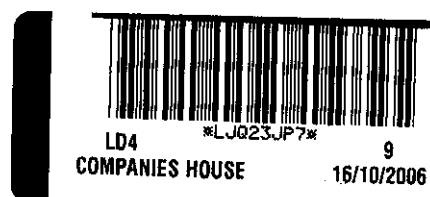


# **MENLO INVESTMENTS LIMITED**

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

**REGISTERED NUMBER: 03479178**



# **MENLO INVESTMENTS LIMITED**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2005**

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

### **Review of business**

The principal activity of the Company is to act as an investment company. No significant change in this activity is envisaged in the foreseeable future.

### **Results and Dividends**

During the year the Company made a profit after taxation of £2,321,893 (2004: £2,202,345). The directors do not recommend the payment of a dividend (2004: £nil).

### **Directors**

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

D Hackett (resigned 31 March 2005)  
S E Turnill (resigned 1 April 2005)  
J E F Corswarem (appointed 11 May 2005)  
N S Dhillon (appointed 11 May 2005)  
S S Haworth  
E J Kendall

### **Directors' Interests in Shares (as defined by section 325 the Companies Act 1985)**

The directors have no interests in the shares of the Company. The directors of the Company are also directors of Barclays Directors Limited and their interests in the ordinary shares of Barclays PLC, the ultimate holding company are disclosed in the accounts of that company.

### **Derivatives and financial instruments**

The Company's directors are required to follow the requirements of the Barclays Group risk management policies, which includes specific guidelines on the management of foreign exchange and interest rate risks and advises on the use of financial instruments to manage them. Barclays Group risk management policies can be found in the financial statements of Barclays Bank PLC (see note 16). The Company has entered into put options with third parties. Details of these options are given in note 14.

# **MENLO INVESTMENTS LIMITED**

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

**For the year ended 31 December 2005**

### **Going Concern**

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

### **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 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.

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**

On 14 October 1998 an Elective Resolution was passed by the shareholders of the Company pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint Auditors annually. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

**BY ORDER OF THE BOARD**



E Kendall  
Director

25 May 2006

# **MENLO INVESTMENTS LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED**

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

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

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the *Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.*

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

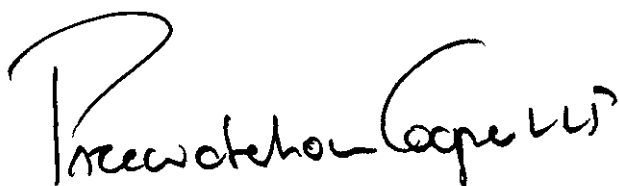
## MENLO INVESTMENTS LIMITED

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

#### Opinion

In our opinion the financial statements:

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

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", is written over the printed name of the firm.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom

25 May 2006

# MENLO INVESTMENTS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £ (Restated)
Administrative expenses		1	(10,276)
Operating profit/(loss)		1	(10,276)
Interest receivable from group undertakings	4	32,922,641	32,821,644
Interest payable and similar charges	5	(35,817,454)	(35,876,961)
Loss on ordinary activities before tax	6	(2,894,812)	(3,065,593)
Tax credit on loss on ordinary activities	7	5,216,705	5,267,938
Profit on ordinary activities after taxation		2,321,893	2,202,345
Retained profit brought forward		7,837,589	5,635,244
Retained profit carried forward		10,159,482	7,837,589

All recognised gains and losses are included in the profit and loss account. Operating profit/(loss) is derived from continuing activities. There is no difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis. The notes to the accounts form an integral part of these financial statements.

# MENLO INVESTMENTS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	2004 £
FIXED ASSETS	8	365,275,931	365,275,931
CURRENT ASSETS			
DEBTORS: Amounts falling due within one year	9	325,120,989	18,240,677
DEBTORS: Amounts falling due after more than one year	9	-	304,500,000
CREDITORS: amounts falling due within one year	10	(670,187,436)	(1,129,017)
NET CURRENT ASSETS		(345,066,447)	321,611,660
TOTAL ASSETS LESS CURRENT LIABILITIES		20,209,484	686,887,591
CREDITORS: Amounts falling due after more than one year	11	-	(669,000,000)
NET ASSETS		20,209,484	17,887,591
CAPITAL AND RESERVES			
Called up share capital	12	10,050,002	10,050,002
Profit and loss account		10,159,482	7,837,589
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	20,209,484	17,887,591

A reconciliation of movement in shareholders' funds is given in note 13.

Notes 1 to 16 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 25 May 2006.



E Kendall  
Director

# **MENLO INVESTMENTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards of the Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

#### **Revenue Recognition**

*Dividend income is recognised in the profit and loss account either on the dividend declaration date, or on the date the Company becomes obligated to receive a dividend under a contractual agreement. Interest income and expense is recognised on an accruals basis.*

#### **Foreign Exchange**

Assets and liabilities in foreign currencies are translated into Sterling at the exchange rate ruling at the balance sheet date except where rates of exchange are fixed under contractual arrangements. Trading results denominated in foreign currencies are translated into Sterling at average rates of exchange during the year unless a contracted rate applied. All other exchange profits and losses, which arise from normal trading activities, are included in the profit and loss account.

#### **Taxation**

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

#### **Investments**

Equity shares are stated at cost less any provision for impairment. Investment securities are intended for use on a continuing basis by the Company and have been identified as such.

#### **Consolidated financial statements**

The financial statements contain information about Menlo Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is included by full consolidation in the consolidated financial statements of its parent, Barclays Bank PLC, a company registered in England and Wales.

#### **Change in Accounting Policy**

During the financial year, the Company adopted the requirements of 'Financial Reporting Standard 25 'Financial instruments: Disclosure and Presentation''. The fixed asset investments in respect of the redeemable shares held by the Company have been reclassified from an investment in a subsidiary to an investment in subsidiaries preference shares, reflecting the change in treatment from equity to debt in the subsidiaries accounts. The prior period balances have been restated on a consistent basis. This has resulted £304,500,000 being reclassified in the 2004 balance sheet from investment in subsidiaries to investment in subsidiaries preference shares. The income received on the preference shares of £14,494,200 has been reclassified from income receivable from shares in subsidiary undertakings to income from fixed asset investments.



# MENLO INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. ACCOUNTING POLICIES (continued)

#### Derivative financial instruments

The Company is party to a put option. Derivative financial instruments are accounted for on an accruals basis in line with the underlying assets or liabilities. Income and expense is taken to the same line in the profit and loss account as the underlying asset or liability.

### 2. CASH FLOW STATEMENT

The Company's ultimate holding company has adopted the provisions of Financial Reporting Standard 1 ("FRS 1") revised 1996, Cash Flow Statements. Accordingly the Company, which is a wholly owned subsidiary of Barclays Bank PLC, has elected to utilise the exemption provided in FRS 1 not to produce a cash flow statement.

### 3. DIRECTORS' EMOLUMENTS

The Directors did not receive any emoluments in respect of their services to the Company during 2005 or 2004.

### 4. INTEREST RECEIVABLE FROM GROUP UNDERTAKINGS

	2005 £	2004 £ (Restated)
<i>Interest receivable from group undertakings</i>	18,428,441	18,327,444
Dividends receivable from investment in subsidiaries preference shares	14,494,200	14,494,200
	<u>32,922,641</u>	<u>32,821,644</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Interest payable to subsidiary undertakings	21,323,254	21,382,761
Interest payable under sale and put option agreement (see note 8)	14,494,200	14,494,200
	<u>35,817,454</u>	<u>35,876,961</u>

# MENLO INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £	2004 £
Profit on ordinary activities before taxation is stated after charging: -		
Auditors' remuneration	-	3,258

The audit fee for the year ending 2005 has been borne by the ultimate parent undertaking, Barclays Bank PLC. There were no employees employed by the Company during 2005 or 2004.

### 7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2005 £	2004 £
UK Corporation Tax	5,216,705	5,267,938
Tax credit on loss on ordinary activities	5,216,705	5,267,938

The tax credit is based on a standard UK Corporation Tax rate of 30%. The effective tax rate differs from the standard tax rate as a result of non-taxable items. These differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before tax	2,894,812	3,065,593
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	868,444	919,678
Effects of:		
Non-taxable UK dividend income	4,348,261	4,348,260
Current tax credit for the period	5,216,705	5,267,938

# MENLO INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. FIXED ASSETS

	Investment in subsidiaries preference shares £ (Restated)	Investment in subsidiary undertakings £ (Restated)	Total £
Cost at 1 January 2005	304,500,000	60,775,931	365,275,931
Cost at 31 December 2005	<u>304,500,000</u>	<u>60,775,931</u>	<u>365,275,931</u>

Investment in subsidiary undertakings represents the ordinary shares of the Company's subsidiaries Romintco Investments BV ('Romintco'), Bramley Landing Limited, Phippen Island Investments Limited, and Core Investments (Cayman) Limited. The share holdings of these entities are detailed below:

Subsidiary undertaking	Country of incorporation	Nature of business	Equity capital held
Bramley Landing Limited (formerly Gallaher (C.I.) Limited)	Cayman Island	Investment company	100%
Core Investments (Cayman) Limited	Cayman Island	Investment company	100%
Phippen Island Investments Limited	Cayman Island	Investment company	100%
Romintco Investments B.V.	Netherlands	Investment company	100%

In the opinion of the directors, the value of the Company's investments in its subsidiary undertakings is not less than the amount stated in the balance sheet.

The Company also holds 5 preference shares of €2,000 nominal value issued by its subsidiary undertaking, Romintco Investments BV. On 19 December 2000, the Company sold the Preference Shares issued by Romintco to a third party investor for value as at 22 December 2000. On the same date, the Company entered into a put option agreement with the third party investor over the Preference Shares. Since it is anticipated that the third party investor will exercise the put option in due course, the Preference Shares have not been derecognised and continue to be shown as an investment while recognising the amount payable under the put option as a creditor (see notes 10 & 11).

The terms of the put option allow the third party investor to sell the Preference Shares to the Company at anytime until 19 November 2006, and in certain circumstances between 19 November 2006 and 19 December 2007. The strike price of the put option is £304,500,000 plus accrued but unpaid dividends.

# MENLO INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. DEBTORS: Amounts falling due within one year

	2005 £	2004 £
Amounts owed by group undertakings	319,421,144	12,489,597
Group relief receivable	5,216,705	5,267,940
Amounts owed by subsidiary undertakings	483,140	483,140
	<u>325,120,989</u>	<u>18,240,677</u>

### DEBTORS: Amounts falling due after more than one year

	2005 £	2004 £
Amounts owed by group undertakings	-	304,500,000
	<u>-</u>	<u>304,500,000</u>

Barclays Bank PLC assumed joint and several liability for the payment obligations of the Company under the put option agreement with the third party investor and the Company. The Company has agreed to counter indemnify Barclays Bank PLC for such obligations.

In December 2000, the Company placed £304,500,000 into a deposit account which is charged to Barclays Bank PLC in support of the counter indemnity obligations.

### 10. CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Amounts due to subsidiary undertakings	365,201,038	642,619
Amounts due under sale and put option agreement	304,983,140	483,140
Amounts owed to group undertakings	3,258	3,258
	<u>670,187,436</u>	<u>1,129,017</u>

### 11. CREDITORS: Amounts falling due after more than one year

	2005 £	2004 £
Amounts due under sale and put option agreement	-	304,500,000
Amounts due to subsidiary undertakings	-	364,500,000
	<u>-</u>	<u>669,000,000</u>

## MENLO INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 12. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised: 28,000,000 ordinary shares of £1 each	28,000,000	28,000,000
Allotted and fully paid: 10,050,002 ordinary shares of £1 each	10,050,002	10,050,002

#### 13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit for the financial year	2,321,893	2,202,345
Opening shareholders' funds	17,887,591	15,685,246
Closing shareholders' funds	20,209,484	17,887,591

#### 14. DERIVATIVES AND FINANCIAL INSTRUMENTS

The Company has written a put option with a third party over the preference shares issued by its subsidiary companies. Details of the written put option are given in note 8. The fair value of the derivative as at 31 December 2005 is negligible.

#### 15. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under the provisions of Financial Reporting Standard 8 ("FRS 8"), Related Party Disclosures not to disclose transactions with other group companies since the Company is a wholly owned subsidiary of Barclays Bank PLC, the consolidated financial statements of which are publicly available. There have been no transactions with related parties requiring disclosure in either 2005 or 2004.

#### 16. PARENT UNDERTAKING AND ULTIMATE HOLDING COMPANY

The parent undertaking of the smallest group that presents group accounts is Barclays Bank PLC. The ultimate parent company and controlling party is Barclays PLC, which is the parent company of the largest group that presents group accounts. Barclays Bank PLC's and Barclays PLC's statutory accounts are available from the Barclays Corporate Secretariat at 1 Churchill Place, London E14 5HP.