

CALAH INVESTMENTS LIMITED

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**Report and Financial Statements  
For the year to 6 December 2008**

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COMPANIES HOUSE

**REGISTERED NUMBER (Cayman Islands): MC-191656  
REGISTERED NUMBER (England and Wales): FC-27821**

## DIRECTORS' REPORT

For the year to 6 December 2008

The directors present their report together with the audited financial statements for the year ended 6 December 2008.

### Review of business and future outlook

The principal activity of the Company is to act as an investment company. No significant change in this activity is envisaged in the foreseeable future and the directors expect the Company's performance to be in line with the current year.

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

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

### Results and dividends

During the year ended 6 December 2008, the Company made a profit after tax of £84,674,793 (period from 20 July 2007 to 6 December 2007 £27,308,817). The directors declared and paid a Perpetual Preference Share dividend of £22,877,849 and a Redeemable Preference Share dividend of £4,660,181 for the year ended 6 December 2008 (period ended 6 December 2007: £nil). The Company had net assets of £2,084,797,300 at 6 December 2008 (2007: £2,027,658,178).

### Post Balance Sheet Events

On 8 December 2008 the Company paid dividends of £11,420,000 and £73,010,178 on its Redeemable Preference Shares and its Perpetual Preference Shares respectively.

Since the year end the Company has terminated its equity forward contract and interest rate swap derivatives with a fellow group undertaking.

### Directors

The directors of the Company, who served during the year, together with their dates of appointment are as shown below:

D Hodge  
A Janisch  
A Moses  
R Stokes

Since the year end, A Janisch and D Hodge resigned as Directors on 10 July 2009 and 25 August 2009 respectively and D Lui was appointed as a Director on 24 July 2009.

## **CALAH INVESTMENTS LIMITED**

### **DIRECTORS' REPORT (continued) For the year to 6 December 2008**

#### **Directors' Indemnities**

Qualifying third-party indemnity provisions were in force during the course of the financial year ended 6 December 2008 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

#### **Statement of Directors' Responsibilities**

The following statement, which should be read in conjunction with the Auditors' Report, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985, as applicable to overseas companies, to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements:

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates; 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
- that 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.

## CALAH INVESTMENTS LIMITED

### DIRECTORS' REPORT (continued) For the year to 6 December 2008

#### Financial instruments

The Company's financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to price risk, credit risk, liquidity risk and interest rate risk are set out in note 20 'Financial Risks'.

#### Auditors

The directors appointed PricewaterhouseCoopers LLP as auditors to the Company. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

BY ORDER OF THE BOARD



For and on behalf of  
Calah Investments Limited

Date: 23 October 2009

## **CALAH INVESTMENTS LIMITED**

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

We have audited the financial statements of Calah Investments Limited for the year ended 6 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

#### **Basis of audit opinion**

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

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

## CALAH INVESTMENTS LIMITED

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

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 6 December 2008 and of its profit and cash flows for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, as applicable to overseas companies; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

Date:

30 October 2009

# **CALAH INVESTMENTS LIMITED**

## **INCOME STATEMENT FOR THE YEAR ENDED 6 DECEMBER 2008**

	Notes	Year ended 6 December 2008	Period from 20 July to 6 December 2007
<b>Continuing operations:</b>		<b>£</b>	<b>£</b>
Interest receivable and similar income	5	115,604	8,935
Net interest income		<u>115,604</u>	<u>8,935</u>
Fair value gains from assets and liabilities reported at fair value through profit and loss	6	118,532,842	39,148,908
Profit on ordinary activities before taxation	7	<u>118,648,446</u>	<u>39,157,843</u>
Taxation	10	(33,973,653)	(11,849,026)
Profit for the year / period		<u>84,674,793</u>	<u>27,308,817</u>
Profit attributable to shareholders		<u>84,674,793</u>	<u>27,308,817</u>

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

# **CALAH INVESTMENTS LIMITED**

## **STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR TO 6 DECEMBER 2008**

	Year to 6 December 2008	Period from 20 July to 6 December 2007
	£	£
Available for sale reserve:		
- Net gains from changes in fair value (note 12)	3,259	645
- Current taxation (note 10)	(900)	(194)
Amounts included directly in equity	2,359	451
Profit for the year / period	84,674,793	27,308,817
Total recognised income and expense for the year / period	84,677,152	27,309,268
<b>Attributable to:</b>		
Shareholders	84,677,152	27,309,268

# CALAH INVESTMENTS LIMITED

## BALANCE SHEET AS AT 6 DECEMBER 2008

	Notes	6 December 2008	6 December 2007
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets designated at fair value	11	2,025,463,113	2,094,409,879
<b>Total non-current assets</b>		<b>2,025,463,113</b>	<b>2,094,409,879</b>
<b>Current assets</b>			
Cash at bank		20,378	12,471
Available-for-sale investments	12	508,667	497,109
Derivative financial instruments	13	123,784,121	4,724,044
<b>Total current assets</b>		<b>124,313,166</b>	<b>5,233,624</b>
<b>TOTAL ASSETS</b>		<b>2,149,776,279</b>	<b>2,099,643,503</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Taxation	14	31,525,624	11,849,220
Borrowings	15	3,060,222	490,000
Derivative financial instruments	13	30,393,133	59,646,105
<b>Total current liabilities</b>		<b>64,978,979</b>	<b>71,985,325</b>
<b>Net current assets / (liabilities)</b>		<b>59,334,187</b>	<b>(66,751,701)</b>
<b>TOTAL LIABILITIES</b>		<b>64,978,979</b>	<b>71,985,325</b>
<b>NET ASSETS</b>		<b>2,084,797,300</b>	<b>2,027,658,178</b>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	2,000,348,910	2,000,348,910
Available-for-sale reserve	17	2,810	451
Retained earnings	17	84,445,580	27,308,817
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,084,797,300</b>	<b>2,027,658,178</b>

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

The financial statements were approved by the Board of Directors on 21 October 2009.

Director

Date: 23 October 2009

# CALAH INVESTMENTS LIMITED

## CASHFLOW STATEMENT FOR THE YEAR ENDED 6 DECEMBER 2008

	Note	6 December 2008	6 December 2007
		£	£
NET CASH FROM OPERATING ACTIVITIES			
Cash from operating activities	18	(42,223,067)	1,700
Tax paid		(14,298,149)	-
NET CASH (USED IN) / FROM OPERATING ACTIVITIES		(56,521,216)	1,700
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Acquisition of fellow group undertaking		-	(2,000,338,910)
Dividends received		81,609,898	-
Purchase of gilts		(508,495)	(489,229)
Redemption of gilts		499,850	-
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		81,601,253	(2,000,828,139)
CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES			
Proceeds from the issuance of share capital		-	2,000,348,910
Proceeds from issuance of preference shares		-	490,000
Proceeds from borrowed funds		2,465,900	-
Distributions paid		(4,660,181)	-
Perpetual Preference Share Dividends paid		(22,877,849)	-
NET CASH (USED IN) / FROM FINANCING ACTIVITIES		(25,072,130)	2,000,838,910
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,907	12,471
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		12,471	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD		20,378	12,471
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash at bank		20,378	12,471

# **CALAH INVESTMENTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. REPORTING ENTITY**

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

Calah Investments Limited is a limited company incorporated and domiciled in the Cayman Islands and has a registered branch in England and Wales. The Company's registered office is:

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

### **2. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as published by the International Accounting Standards Board (IASB). They are also in accordance with 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 1985 as applicable to overseas companies.

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

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

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments: Recognition and Measurement' as set out in the relevant accounting policies. They are stated in Pound Sterling, which is the Company's functional and presentation currency.

#### **Revenue Recognition**

Revenue is recognised in the income statement when it is probable that the economic benefits associated with the transaction will be received by the Company. Revenue is reported at the fair value of the consideration received or receivable.

#### **Fair value gains and (losses) from assets and liabilities reported at fair value through profit and loss**

Fair value gains and (losses) represent changes in the fair value of financial instruments. The balance includes fair value movements from assets and liabilities reported at fair value through the income statement, as well as instruments held for trading purposes and derivatives. The balance includes movements in the value of market variables as well as any associated interest income and expense for the financial instrument.

# **CALAH INVESTMENTS LIMITED**

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

### **Interest**

Interest income or expense is recognised on all interest bearing financial assets 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 (or expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

### **Taxation**

Taxation payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred income tax is provided in full on temporary differences that arise from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realized or the deferred tax liability is settled.

Current tax related to fair value re-measurement of available-for-sale investments is credited or charged directly to equity and subsequently recognised in the income statement together with the deferred gain or loss.

### **Financial assets designated at fair value**

Financial assets are designated at fair value through profit or loss where they contain substantive embedded derivatives or where doing so significantly reduces measurement inconsistencies that would arise if the related economic hedging derivatives were treated as a separate derivative and the underlying financial instruments were carried at amortised cost.

The Company's investment in fellow group undertaking is reported at fair value and is designated as such in the financial statements. Once designated, the assets are held at fair value and gains and losses are taken to the income statement.

### **Available-for-sale investments**

Available-for-sale investments are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value, and gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement.

Where evidence of impairment exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. Reversals of impairments are recognised in the income statement.

### **Cash and cash equivalents**

For the purposes of the cash flow statement, the cash and cash equivalent balance relates to cash and short term money market positions with an original maturity date of less than three months at the balance sheet date.

## **CALAH INVESTMENTS LIMITED**

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

#### **Borrowings**

Borrowings refer to redeemable preference shares issued by the Company and a loan from the ultimate parent 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. The liability is recognised at initial cost and amortised to the redemption value using the effective rate of interest over the life of the instrument.

#### **Share Capital**

Ordinary and Perpetual shares are classified as equity and shown in called up share capital, provided that there is no present obligation to deliver cash or another financial asset to the holder. The costs associated with the issuance of shares are recorded as a deduction from equity.

#### **Dividends on equity shares**

Dividends are recognised in equity in the period in which an obligation to make a payment arises.

#### **Determining fair value**

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

#### **Derivative Financial instruments**

The Company is party to financial instruments that reduce exposure to fluctuations in interest rates and the fair value movements in its investment in fellow group undertaking. These instruments comprise interest rate swap and equity forward contracts.

Derivatives are measured at fair value on initial recognition and subsequently revalued with the resulting gains and losses are taken to the income statement.

#### **Hedge accounting**

The Company holds derivatives for risk management purposes that qualify as fair value hedges. The Company formally documents the relationship between the hedging instrument and the hedged item. It assesses at inception, and on an on-going basis, whether the derivative being used in the transaction is effective in offsetting changes in the fair value or hedge flows of the hedged item.

#### **Fair Value Hedge Accounting**

Changes in the fair value of derivatives 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, the fair value hedging 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.

Some hybrid contracts contain both a derivative and a non-derivative component. The hybrid instrument is measured at fair value through profit and loss due to an election under IAS 39 (see notes 11 and 13).

# CALAH INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. SEGMENTAL REPORTING

The Company has elected not to comply with the voluntary disclosure requirements of International Accounting Standard 14, and does not disclose segmental information.

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year to 6 December 2008 £	Period from 20 July to 6 December 2007 £
Interest receivable from other group undertakings	93,511	186
Interest receivable – gilt income	21,936	8,749
Interest receivable – bank interest	157	-
	<u>115,604</u>	<u>8,935</u>

### 6. FAIR VALUE GAINS AND LOSSES FROM ASSETS AND LIABILITIES REPORTED AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year to 6 December 2008 £	Period from 20 July to 6 December 2007 £
Fair value gains from financial instruments designated at fair value on initial recognition		
- designated as hedged item in a fair value hedge (see note 11)	(68,946,766)	93,744,591
- not designated in a hedging relationship	-	326,379
Derivative financial instruments held at fair value		
- designated as hedging instrument in a fair value hedge (see note 13)	68,946,766	(93,744,591)
- not designated in a hedging relationship	118,532,842	38,822,529
	<u>118,532,842</u>	<u>39,148,908</u>

Fair value gains and losses are recognised on balances with fellow group undertakings.

### 7. PROFIT 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 £5,900 (2007: £5,900) for the year ended 6 December 2008. This fee is not recognized as an expense in the financial statements.

### 8. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during the year (prior period: nil).

# CALAH INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. STAFF COSTS

There were no employees employed by the Company during the year (2007: none).

### 10. TAXATION

	Year ended 6 December 2008 £	Period from 20 July to 6 December 2007 £
Taxation charged to the income statement		
Tax charge on profit on ordinary activities	33,973,653	11,849,026

The UK corporation tax charge is based on a blended rate of 28.63% (2007: 30%). The effective tax rate was higher than the standard rate for the previous period, the difference is explained below.

	Year ended 6 December 2008 £	Period from 20 July to 6 December 2007 £
Taxation charged to equity		
Available for sale investments	900	194

The overall tax charge is explained in the following table:

	Year to 6 December 2008 £	Period from 20 July to 6 December 2007 £
Profit on ordinary activities before tax	118,648,446	39,157,843
Profit on ordinary activities multiplied by blended rate of corporation tax in the UK of 28.63% (2007: 30%)	33,973,653	11,747,353
Effects of:		
Chargeable gain on deemed disposal of A shares	-	199,587
Non taxable fair value gain on A shares	-	(97,914)
Current tax charge for the period	33,973,653	11,849,026

The corporate taxation rate changed from 30% to 28% from 1 April 2008. For the purpose of the accounts a blended rate of 28.63% has been used.

# CALAH INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

	6 December 2008	6 December 2007
	£	£
Fair value of investment in fellow group undertaking	2,025,463,113	2,094,409,879

The investment in fellow group undertaking comprises an equity holding of A shares via voting rights of 28.567% and a proportional share of nominal value of 28.567% in Celaeno Investments Limited. Celaeno Investments Limited is an investment company incorporated in the Cayman Islands and was acquired on 13 August 2007.

The shareholding in the fellow group undertaking is measured at fair value through profit and loss due to an election under IAS 39.

### 12. AVAILABLE-FOR-SALE INVESTMENTS

	6 December 2008	6 December 2007
	£	£
Balance b/f	497,109	-
Additions	508,495	489,229
Disposals (through sale or redemption)	(499,850)	1,177
Changes in fair value recognized in equity	3,259	645
Amortisation of discount	837	-
Interest accrual	(1,183)	6,058
Balance carried forward	508,667	497,109

The investments listed above represent investments in gilt securities.

The credit risk in these debt securities is disclosed in note 20.

### 13. DERIVATIVE FINANCIAL INSTRUMENTS

The company uses the following financial instruments for both hedging and non-hedging purposes:

#### Forward exchange contract

The Company is party to an equity forward contract, a portion of which is designated as a hedge of the exposure to fair value movements on its investment in a group undertaking (see note 6).

#### Interest rate swap

Interest rate swaps are used to hedge the interest rate risk arising from the company having fixed rate assets and a floating rate debenture loan liability.

The Company is party to an interest rate swap that economically hedges the interest rate risk arising from the equity forward contract. The Company pays fixed and receives floating payments under the swap based on Sterling Libor. The swap expires on 7 December 2017.

# CALAH INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following note details the Company's derivative exposure as at balance sheet date.

#### Financial assets – derivative financial instruments

	6 December 2008 Notional £	6 December 2008 Fair value £
<b>Derivatives designated as fair value hedges</b>		
Equity forward contract	2,000,665,288	123,784,121
	<hr/>	<hr/>
	6 December 2007 Notional £	6 December 2007 Fair value £
<b>Derivatives not designated for hedging purposes</b>		
Interest rate swap	2,000,665,288	4,724,044
	<hr/>	<hr/>

#### Financial liabilities – derivative financial instruments

	6 December 2008 Notional £	6 December 2008 Fair value £
<b>Derivatives not designated for hedging purposes</b>		
Interest rate swap	2,000,665,288	30,393,133
	<hr/>	<hr/>
	6 December 2007 Notional £	6 December 2007 Fair value £
<b>Derivatives designated as fair value hedges</b>		
Equity forward contract	2,000,665,288	59,646,105
	<hr/>	<hr/>

Amounts recognised in the income statement attributable to the hedging instrument and hedged item are shown in note 6. Both the equity forward and the interest rate swap are held with a fellow group undertaking.

Additional information is provided in the financial risk note (see note 20).

# CALAH INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14. TAXATION

The movement on the current taxation account is as follows:

	6 December 2008 £	6 December 2007 £
Opening balance	11,849,220	-
Income statement charge	33,973,653	11,849,026
Tax paid	(14,298,149)	-
Equity:		
- Available-for-sale reserves	900	194
<b>Total</b>	<b>31,525,624</b>	<b>11,849,220</b>

### 15. BORROWINGS

	6 December 2008 £	6 December 2007 £
Preference shares held by fellow group undertaking	490,000	490,000
Loan from fellow group undertaking	2,570,222	-
	<b>3,060,222</b>	<b>490,000</b>
	6 December 2008 £	6 December 2007 £
Authorised:		
490,000 Redeemable preference shares of £1	490,000	490,000
Allotted and fully paid:		
490,000 Redeemable preference shares of £1	490,000	490,000
	<b>490,000</b>	<b>490,000</b>

The redeemable preference shares can be redeemed at any time at the option of the Company within one business days notice or if authorised by a majority of preference shareholders within two business days notice. On redemption, the shares entitle the holder to redemption proceeds consisting of dividends declared but not paid and the nominal amount plus premium paid up on the redeemable preference shares. The dividends on the redeemable preference shares are discretionary.

All borrowings from related parties are transacted at market rates. Additional details in respect of the Company's borrowings are detailed in note 20. The fair value of the redeemable preference shares and loan as at 6 December 2008 was £490,000 (2007: £490,000) and £2,570,222 respectively.

# CALAH INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. CALLED UP SHARE CAPITAL

	Number of shares	Ordinary shares	Total GBP Equivalent
<b>As at 20 July 2007</b>	-	-	-
Shares issued	1	\$1	£1
Ordinary Shares issued	9,999	£9,999	£9,999
Perpetual Preference Shares issued	2,000,338,910	2,000,338,910	£2,000,338,910
<b>As at 6 December 2007 and 2008</b>			<b>£2,000,348,910</b>
		6 December 2008	6 December 2007
		Total GBP Equivalent	Total GBP Equivalent
<b>Authorised:</b>			
1 Share of \$1		1	1
9,999 Ordinary shares of £1 each		9,999	9,999
2,000,500,000 Perpetual Preference shares of £1 each		2,000,500,000	2,000,500,000
<b>Allotted and fully paid:</b>			
1 Ordinary share of \$1		1	1
9,999 Ordinary shares of £1 each		9,999	9,999
2,000,338,910 Perpetual Preference shares of £1 each		2,000,338,910	2,000,338,910
		<b>2,000,348,910</b>	<b>2,000,348,910</b>

The perpetual preference shares can be redeemed at any time at the option of the Company within one business days notice. On redemption, the shares entitle the holder to redemption proceeds consisting of dividends declared but not paid and the nominal amount paid up on the perpetual preference shares. The dividends on the perpetual preference shares are discretionary.

# CALAH INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. RETAINED EARNINGS AND OTHER RESERVES

	Available-for-sale reserve £	Retained earnings £	Total £
As at December 2007	451	27,308,817	27,309,268
Net profit	-	84,674,793	84,674,793
Gains from changes in fair value	3,259	-	3,259
Current tax	(900)	-	(900)
Dividends paid	-	(27,538,030)	(27,538,030)
As at 6 December 2008	2,810	84,445,580	84,448,390

	Available-for-sale reserve £	Retained earnings £	Total £
As at 20 July 2007	-	-	-
Net profit	-	27,308,817	27,308,817
Gains from changes in fair value	645	-	645
Corporation tax	(194)	-	(194)
As at 6 December 2007	451	27,308,817	27,309,268

### 18. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Year to 6 December 2008 £	Period from 20 July to 6 December 2007 £
Profit for the period before tax	118,648,446	39,157,843
Accretion of gilt discount	(837)	(1,177)
Net increase in accrued interest	35,222,682	(6,058)
Dividends received	(81,609,898)	-
Derivative financial instruments held at fair value	(183,430,226)	54,922,062
Financial instruments designated at fair value	68,946,766	(94,070,970)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	(42,223,067)	1,700

# CALAH INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. ULTIMATE HOLDING COMPANY

Gallen Investments Limited 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 from Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP.

### 20. 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 interest rate and price risk.

The Company's Directors are required to operate within the requirements of the Barclays Group risk management policies. This policy includes specific guidelines on the management of foreign exchange, interest rate and credit risks, and advise on the use of financial instruments to manage them.

#### 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 financial support from the intermediate parent, Barclays Bank PLC.

The table below shows the maturity of financial liabilities the company is exposed to, and the undiscounted contractual maturity of the liabilities it faces:

	6 December 2008		
	Derivative financial instruments £	Borrowings £	Total £
<b>Financial liabilities repayable:</b>			
- on demand	-	3,060,222	3,060,222
- not more than three months	30,393,133	-	30,393,133
<b>Total</b>	<b>30,393,133</b>	<b>3,060,222</b>	<b>33,453,355</b>

	6 December 2007		
	Derivative financial instruments £	Borrowings £	Total £
<b>Financial liabilities repayable:</b>			
- on demand	-	490,000	490,000
- not more than three months	59,646,105	-	59,646,105
<b>Total</b>	<b>59,646,105</b>	<b>490,000</b>	<b>60,136,105</b>

## **CALAH INVESTMENTS LIMITED**

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

#### **20. FINANCIAL RISKS (continued)**

The derivative balance is an estimated cash flow based upon current prevailing market rates as the final amount to be settled under the instrument has yet to be determined.

##### **Credit Risk**

This is the risk that counterparties to the Company's financial assets may default. The Company has managed its credit risk by contracting with related parties in the Barclays Group. The Company's assets are neither past due nor impaired.

The Company has credit risk on its available-for-sale security and on its investment in fellow group undertaking. The available-for-sale security is a government gilt and is investment grade. The investment in fellow group undertaking of £2,025,463,113 (see note 11) is with a subsidiary of Barclays Bank PLC and is considered investment grade. The derivative assets (see note 13) are with a subsidiary of Barclays Bank PLC.

##### **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 equity prices.

The Company is exposed to price risk arising from investments in shares in a fellow group undertaking. The Company seeks to enter into forwards to hedge all of its exposure to the risk. Management measures the effectiveness of the hedges on an ongoing basis.

The Company is not exposed to any other forms of market risk as such exposures are fully hedged.

##### **Interest rate risk**

The Company is exposed to interest rate risk on its floating rate net assets. Interest rate risk is the possibility that changes in interest rates will result in reduced income or increased expense from the Company's interest bearing financial assets and liabilities.

##### ***Interest rate sensitivity analysis***

The sensitivity of the income statement is affected by changes in interest rates as it affects the net interest income for the period. The Company has assets designated at fair value through profit and loss and derivatives held at fair value through profit and loss.

##### ***Impact on net interest income***

For assets designated at fair value through profit and loss and derivatives held at fair value through profit and loss, the Company has net interest rate risk exposure from the next floating rate reset date on 8 December 2008. The reset rate of 3.59716% on 8 December 2008 would result in an increased interest income of £48,723,002 for the next twelve months of the year.

The Company's available-for-sale investments carry a fixed rate of interest.

##### **Fair values**

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

## CALAH INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 21. CAPITAL MANAGEMENT

The Company is required to operate within the risk management policies of Barclays Bank PLC, its intermediate 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 19).

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

Total capital of the Company is as follows:

	6 December 2008 £	6 December 2007 £
Total equity share capital	2,000,348,910	2,000,348,910
Borrowings	490,000	490,000
Total capital resources	<u>2,000,838,910</u>	<u>2,000,838,910</u>

#### 22. RELATED PARTY TRANSACTIONS

During the period there have been no other transactions with related parties other than transactions disclosed in notes 5, 6, 7, 11, 13, 15 and 16.