

MENLO INVESTMENTS LIMITED

Report and Financial Statements For the year ended 31 December 2007



REGISTERED NUMBER IN ENGLAND & WALES: 03479178

MENLO INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007

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 performance to be in line with the current year.

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

During the year the Company repaid a loan of £304,500,000 to Romintco Investments B V and the share premium attached to the Romintco B V preference shares was repaid to the Company.

During the year the Company issued £393,465,249 redeemable preference shares to a fellow group undertaking. The Company also purchased redeemable preference shares in two fellow group undertakings of £393,456,249.

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

Results and Dividends

During the year the Company made a profit after taxation of £4,528,464 (2006 £496,516). The directors declared and paid an ordinary dividend of £15,412,000 during the year (2006 £nil).

Post Balance sheet event

On 12 May 2008 the Company repaid the £60,000,000 loan and accrued interest from its subsidiary Romintco Investments B V. The loan proceeds were used by Romintco B V to repay the share premium attached to the ordinary share capital of Romintco Investments B V.

Derivatives and financial instruments

The Company's directors are required to follow the requirements of the Barclays Group risk management policies, which include specific guidelines on the management of foreign exchange, credit and interest rate risks and 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 15). As at the balance sheet date there were no derivatives held by the Company.

MENLO INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 December 2007

Change in accounting policy

The directors have reviewed the Company's accounting policies in light of the recent developments within the financial services sector. They have reviewed the asset base of the Company and are of the view that increased emphasis should be placed on liquidity in determining balance sheet disclosure. As a result, assets that are capable of being redeemed or realised at short notice, and are managed on the basis that such early redemption rights may be exercised, are now disclosed in the financial statements as current rather than fixed asset investments. This change in accounting policy represents the substance of the Company's assets and liabilities by matching their notice periods and removes apparent liquidity mis-matches.

The change in policy has resulted in £304,506,106 being reclassified from fixed asset investments to current asset investments in the prior year comparatives.

Directors

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

M P L Brown (appointed 23 November 2007)

G McMillan (appointed 23 November 2007)

J E F Corswarem

N S Dhillon

S S Haworth

Directors' Indemnities

Qualifying third-party indemnity provisions (as defined by section 309B of the Companies Act 1985) were in force during the course of the financial year ended 31st December 2007 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.

MENLO INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 December 2007

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

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
- they have taken all the steps that he 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

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



Director

Date 25 September 2008

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 2007 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 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.

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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements

A 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 26 September 2008

MENLO INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Administrative expenses		-	(754)
Operating (loss) / profit		-	(754)
Interest receivable and similar income	4	7,034,395	29,349,432
Interest payable and similar charges	5	(6,890,668)	(34,126,460)
Dividend Income from fixed asset investment		2,500,000	-
Profit / (loss) on ordinary activities before tax	6	2,643,727	(4,777,782)
Tax credit on Profit / loss on ordinary activities	7	1,884,737	5,274,298
Profit on ordinary activities after taxation		4,528,464	496,516
Profit attributable to shareholders		4,258,464	496,516

All recognised gains and losses are included in the profit and loss account. Operating (loss)/profit 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 1 to 17 form an integral part of these financial statements.

MENLO INVESTMENTS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	2007 £	2006 (Restated) £
FIXED ASSETS	8	60,769,825	60,769,825
CURRENT ASSETS			
CURRENT ASSET INVESTMENTS	9	393,471,355	304,506,106
DEBTORS Amounts falling due within one year	10	10,133,190	22,325,286
CREDITORS amounts falling due within one year	11	(454,551,906)	(366,895,217)
NET CURRENT LIABILITIES		(50,947,361)	(40,063,825)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,822,464	20,706,000
NET ASSETS		9,822,464	20,706,000
CAPITAL AND RESERVES			
Called up share capital	12	10,050,002	10,050,002
Profit and loss account		(227,538)	10,655,998
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	9,822,464	20,706,000

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

Notes 1 to 17 form an integral part of these financial statements

The financial statements and notes 1 to 17 were approved by the Board of Directors on 24 September 2008



Director
Date 25 September 2008

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 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

Preference shares

Preference shares are recognised as a liability due to the contractual obligation to make payment to the holder of the notional value of the shares at one business day's notice from the Company or the holder of the shares

Fixed Asset 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

Current Asset Investments

Current asset investments are held at the lower of cost and net realisable value. This represents a change in accounting policy (see note 17)

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

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Derivative financial instruments

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 2007 or 2006.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £	2006 £
Interest receivable from group undertakings	608,210	16,546,222
Dividends receivable from investment in subsidiaries preference shares	6,426,185	12,803,210
	<u>7,034,395</u>	<u>29,349,432</u>

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Interest payable to subsidiary undertakings	6,890,668	21,323,250
Interest payable under sale and put option agreement	-	12,803,210
	<u>6,890,668</u>	<u>34,126,460</u>

6. PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The audit fee for the year ending 2007 has been borne by the ultimate parent undertaking, Barclays Bank PLC. Although the audit fee is borne by the ultimate holding company, the fee that would have been charged to the company amounts to £3,100 (2006 £3,245) for the year. This fee is not recognised as an expense in the financial statements. There were no employees employed by the Company during 2007 or 2006.

7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2007 £	2006 £
UK Corporation Tax	1,884,737	5,274,298
Tax credit on loss on ordinary activities	<u>1,884,737</u>	<u>5,274,298</u>

The UK corporation tax credit is based on a standard UK Corporation Tax rate of 30% (2006 30%). The effective tax rate differs from the standard tax rate as a result of non-taxable items. These differences are explained below.

	2007 £	2006 £
(Profit) / loss on ordinary activities before tax	(2,643,727)	4,777,782
(Profit) / loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(793,118)	1,433,335
Effects of Non-taxable UK dividend income	2,677,855	3,840,963
Current tax credit for the period	<u>1,884,737</u>	<u>5,274,298</u>

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. FIXED ASSETS

	Investment in subsidiary undertakings (Restated) £	Total £
Cost at 1 January 2007	60,769,825	60,769,825
Cost at 31 December 2007	<u>60,769,825</u>	<u>60,769,825</u>

Investment in subsidiary undertakings represents the ordinary shares of the Company's subsidiaries Romintco Investments BV ('Romintco'), Bramley Landing Limited, Pippin 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	Cayman Island	Investment company	100%
Core Investments (Cayman) Limited	Cayman Island	Investment company	100%
Pippin 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 investment in subsidiary undertakings has been restated to correct an error as the prior year figure included £6,106 notional of Romintco preference shares.

Due to a change in accounting policy £304,506,106 has been reclassified from fixed asset investments to current asset investments.

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. CURRENT ASSET INVESTMENTS

	Investment in subsidiaries preference shares (Restated) £	Total £
Cost at 1 January 2007	304,506,106	304,506,106
Additions	393,465,249	393,465,249
Disposals	(304,500,000)	(304,500,000)
Cost at 31 December 2007	<u>393,471,355</u>	<u>393,471,355</u>

The preference share investment has been restated to correct an error as the prior year figure did not include the £6,106 notional of these preference shares this, amount was incorrectly included in the Investments in subsidiary undertakings figure in 2006

On 12 March 2007 the Company received payment for preference share premium attached to the Romintco Investments B V. preference shares for £304,500,000, the Romintco preference shares are still held by the Company at their historic cost of £6,106

On 1 October 2007 the Company subscribed for 95,000 redeemable preference shares of £0.01 each at a subscription price of £1 each in Bramley Landing Limited. The preference shares do not have any voting rights and are redeemable at the option of the Company or Bramley Landing Limited at any time on at least one business days notice. Dividends on the Bramley Landing Limited preference shares are payable at the discretion of Bramley's directors. The Bramley Landing Limited preference shares have a preferential entitlement of their original subscription price plus any declared but unpaid dividends.

On 1 October 2007 the Company subscribed for 5,000 redeemable preference shares of £0.01 each at a subscription price of £1 each in Core Investments (Cayman) Limited. The preference shares do not have any voting rights and are redeemable at the option of the Company or Core Investments (Cayman) Limited at any time on at least one business days notice. Dividends on the Core Investments (Cayman) Limited preference shares are payable at the discretion of Core's directors. The Core Investments (Cayman) Limited preference shares have a preferential entitlement of their original subscription price plus any declared but unpaid dividends.

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. CURRENT ASSET INVESTMENTS (continued)

On 28 November 2007 the Company subscribed for 391,585,105 redeemable preference shares of £0.01 each at a subscription price of £1 each in Bramley Landing Limited. The preference shares do not have any voting rights and are redeemable at the option of the Company or Bramley Landing Limited at any time on at least one business days notice. Dividends on the Bramley Landing Limited preference shares are payable at the discretion of Bramley's directors. The Bramley Landing Limited preference shares have a preferential entitlement of their original subscription price plus any declared but unpaid dividends.

On 28 November 2007 the Company subscribed for 1,780,144 redeemable preference shares of £0.01 each at a subscription price of £1 each in Core Investments (Cayman) Limited. The preference shares do not have any voting rights and are redeemable at the option of the Company or Core Investments (Cayman) Limited at any time on at least one business days notice. Dividends on the Core Investments (Cayman) Limited preference shares are payable at the discretion of Core's directors. The Core Investments (Cayman) Limited preference shares have a preferential entitlement of their original subscription price plus any declared but unpaid dividends.

Subsequent to the year end the Company repaid the £60,000,000 loan and accrued interest from its subsidiary Romintco Investments B.V. The loan proceeds were used by Romintco B.V. to repay the share premium attached to the ordinary share capital of Romintco Investments B.V.

10. DEBTORS: Amounts falling due within one year

	2007 £	2006 £
Amounts owed by group undertakings	9,693,610	17,046,757
Group relief receivable	439,580	5,278,529
	<u>10,133,190</u>	<u>22,325,286</u>

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. CREDITORS: Amounts falling due within one year

	2007 £	2006 £
Amounts due to subsidiary undertakings	60,000,000	366,895,217
Amounts due under sale and put option agreement	-	-
Amounts owed to group undertakings	1,086,658	-
Preference shares	393,465,249	-
	<u>454,551,907</u>	<u>366,895,217</u>

Preference Share Capital	2007 £	2006 £
Authorised		
400,100,000 redeemable preference shares of £1 each	400,100,000	-
	<u> </u>	<u> </u>
Allotted and fully paid		
393,465,249 redeemable preference shares of £1 each	393,465,249	-
	<u> </u>	<u> </u>

The preference shares were issued to Barclays Group Holdings Limited £100,000 on 1 October 2007, £391,585,105 on 28 November 2007 and £1,780,144 on 29 November 2007. The preference shares have no voting rights attached to them and are redeemable at the option of the company or Barclays at any time on at least one business days notice. Dividends on the preference shares are payable at the discretion of the Company's directors. The preference shares have preferential liquidation entitlement of their original subscription price plus any declared but unpaid dividends.

12. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
28,000,000 ordinary shares of £1 each	28,000,000	28,000,000
	<u> </u>	<u> </u>
Allotted and fully paid		
10,050,002 ordinary shares of £1 each	10,050,002	10,050,002
	<u> </u>	<u> </u>

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
(Loss) /profit for the financial year	4,528,464	496,516
Opening shareholders' funds	20,706,000	20,209,484
Dividends paid	(15,412,000)	-
Closing shareholders' funds	<u>9,822,464</u>	<u>20,706,000</u>

14. POST BALANCE SHEET EVENTS

On 12 May 2008 the Company repaid the £60,000,000 loan and accrued interest from its subsidiary Romintco Investments B V. The loan proceeds were used by Romintco B V to repay the share premium attached to the ordinary share capital of Romintco Investments B V.

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 other than group companies requiring disclosure in either 2007 or 2006.

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.

17. CHANGE IN ACCOUNTING POLICY

The directors have reviewed the Company's accounting policies in light of the recent developments within the financial services sector. They have reviewed the asset base of the Company and are of the view that increased emphasis should be placed on liquidity in determining balance sheet disclosure. As a result, assets that are capable of being redeemed or realised at short notice, and are managed on the basis that such early redemption rights may be exercised, are now disclosed in the financial statements as current rather than fixed asset investments. This change in accounting policy represents the substance of the Company's assets and liabilities by matching their notice periods and removes apparent liquidity mis-matches.

The change in policy has resulted in £304,506,106 being reclassified from fixed asset investments to current asset investments in the prior year comparatives.