FOR THE PERIOD FROM 27 NOVEMBER 2007 TO 31 DECEMBER 2008

	Notes	For the period from 27 November 2007 to 31 December 2008 €
NET CASH FROM (USED IN) OPERATING ACTIVITIES		
Cash from operating activities	5	30,004
Interest received		226,866,555
NET CASH FROM OPERATING ACTIVITIES		226,896,559
NET CASH FLOWS USED IN INVESTING ACTIVITIES		
Loan to parent undertaking		(5,130,000,000)
Purchase of available-for-sale securities	11	(1,978,099)
Proceeds from sale of available-for-sale securities	11	990,000
NET CASH USED IN INVESTING ACTIVITIES		(5,130,988,099)
NET CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from the issuance of ordinary share capital		1,000,001
Net proceeds from the issuance of preference share capital		5,130,000,000
Dividends paid		(226,866,555)
NET CASH FROM FINANCING ACTIVITIES		4,904,133,446
NET INCREASE IN CASH AND CASH EQUIVALENTS		41,906
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2008		41,906
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash in hand		41,906
		41,906

LARRAU INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

The financial statements are prepared for Larrau 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 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.

Larrau Investments Limited is a limited company incorporated in the Cayman Islands. The Company's registered office is:

Walker House
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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company are set out below.

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, as the Company's principal activities are undertaken in this 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").

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.

Fees and commissions
Fees and commissions are recognized in the income statement when the service is provided.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign Exchange
In preparing the financial statements, transactions denominated in foreign currencies have been translated into euros at average rates of exchange during the period. Monetary assets and liabilities in foreign currencies are translated into euros at rates of exchange ruling on the balance sheet date. All other exchange profits and losses, which arise from normal activities, are included in the income statement (except for qualifying cash flow hedges, hedges of net investments and non-monetary available for sale assets where they are recognised in equity).

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

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 recoverable by offset against current or future taxable profits.

Deferred tax is provided in full on temporary timing 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 realised or the deferred tax liability is settled.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the income statement together with the deferred gain or loss.

Loans and advances
Loans and advances are recorded on balance sheet according to the substance of the contractual arrangement entered into. Loans and advances 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, where there is objective evidence of impairment. Income is recognised in the profit and loss account on an accruals basis, using the effective interest rate which discounts estimated future cash flows through the life of the financial asset to that assets net carrying value.

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 with a maturity date of less than three months at the balance sheet date.

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 when the cumulative gain or loss is transferred to the income statement.

Investments where there is no readily available market valuation are recorded in the balance sheet at historical cost less any amounts that have been provided for to reflect diminutions in the value of the investment that are considered permanent, and recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES

Borrowings
Borrowings refer to preference shares issued by the Company and similar securities, 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 initial cost 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 is 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.

Determining fair value
The fair value of financial instruments is generally determined by reference to open market prices wherever possible. Where no such active market exists, the Company uses valuation techniques to arrive at fair value. These involve the use of market prices, calculating the expected cash flows under the terms of each specific contract, and discounting these back to their present value using an appropriate market based pricing model.

4. SEGMENTAL REPORTING

The Company has elected not to comply with the voluntary disclosure requirements of International Accounting Standard 14, and does not disclose segmental information, as such information is disclosed in the accounts of the parent company (see note 2).

5. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	For the period from 27 November 2007 to 31 December 2008 €
Profit for the period before taxation	39,212
Net increase in accrued interest received	(14,835,960)
Net increase in accrued preference dividend	14,835,960
Net increase in accrued interest received on available-for-sale investments	(2,248)
Net increase in group relief receivable	(6,960)
Net cash used in operating activities	30,004

LARRAU INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	For the period from 27 November 2007 to 31 December 2008 €
Interest receivable from parent undertaking	241,702,660
Interest on available-for-sale investments	39,300
	241,741,960

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	For the period from 27 November 2007 to 31 December 2008 €
Preference share dividends payable to group undertaking	241,702,515
Interest payable to group undertaking	174
	241,702,689

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

There were no employees employed by the Company during the period. Auditors' remuneration in 2008 was borne by Barclays Bank PLC. The fee that would otherwise have been charged to the Company amounts to €3,224. This amount has not been included as an expense in the financial statements.

9. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during the period.

10. TAXATION

Taxation charged to income statement

	For the period from 27 November 2007 to 31 December 2008 €
UK corporation tax	-
Tax on profit on ordinary activities	-

The tax charge is based on a blended tax rate of 28.5%. The effective UK corporation tax rate is lower than the standard rate due to the reasons explained below:

LARRAU INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TAXATION (continued)

	€
Profit on ordinary activities before taxation	39,212
Profit on ordinary activities multiplied by blended rate of corporation tax in the UK of 28.5%	11,175
Effect of:	
Non deductible dividend expense	68,885,217
Group relief claimed for no consideration	(68,896,392)
Current tax charged to the Income Statement	-

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. The tax charge is based on a blended rate of 28.5%. The effective UK corporation tax rate is lower than the blended rate due to the reasons explained below:

	For the period from 27 November 2007 to 31 December 200 €
Tax on fair value gain/(loss) on available-for-sale investments	2,656
Group relief claimed for no consideration	(2,656)
Current tax charged to Equity	-

11. AVAILABLE-FOR-SALE INVESTMENTS

	2008 €
Balance at Beginning of the period	-
Additions	1,978,099
Net proceeds on maturity	(990,000)
Revaluation surplus transferred to equity	9,320
Interest receivable on available-for-sale investment	2,248
Fair value of available-for-sale as at 31 December 2008	999,667

The investments above represent investments in overseas debt securities. The interest rate risk inherent in these debt securities is disclosed in note 21.

LARRAU INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. LOANS AND ADVANCES

	2008
	€
Amounts due from parent undertakings	5,130,000,000
Interest receivable from parent undertaking	14,835,960
	5,144,835,960

The fair value of the Company's loans and advances as at 31 December 2008 approximated the book value.

13. OTHER RECEIVABLES

	2008
	€
Group relief receivable	6,960
	6,960

14. CASH AND CASH EQUIVALENTS

	2008
	€
Cash held with group companies	41,906
	41,906

15. CREDITORS FALLING DUE WITHIN ONE YEAR

	2008
	€
Dividend payable on preference shares	14,835,960

16. BORROWINGS

The preference share liability detailed above consists of:

	2008 €
Authorised:	
5,130 preference shares of €1 each	5,130
	5,130
Allotted and fully paid:	
5,130 preference shares of €1 each	5,130
Share premium:	
5,130 preference shares of €999,999 each	5,129,994,870
	5,130,000,000

During 2007 the Company issued 5,130 preference shares respectively to 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.

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.

LARRAU INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. CALLED UP SHARE CAPITAL

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

1,000,001 ordinary shares were issued to another group 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.

18. AVAILABLE-FOR-SALE RESERVE

	2008
	€
As at 27 November 2007	-
Fair value gains on available-for-sale investments	9,320
As at 31 December 2008	9,320

The available-for-sale reserve records the gains and losses arising from changes in the fair value of the available-for-sale investments on the balance sheet. These gains and losses are included as a separate component of equity before they are transferred to the income statement on the disposal or maturity of the investment.

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008
	€
Profit for the period	39,212
Increase in shareholders' funds	39,212
Shares issued	1,000,001
Available-for-sale reserve	9,320
Opening shareholders' funds	-
Increase in shareholders' funds	1,048,533

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. RELATED PARTY TRANSACTIONS

Amounts payable and receivable to related parties are disclosed in notes 6 and 7. Balance sheet positions with related parties are reported in notes 12, 14 15 and 16. There have been no other transactions with related parties requiring disclosure in the accounts.

21. 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, 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 a mixture of long term and short term committed facilities, including financial support from the parent, Barclays 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:

The exposures faced by the Company at balance sheet date are given below:

	Preference shares in issue €	Total €
Financial liabilities repayable:		
- on demand	-	-
- not more than three months	14,835,960	14,835,960
- over three months but not more than one period	-	-
- over one period but not more than five periods	-	-
- over five periods	-	-
- non-redeemable	5,130,000,000	5,130,000,000
Total	5,144,835,960	5,144,835,960

The preference shares are reported as a financial liability as they pay a fixed rate of return. The shares are not redeemable by either the holder or the Company.

21. FINANCIAL RISKS (continued)

Credit risk

This is the risk that counterparties to the Company's financial assets may default. The Company assesses all counterparties 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.

Of the Company's assets €5,130m consists of deposits placed with its' parent Company, which is a subsidiary of Barclays Bank PLC. The Company has also invested in German Government Bonds ("Bunds") of €1m. The company's assets are of investment grade.

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, equity prices and foreign exchange rates

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 notional of the Company's interest bearing assets at period end is €5,130m. The €5,130m of loans pay a fixed rate of return. This matches the rate payable on the preference shares in issue. The Company has exposure to interest rate risk on its portfolio of bunds.

Interest rate sensitivity analysis

The sensitivity of the income statement is affected by changes in interest rates as it affects the net interest income for the period. The Company has floating rate interest rate risk on its financial assets of €997,419.

Impact on net interest income

The Company has considered the effect on interest of a 200 basis points change. This analysis has been performed by applying a 200 basis point change to the net outstanding principal of the interest bearing positions of €997,419. The impact would be as follows:

	+200 basis points 2008	-200 basis points 2008
Total	19,948	(19,948)
As a percentage of net interest income	50%	(50%)

Fair values

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. 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.

23. CAPITAL MANAGEMENT

The Company is required to follow 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 21).

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 and its preference shares in issue and ordinary share capital. The directors expect that the funds raised from the preference share issuance 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:

	2008
	EUR
Ordinary share capital	1,000,001
Preference share capital	5,130,000,000
Retained Earnings	39,212
Total capital resources	5,131,039,213