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**DARNAY NOUVEAU INVESTMENTS LIMITED**

**Report and Financial Statements**

**For the period from 22 October 2008 to 31 December 2009**

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COMPANIES HOUSE

**REGISTERED NUMBER (CAYMAN ISLANDS): WK218805**

**REGISTERED NUMBER (ENGLAND & WALES): FC028679**

## **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England & Wales FC028679

### **DIRECTORS' REPORT**

**For the period from 22 October 2008 to 31 December 2009**

The directors present their report together with the audited financial statements for the period from 22 October 2008 to 31 December 2009

#### **Review of business and future outlook**

The Company was incorporated in the Cayman Islands on 22 October 2008 and established as a branch in the United Kingdom on 28 October 2008

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 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 2009 the Company made a loss after taxation of £16,192,272. The directors do not recommend the payment of a dividend for the period ended 31 December 2009. As at 31 December 2009 the Company had net liabilities of £15,892,027.

#### **Going concern**

After reviewing the Company's performance and taking into account the support from Barclays Bank PLC, the directors are satisfied that the Company has adequate access to resources to enable them to meet its obligations and to continue in operational existence for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing these financial statements.

#### **Financial instruments**

Barclays financial risk management objectives and policies, which are followed by the Company, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in note 21 'Financial Risks'.

#### **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 may occur (or have occurred) in connection with their duties, powers or office.

## **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England & Wales. FC028679

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

For the period from 22 October 2008 to 31 December 2009

#### **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

R Chandra (appointed 24 October 2008)  
R Craine (appointed 24 October 2008)  
E Khairov (appointed 24 October 2008)  
S Hawarth (appointed 24 October 2008 and resigned 1 May 2009)  
H Watson (appointed 7 May 2009)

#### **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 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 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

## DARNAY NOUVEAU INVESTMENTS LIMITED

Registered Number in England & Wales FC028679

### DIRECTORS' REPORT (continued)

For the period from 22 October 2008 to 31 December 2009

#### 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

A handwritten signature in black ink, appearing to be 'R. Craine', written over a horizontal line.

Director

Name **R. CRAINE**

Date 2 November 2010

For and on behalf of Darnay Nouveau Investments Limited

## **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England & Wales. FC028679

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

We have audited the financial statements of Darnay Nouveau Investments Limited for the period ended 31 December 2009 which comprise 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 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, as applicable to overseas companies. We also report to you 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.

## DARNAY NOUVEAU INVESTMENTS LIMITED

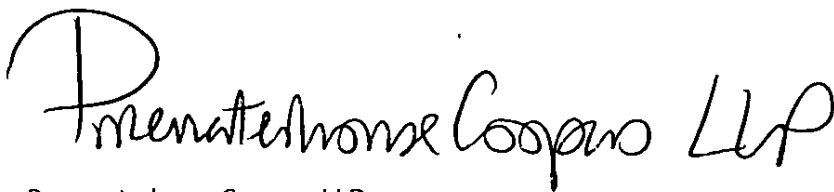
Registered Number in England & Wales. FC028679

### INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF DARNAY NOUVEAU INVESTMENTS 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 loss 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

A large, stylized handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom

Date

12 November 2010

**DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England &amp; Wales FC028679

**INCOME STATEMENT FOR THE PERIOD FROM 22 OCTOBER 2008 TO 31 DECEMBER 2009**

	Notes	For the period from 22 October 2008 to 31 December 2009
		£
<b>Continuing operations:</b>		
Interest receivable and similar income	5	48,957
Interest payable and similar expenses	6	(150,487,654)
Net interest expense		<u>(150,438,697)</u>
Income from shares in group undertakings	7	129,205,786
Fair value gains and losses from derivative financial instruments reported at fair value through profit and loss	15	4,915,756
Other income	8	124,883
Loss on ordinary activities before taxation	9	<u>(16,192,272)</u>
Taxation	12	-
Loss for the period		<u><u>(16,192,272)</u></u>

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

# **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number In England & Wales FC028679

## **STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE PERIOD FROM 22 OCTOBER 2008 TO 31 DECEMBER 2009**

	For the period from 22 October 2008 to 31 December 2009 £
Available-for-sale reserve:	
Fair value gain on available-for-sale assets	244
Tax relating to components of other comprehensive income	(68)
Group relief for nil consideration	68
	<hr/> 244
	<hr/>
Loss for the period	(16,192,272)
	<hr/>
Total Comprehensive loss for the period	(16,192,028)
	<hr/>

**DARNAY NOUVEAU INVESTMENTS LIMITED**

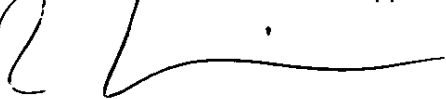
Registered Number In England &amp; Wales FC028679

**BALANCE SHEET AS AT 31 DECEMBER 2009**

	Notes	31 December 2009 £
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in subsidiaries	13	3,047,000,002
<b>Current assets</b>		
Available-for-sale investments	14	967,592
Loans and advances	15	4,832,485
Cash in hand	16	46,155
<b>Total current assets</b>		5,846,232
<b>TOTAL ASSETS</b>		3,052,846,234
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	17	3,068,738,261
<b>Total current liabilities</b>		3,068,738,261
<b>NET CURRENT LIABILITIES</b>		(3,062,892,029)
<b>NET LIABILITIES</b>		(15,892,027)
<b>SHAREHOLDERS' EQUITY</b>		
Called up share capital	18	300,001
Retained earnings		(16,192,272)
Available-for-sale reserve		244
<b>TOTAL SHAREHOLDERS' EQUITY</b>		(15,892,027)

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

The financial statements were approved by the Board of Directors on 2 November 2010



Director

Name **R CRANE**

Date 2 November 2010

**DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England &amp; Wales FC028679

**STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD FROM 22 OCTOBER 2008 TO 31 DECEMBER 2009**

	Share capital £	Available-for- sale reserve £	Retained earnings £	Total equity £
Balance brought forward	-	-	-	-
Issue of ordinary share capital	300,001	-	-	300,001
Net loss for the period	-	-	(16,192,272)	(16,192,272)
Gain on available for sale investments	-	244	-	244
	<hr/>	<hr/>	<hr/>	<hr/>
Balance carried forward	300,001	244	(16,192,272)	(15,892,027)
	<hr/>	<hr/>	<hr/>	<hr/>

**DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England &amp; Wales FC028679

**CASHFLOW STATEMENT FOR THE PERIOD FROM 22 OCTOBER 2008 TO 31 DECEMBER 2009**

	Notes	For the period from 22 October 2008 to 31 December 2009 £
CASH FLOWS FROM OPERATING ACTIVITIES	19	124,883
Interest received		77,976
Dividend received		129,205,786
Interest paid		(129,449,393)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>(40,748)</b>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of preference shares		(174,007,727)
Redemption of preference shares by subsidiary		177,344,314
Capital contribution in subsidiary		(88,000,000)
Purchase of ordinary shares in subsidiaries		(2,959,000,002)
Loans and advances		(4,827,875)
Purchase of available-for-sale securities		(1,989,977)
Maturity of available-for-sale securities		989,000
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(3,049,492,267)</b>
CASH FROM FINANCING ACTIVITIES		
Issue of ordinary share capital		300,001
Issue of preference share capital		2,700,000
Loans from subsidiaries		3,223,923,483
Repayment of loan from group company		(177,344,314)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>3,049,579,170</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>46,155</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>		<b>-</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>		<b>46,155</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash in bank with group undertaking		46,155
		<b>46,155</b>

# **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England & Wales FC028679

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 REPORTING ENTITY**

The financial statements are prepared for Darney Nouveau 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"), and accordingly consolidated financial statements have not been prepared for Darney Nouveau Investments Limited

Darney Nouveau 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  
KY1-9005  
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.

### **3. 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 Pound Sterling, as the Company's principal activities are undertaken in this currency.

#### **Going concern**

After reviewing the Company's performance and taking into account the support from Barclays Bank PLC, the directors are satisfied that the Company has adequate access to resources to enable them to meet its obligations and to continue in operational existence for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing these financial statements.

## **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number In England & Wales: FC028679

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

#### **3. 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.

##### **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.

##### **Dividends from investment in subsidiaries**

Dividend income is recognised in the income statement on the date the Company becomes entitled to receive a dividend under a contractual agreement.

##### **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.

##### **Foreign exchange**

Foreign currency transactions are translated into Sterling using the average rates of exchange during the period.

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.

## **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England & Wales: FC028679

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

#### **3. ACCOUNTING POLICIES (continued)**

##### **Investments in subsidiaries**

Investments in subsidiaries are recorded in the balance sheet at 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. Any impairment in the value of the investment is recognised in the income statement.

##### **Financial instruments at fair value through profit or loss**

Financial instruments (assets and liabilities) are classified in this category if they are held for trading or if they are designated as such under the fair value option. Instruments are classified as held for trading if they are:

- a) acquired principally for the purposes of selling or repurchasing in the near term,
- b) part of a portfolio identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking, or
- c) a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the income statement. They are subsequently held at fair value with gains and losses arising from changes in fair value are included directly in the income statement.

##### **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.

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

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 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.

## **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England & Wales FC028679

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

#### **3. ACCOUNTING POLICIES (continued)**

##### **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.

The following fair value classifications are used when determining the fair value of assets and liabilities in the financial risks note:

##### **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.

##### **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.

##### **Borrowings**

Borrowings refer to redeemable preference shares issued and amounts borrowed by the Company. They 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. They are initially recognized at fair value including direct and incremental transaction costs and are subsequently measured at amortised cost. They are derecognised when the liability is extinguished.

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

The redeemable preference shares issued by the Company have been classified as a compound financial instrument in accordance with IAS 32 and are being split into their debt and equity components.

## **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number In England & Wales: FC028679

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

#### **3. ACCOUNTING POLICIES (continued)**

##### **Hedge accounting**

The Company formally documents the relationship between the hedging instrument and the hedged item as well as its risk management objectives and its strategy for undertaking the hedging transactions. The Company assesses at inception, and on an on-going basis, whether the derivative being used in the hedging transaction is highly effective in offsetting changes in the fair value of the hedged item.

In certain circumstances the Company may decide to cease hedge accounting even though the hedge relationship continues to be highly effective by no longer designating the financial instrument as a hedging instrument.

##### *Fair value hedge accounting*

Changes in the fair value of money market instruments that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, it is discontinued and the fair value adjustment, cumulatively made to the carrying value of the hedged item is, for items carried at amortised cost, amortised over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

##### **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.

##### **Cash and cash equivalents**

For the purposes of the cash flow statement, cash comprises cash on hand, demand deposits, and cash equivalents. 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.

##### **Consolidated financial statements**

The financial statements contain information about Darnay Nouveau Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. International Accounting Standard 27 Consolidated and Separate Financial Statements, provides an exemption in paragraph 41 from the requirement to prepare consolidated financial statements which the Company has elected to apply. Darnay Nouveau Investments Limited is a wholly owned subsidiary of Barclays PLC and its results including those of its subsidiaries are consolidated in the financial statements of its parent. Barclays PLC is a Company registered in England and Wales.

## **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number In England & Wales FC028679

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

#### **3. ACCOUNTING POLICIES (continued)**

##### **Future accounting developments**

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods, but have not been adopted. They are not expected to result in significant changes to the Company's accounting policies.

- Embedded derivatives Amendments to IFRIC 9 and IAS 39
- Eligible Hedged Items (an amendment to IAS 39)
- IAS 24 Related Party Disclosures
- IFRIC 19 – Extinguishing financial liabilities with equity instruments
- Improvements to IFRS 2008
- Improvements to IFRS 2009

IFRS 9 'Financial Instruments Classification and Measurement' was published on 12 November 2009. It is the first phase of a project to replace IAS 39 and will ultimately result in fundamental changes in the way that the Company's accounts for financial instruments. Adoption of the standard is not mandatory until accounting periods beginning on or after 1st January 2013 but early adoption is permitted. However, it is not available for adoption in the EU until it has been endorsed.

The main differences from IAS 39 are as follows:

- All financial assets, except for certain equity investments, would be classified into two categories: amortised cost, where they generate solely payments of interest and principal and the business model is to collect contractual cash flows that represent principal and interest, or fair value through profit or loss.
- Certain non-trading equity investments would be classified at fair value through profit or loss or fair value through other comprehensive income with dividends recognised in net income.
- Embedded derivatives are no longer considered for bifurcation but are included in the assessment of the cash flows for the classification of the financial asset as a whole.
- Financial assets which meet the requirements for classification at amortised cost are optionally permitted to be measured at fair value if that eliminates or significantly reduces an accounting mismatch.
- Reclassifications are required, if and only if, there is a change in the business model.

Aspects of financial instrument accounting which will be addressed in future phases of the project include the accounting for financial liabilities, impairment of amortised cost financial assets and hedge accounting. The entity is assessing the impacts of the first phase in the project, as well as following developments in the future phases.

#### **4. SEGMENTAL REPORTING**

The Company has elected not to comply with the voluntary disclosure requirements of IFRS 8, and does not disclose segmental information.

**DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number In England &amp; Wales FC028679

**NOTES TO THE FINANCIAL STATEMENTS (continued)****5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	For the period from 22 October 2008 to 31 December 2009 £
Interest receivable on available-for-sale investments	13,440
Interest receivable from the parent company	35,517
	<hr/> 48,957 <hr/>

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	For the period from 22 October 2008 to 31 December 2009 £
Interest payable to subsidiaries	150,487,654
	<hr/> 150,487,654 <hr/>

**7. INCOME FROM SHARES IN SUBSIDIARIES**

	For the period from 22 October 2008 to 31 December 2009 £
Dividend from shares in subsidiaries	129,205,786
	<hr/> 129,205,786 <hr/>

## **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England & Wales FC028679

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

#### **8 OTHER INCOME**

During the period the period, the Company acquired Euro denominated preference shares in its subsidiary undertaking, Aspin Nouveau Investments Limited. The Company borrowed Euro denominated funding to fund the acquisition. The borrowings were designated as a fair value hedge of the preference shares acquired. Details of the hedging relationship are included in foreign exchange gains and losses within the income statement and are as follows:

	For the period from 22 October 2008 to 31 December 2009 £
Foreign exchange gains not designated in a fair value hedge	124,883
Foreign exchange gains / (losses) designated in a fair value hedge	
Hedged item - preference shares purchased (note 14)	(1,579,169)
Hedging instrument – borrowings (note 16)	1,579,169
	<hr/>
	124,883

#### **9. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

The audit fee is borne by another group company. Although the audit fee is borne by another group company, the fee that would have been charged to the Company amounts to £6,000 for the period. This fee is not recognised as an expense in the financial statements.

#### **10. DIRECTORS' EMOLUMENTS**

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

#### **11. STAFF COSTS**

There were no employees employed by the Company during the period ended 31 December 2009.

# DARNAY NOUVEAU INVESTMENTS LIMITED

Registered Number in England & Wales. FC028679

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. TAXATION

For the period  
from 22 October  
2008 to 31  
December 2009

	£
UK corporation tax	-
Tax on loss on ordinary activities	-

The UK corporation tax charge is based on the UK corporation tax rate of 28%. The effective tax rate is lower than the standard tax rate as a result of non-taxable items and group relief

An analysis of the tax charge on items charged directly to equity is as follows -

For the period  
from 22 October  
2008 to 31  
December 2009

	£
Tax on fair value gains from	
- available-for-sale investments	68
- group relief for nil consideration	(68)
	-

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

For the period from 22 October 2008 to 31 December 2009

	Before Tax Amount £	Tax charge £	Net of tax amount £
Available for sale assets	244	(68)	176
Group relief for nil consideration	-	68	68
	244	-	244

**DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England &amp; Wales FC028679

**NOTES TO THE FINANCIAL STATEMENTS (continued)****12. TAXATION (continued)**

For the period  
from 22 October  
2008 to 31  
December 2009

	£
Loss on ordinary activities before taxation	(16,192,272)
Loss on ordinary activities multiplied by the rate of corporation tax in the UK of 28%	4,533,836
Effect of	
Non taxable dividend income	36,177,620
Non taxable foreign exchange loss hedged item ( note 21)	(442,167)
Non taxable foreign exchange gains hedging instruments (note 21)	442,167
Group relief surrendered for nil consideration	(40,711,456)
Current tax charge	-

**13. INVESTMENT IN SUBSIDIARIES**

31 December 2009

	£
Additions	3,047,000,002
Balance carried forward	3,047,000,002

Name of subsidiary	Country of incorporation or residence	Type of shares	Nature of business	No of shares	Proportion of ownership held (%)	Proportion of voting power held (%)	Capital contribution	Tota
Aspin Nouveau Investments Limited	Cayman Islands	Ordinary £1	Investment company	2,959	100%	100%	(a) 88,000,000	3,046,000,001
Ballon Nouveau Investments Limited	Cayman Islands	Ordinary £1	Investment company	1,000,001	100%	100%	-	1,000,001
								3,047,000,002

## DARNAY NOUVEAU INVESTMENTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 13. INVESTMENT IN SUBSIDIARIES (continued)

- (a) Capital contributions of £88,000,000, provided by the Company to its subsidiaries are recognised in the financial statements as an increase in the carrying value of the investment in subsidiary, which took place on the 4 November 2008

The investments in subsidiaries are carried at cost

#### 14. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December 2009 £
At 22 October 2008	-
Additions	1,989,977
Amortisation of premium	(36,754)
Revaluation surplus transferred to equity	244
Accrued interest adjustment	3,125
Net proceeds on maturity	(989,000)
At 31 December 2009	967,592

The investments listed above represent investments in UK debt securities. The credit risk in these debt securities is disclosed in note 21.

## DARNAY NOUVEAU INVESTMENTS LIMITED

Registered Number In England & Wales FC028679

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 15. LOANS AND ADVANCES

	As at 31 December 2009 £
Amounts due from parent company	4,832,485
	<hr/>
	4,832,485

On 17 December 2008, the Company acquired 150 €1 Euro denominated preference shares in its subsidiary Aspin Nouveau Investments Limited ("Aspin") under a forward contract (see note 20) These preference shares were redeemed by Aspin on 22 January 2009 at par This resulted in the Company recognising a foreign exchange gain of £468,630

On 24 March 2009, the Company acquired 150 €1 Euro denominated preference shares in its subsidiary Aspin Nouveau Investments Limited ("Aspin") under a forward contract (see note 20) These preference shares were redeemed by Aspin on 2 April 2009 at par This resulted in the Company recognising a foreign exchange loss of £1,902,546

On 10 June 2009, the Company acquired 150 €1 Euro denominated preference shares in its subsidiary Aspin Nouveau Investments Limited ("Aspin") under a forward contract (see note 20) These preference shares were redeemed by Aspin on 29 June 2009 at par This resulted in the Company recognising a foreign exchange loss of £145,253

The Company entered into Euro denominated funding to hedge the foreign exchange exposure inherent in the preference shares it acquired The funding was designated as a fair value hedge of the foreign exchange differences arising on the preference shares See note 7 for more detail

The fair value of the Company's loans and advances approximates the carrying value Additional details in respect of the Company's loans and advances are detailed in note 21

#### 16. CASH IN HAND

	As at 31 December 2009 £
Cash in bank with group undertaking	46,155
	<hr/>

#### 17. BORROWINGS

	As at 31 December 2009 £
Borrowings from subsidiary undertaking	3,066,038,261
Preference shares issued to the parent company	2,700,000
	<hr/>
	3,068,738,261

## **DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England & Wales. FC028679

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

#### **17. BORROWINGS (continued)**

Borrowings from the subsidiary comprise principal loans of £425,000,000 and £2,620,000,000 at fixed interest rates of 3.1858% and 4.5365% respectively. The loans both have contractual maturity dates of 4 November 2013. Under the terms of the loan, the Company can be required to repay the loan by the lender on 1 days notice.

The fair value of the borrowings from subsidiary undertaking at 31 December 2009 was £3,182,436,377. The fair value of the preference shares in issue approximates the carrying value.

The Company has issued preference shares as follows:

	As at 31 December 2009 £
<b>Authorised:</b>	
2,700 Preference Shares of £ 1 each	2,700
<b>Allotted and fully paid:</b>	
2,700 Preference Shares of £1 each	2,700
<b>Share premium:</b>	
2,700 Preference Shares of £999 each	2,697,300
	<u>2,700,000</u>

The holders of the Preference Shares are not entitled to vote at general meetings of the Company. The holders of the Preference Share are entitled to a dividend only as determined by the unanimous consent of the Directors in their absolute discretion by reference to the funds of the Company lawfully available for distribution.

The Preference Shares may be redeemed by either the Company or the holder at any time upon the serving of a redemption notice of at least two business days. On redemption, the holder will receive the initial par value and share premium of the preference shares. 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 holders of the Preference Shares are not entitled to participate in the distribution of any surplus assets of the Company.

The Preference Shares are held by the parent company.

The fair value of the Company's preference shares approximates the carrying value.

**DARNAY NOUVEAU INVESTMENTS LIMITED**  
Registered Number in England & Wales. FC028679  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18. CALLED UP SHARE CAPITAL**

	As at 31 December 2009 £
<b>Authorised.</b>	
300,001 Ordinary Shares of £1 each	300,001
	<hr/>
<b>Allotted, called-up and fully paid:</b>	
300,001 Ordinary Shares of £1 each	300,001
	<hr/>
	<u>300,001</u>

During the period ended 31 December 2009, the Company issued 300,001 Ordinary Shares Barclays Bank Plc 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

**19. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

	For the period from 22 October 2008 to 31 December 2009 £
Loss on ordinary activities before taxation	(16,192,272)
Interest receivable and similar income	(77,975)
Amortisation of premium	36,754
Interest payable and similar expenses	129,449,393
Increase in interest accrual	21,030,525
Dividend income	(129,205,786)
Fair value gains	(4,915,756)
	<hr/>
Net cash from operating activities	<u>124,883</u>

## DARNAY NOUVEAU INVESTMENTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 20. 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 Plc 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, 6, 10, 12, 13, 15, 16 and 17

#### 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 operate within the requirements of the Barclays Group risk management policies. These policies include specific guidelines on the management of foreign exchange, interest rate and credit risks, and advise on the use of financial instruments to manage them and comply with the requirements. The risks are managed on a portfolio basis and are identified on an exceptions 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 has the financial support of the parent undertaking Barclays Bank PLC, it also maintains banking facilities with Barclays Bank PLC. These facilities are designed to ensure the Company has sufficient available funds for operations.

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: - not more than three months	3,068,738,261	3,068,738,261
Total	3,068,738,261	3,068,738,261

##### 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. The company's assets are of investment grade.

The Company's maximum exposure to credit risk is detailed in the table below. The exposure does not include any collateral or other credit risk mitigants which reduce the Company's exposure.

**DARNAY NOUVEAU INVESTMENTS LIMITED**

Registered Number in England &amp; Wales: FC028679

**NOTES TO THE FINANCIAL STATEMENTS (continued)****21. FINANCIAL RISKS (continued)****Credit risk (continued)**

	Available for sale investments £	Loans and advances £	Total £
Carrying value	967,592	4,832,485	5,800,077
Total	967,592	4,832,485	5,800,077

**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 Company is not exposed to interest rate risk as its interest bearing financial assets and financial liabilities carry fixed rates of interest

**Interest rate sensitivity analysis**

The sensitivity of the income statement is the effect of assumed changes in interest rates on the net interest income for one period, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2009. The Company has no floating rate non-trading financial assets or financial liabilities and consequently no interest rate sensitivity analysis is presented

***Foreign currency risk***

During the period ended 31 December 2009, the Company entered into a series of cash settled forward sale agreements to buy Euro denominated redeemable preference shares in Aspin Nouveau from a third party. Each purchase of preference shares was financed with borrowings from Aspin Nouveau through forward sale loan agreements.

The borrowings were designated as the hedging instrument of the preference shares in a fair value hedge of the Company's exposure to foreign currency risk.

The total exchange gain on the forward sale loan agreements was £1,579,169 and the total exchange loss on the cash settled forward sale agreements was £1,579,169.

The Company has no exposure to foreign currency assets or liabilities as at 31 December 2009.

## DARNAY NOUVEAU INVESTMENTS LIMITED

Registered Number in England & Wales FC028679

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 21. FINANCIAL RISKS (continued)

##### Fair values of financial instruments

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

##### Valuation methodology

The table below shows the Company's financial assets and liabilities 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 are found in Note 3.

	As at 31 December 2009
	Level 1
	£
Financial assets	
Available for sale investments	
- Investments in Bonds	967,592

#### 22. CAPITAL MANAGEMENT

The Company is required to operate within the risk management policies of Barclays Bank PLC, its immediate 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 23).

The board of directors is responsible for capital management and ensure that the Company operates within the Barclays Group risk framework.

The Company regards as capital its equity share capital and redeemable preference shares in issue. 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.

## DARNAY NOUVEAU INVESTMENTS LIMITED

Registered Number In England & Wales FC028679

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 22. CAPITAL MANAGEMENT (continued)

	31 December 2009 £
Ordinary share capital	300,001
Total Equity	300,001
Preference Shares	2,700,000
Total capital resources	3,000,001

#### 23. ULTIMATE HOLDING COMPANY

Barclays Bank Plc is the parent undertaking and controlling party. 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 that presents group accounts is Barclays PLC. Both companies are incorporated in Great Britain and registered in England. Barclays Bank PLC's and Barclays PLC's statutory accounts are available for public use from the Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP.