

**BARCLAYS MOSELLE No. 3 INVESTMENTS LIMITED**

**Report and Financial Statements**

**For the period from 27 November 2007 to 31 December 2008**

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COMPANIES HOUSE

**REGISTERED NUMBER (England and Wales) :FC028041**

**REGISTERED NUMBER (Cayman Islands) :WK199998**

**DIRECTORS' REPORT**

**For the period from 27 November 2007 to 31 December 2008**

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

**Review of business and future outlook**

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

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

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

**Results and Dividends**

During the period ended 31 December 2008, the Company made a loss after tax of €13,708,870. The directors did not declare any ordinary dividends during the period. The Directors consider that the performance of the Company has been satisfactory during the period.

**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 advise 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 22). The Company's financial risk management objectives and policies, and the exposure to price risk, credit risk and interest rate risk are set out in note 18 'Financial Risks'.

**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.

**Directors**

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

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

## **BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED**

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

For the period from 27 November 2007 to 31 December 2008

#### **Directors' Indemnities**

Qualifying third-party indemnity provisions (as defined by section 23B of the Companies Act 2006) were in force during the course of the financial period ended 31 December 2008 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties/powers of office.

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

The following statement, which should be read in conjunction with the Auditors' Report set out on pages 3 and 4, 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.

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
- 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.

#### **Auditors**

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

BY ORDER OF THE BOARD



Director

For and on behalf of Barclays Moselle No. 3 Investments Limited

10 June 2009

## **BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED**

We have audited the financial statements of Barclays Moselle No. 3 Investments Limited for the period from 27 November 2007 to 31 December 2008 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement, 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.

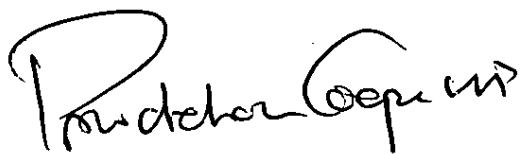
## **BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS MOSELLE NO. 3 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 31 December 2008 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.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
Date: 11 June 2009

## BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

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

	Notes	For the period from 27 November 2007 to 31 December 2008
Continuing operations:		€
Interest receivable and similar income	6	39,670
Interest paid on group borrowings		(196,610,849)
Net interest expense		(196,571,179)
Dividend income		183,556,253
Fair value gains from derivative financial instruments reported at fair value through profit and loss		(1,232,554)
Other income		113
Loss before taxation	7	(14,247,367)
Taxation credit	9	538,497
Loss after tax		(13,708,870)

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

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

	Notes	For the period from 27 November 2007 to 31 December 2008
Available-for-sale reserve:		€
Gains from changes in fair value of available-for-sale investments	15	9,321
Taxation	15	(2,657)
Loss for the period		(13,708,870)
Total recognised expense for the period		(13,702,206)

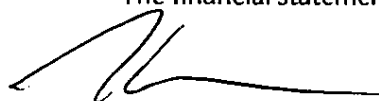
# BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 €
<b>Non-current assets</b>		
Investment in group undertaking	10	4,206,347,596
		<hr/> 4,206,347,596
<b>Current assets</b>		
Cash		85,768
Available-for-sale investments	11	997,419
Accrued interest		2,248
Taxation		531,394
		<hr/> 1,616,829
<b>TOTAL ASSETS</b>		<hr/> 4,207,964,425 <hr/>
<b>Current liabilities</b>		
Borrowings		122,738
Other liabilities	12	12,963,742
<b>Non-current liabilities</b>		
Borrowings	13	4,207,580,150
<b>TOTAL LIABILITIES</b>		<hr/> 4,220,666,630 <hr/>
<b>NET LIABILITIES</b>		<hr/> (12,702,205) <hr/>
<b>SHAREHOLDERS' EQUITY</b>		
Called up share capital	14	1,000,001
Retained losses	16	(13,708,870)
Available-for-sale reserve	15	6,664
<b>TOTAL SHAREHOLDERS' EQUITY</b>	16	<hr/> (12,702,205) <hr/>

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

The financial statements and accompanying notes were approved by the Board of Directors on 10 June 2009.



Director

## BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

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

	Notes	For the period from 27 November 2007 to 31 December 2008 €
Gain on operating activities		113
Interest received		36,090
Dividends received		183,556,253
Interest paid		(184,879,661)
Group tax relief received		4,448
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>5</b>	<b>(1,282,757)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Investment in ordinary shares of group undertaking		(4,112,000,001)
Investment in preference shares in group undertaking		(94,347,595)
Purchase of available-for-sale securities		(1,976,767)
Maturity of available-for-sale securities		990,000
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(4,207,334,363)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from the issuance of preference shares		4,110,000,000
Net proceeds from the issuance of ordinary share capital		1,000,000
Loans from group undertakings		97,580,150
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>4,208,580,150</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(36,970)</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2008</b>		<b>(36,970)</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and cash equivalent		85,768
Short term borrowings		(122,738)
		<b>(36,970)</b>



# **BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. REPORTING ENTITY**

The financial statements are prepared for Barclays Moselle No. 3 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 IFRS and, accordingly, consolidated financial statements have not been prepared for Barclays Moselle No. 3 Investments Limited. Barclays Moselle No. 3 Investments Limited is a limited company incorporated in the Cayman Islands. The Company's registered office is:

Walker House  
87 Mary Street  
George Town  
Grand Cayman KY1-9002  
Cayman Islands

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

The financial statements have been prepared in accordance with International Financial Reporting Standards ("adopted IFRS"), adopted for use in the European Union. In all respects, this is also in accordance with IFRS, including the interpretations issued by the International Financial Reporting Interpretations Committee.

### **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. The financial statements are presented in euros, which is the Company's functional and presentational currency.

#### **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.

#### **Foreign Exchange**

In preparing the financial statements, transactions denominated in foreign currencies have been translated into euros at average rates of exchange during the period. Monetary assets and liabilities in foreign currencies are translated into euros at rates of exchange ruling on the balance sheet date. All other exchange profits and losses, which arise from normal activities, are included in the income statement.

#### **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.

#### **Dividends from investment in group undertakings**

Dividend income is recognised in the profit and loss account on the date the Company becomes entitled to receive a dividend.

## **BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED**

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

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

##### **Interest**

Interest income or expense is recognised on all interest bearing financial assets classified as held to maturity, available for sale or other loans and advances, and on 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.

##### **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 timing 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 realised or the deferred tax liability is settled.

##### **Short-term placements in group undertaking**

Loans and advances are recorded on balance sheet according to the substance of the contractual arrangement entered into. Loans and receivables are initially recorded at fair value, less any amounts that have been provided for to reflect diminutions in the value of the investment that are considered permanent. Income is recognised in the income statement on an accruals basis, using the effective interest rate which discounts estimated future cash flows through the life of the financial asset to that assets net carrying value.

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

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

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

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

##### **Investments in group undertakings**

Investments in group undertakings are recorded in the balance sheet at historical cost less any amounts that have been provided for to reflect diminutions in the value of the investment that are considered permanent. Any diminution in the value of the investment is recognised in the income statement.

##### **Borrowings**

Borrowings refer to debt securities issued by the Company and similar securities such as preference shares, and are recognised as a liability when a contractual agreement results in the Company having a present obligation to deliver cash or another financial asset to the holder. The liability is recognised at amortised cost using the effective rate of interest.

# BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Borrowings (continued)

Borrowing costs are charged as an expense to the profit and loss account in the period in which they are incurred.

#### 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.

#### Share Capital

Share capital issued is shown in equity, provided no present obligation to deliver cash or another financial asset to the holder, and the costs associated with the issuance of shares are recorded as a deduction from equity.

### 4. SEGMENT REPORTING

The Company does not have publicly traded securities and so, in accordance with International Accounting Standard 14, has chosen not to disclose segmental information, as such information is disclosed in the accounts of the ultimate parent company (see note 22).

### 5. RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

	For the period from 27 November 2007 to 31 December 2008 €
Loss for the year before taxation	(14,247,367)
Increase in accrued interest payable	12,963,741
Increase in accrued interest receivable	(2,248)
Amortisation of bunds	(1,331)
Group relief	4,448
	<hr/>
Net cash used in operating activities	(1,282,757)
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## BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	For the period from 27 November 2007 to 31 December 2008 €
Interest on available-for-sale investments	38,074
Amortisation of discount on available-for-sale investments	1,331
Interest received on group undertakings	265
	<hr/>
	39,670
	<hr/>

### 7. LOSS BEFORE TAXATION

There were no employees employed by the Company during the period. Auditors' remuneration in 2008 was borne by another group company. The fee that would otherwise have been charged to the Company amounts to €3,233 for the period. This amount has not been included 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 period.

### 9. TAXATION

	For the period from 27 November 2007 to 31 December 2008 €
UK corporation tax	(637,467)
Foreign exchange: current year	98,970
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Tax credit on loss on ordinary activities	(538,497)
	<hr/>

The UK corporation tax charge is based on a blended tax rate of 28.5% (2007: 30%). The effective tax rate is lower than the standard tax rate as a result of non-taxable items and foreign exchange.

## BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 9. TAXATION (continued)

The analysis for the credit for the period is as follows:

	For the period from 27 November 2007 to 31 December 2008 €
Tax on fair value gain on available for sale investments	2,657
Total charge to equity	<u>2,657</u>

The overall tax credit is explained in the following table:

	€
Loss on ordinary activities before taxation	(14,247,367)
Loss on ordinary activities multiplied by blended rate of corporation tax in the UK of 28.5%	(4,060,500)
Effect of:	
Non taxable dividend income	(52,313,532)
Group relief surrendered for no payment	55,736,565
Foreign exchange	98,970
Current tax credit for the period	<u>(538,497)</u>

The corporate taxation rate changed from 30% to 28% from 1 April 2008, a blended rate of 28.5% has been applied to calculate the tax charge for the current year.

# BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. INVESTMENT IN GROUP UNDERTAKING

								2008
								€
Balance at 27 November 2007								-
Additions								4,206,347,596
Balance at 31 December 2008								<u>4,206,347,596</u>
Investment in subsidiaries	Date of acquisition	Country of incorporation or residence	Type of shares	Nature of business	No of shares	Percentage of voting rights held	Capital contribution	Total
Colombiere Investments Limited	6/12/2007	Cayman Islands	Ordinary €1	Investment company	4,002	100%	€110,000,000 (a)	4,111,000,000
Hauteville Investments Limited	6/12/2007	Cayman Islands	Ordinary €1	Investment company	1,000,001	100%	-	1,000,001
Colombiere Investments Limited	16/10/2008	Cayman Islands	Preference	Investment company	200	0%	-	94,347,595
								<u>4,206,347,596</u>

- (a) Capital contributions provided by the Company to its subsidiaries are recognized in the financial statements as an increase in the carrying value of the investment in subsidiary, which took place on the 22 October 2008.

During the period, the Company entered into a forward sale agreement with third parties. Under the terms of this forward sale agreement, the Company has agreed to purchase, on a specified future date, preference shares that had been issued by the Company's subsidiaries to a third party. During the period, the forward sale agreement matured on 16 October 2008 and the Company acquired preference shares in its subsidiary under the terms of the agreement.

### 11. AVAILABLE-FOR-SALE INVESTMENTS

	2008
	€
Investment in Bunds	1,980,776
Amortisation of discount	1,331
Maturity of Bunds	(990,000)
Revaluation surplus transferred to equity	9,321
Fair value of Bunds as at 31 December 2008	<u>997,419</u>

The investments above represent investments in overseas debt securities. The interest rate risk inherent in these debt securities is disclosed in note 18.

## BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 12. OTHER LIABILITIES

	2008 €
Accrued interest on borrowings	12,963,742
	<u>12,963,742</u>

#### 13. NON-CURRENT BORROWINGS

	2008 €
Borrowing from Colombiere	95,580,150
Borrowings from Hauteville	4,110,000,000
Amounts due to group undertakings	2,000,000
	<u>4,207,580,150</u>

All borrowings from related parties are transacted at market rates. The borrowing with Colombiere is due to mature on 20 October 2010 while the borrowing with Hauteville is due to mature on 5 December 2012.

The fair value of the Company's borrowings at 31 December 2008 are €101,126,850 (Colombiere); €4,333,700,765 (Hauteville); and €2,108,857 (group undertakings). Additional details in respect of the Company's borrowings are detailed in note 18.

#### 14. SHARE CAPITAL AND RESERVES

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

During the period, the Company issued 1,000,001 ordinary shares at a subscription price of €1 per share.

The holders of the ordinary shares are entitled to vote at the general meetings of the Company and are entitled to receive such dividends as directors may declare. The ordinary shares are not redeemable.

## BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 15. AVAILABLE-FOR-SALE RESERVE

	2008 €
At 27 November 2007	-
Fair value gains on available-for-sale investments	9,321
Current tax	(2,657)
At 31 December 2008	<u>6,664</u>

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

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

	2008 €
Loss for the period	(13,715,054)
Ordinary dividends paid	-
Retained loss for the period	<u>(13,715,054)</u>
Ordinary share capital issued	1,000,001
Available-for-sale reserve	6,664
Decrease in shareholders' funds	<u>(12,708,389)</u>

#### 17. RELATED PARTY TRANSACTIONS

Amounts payable and receivable to related parties are disclosed in notes 6 and 7. Balance sheet positions with related parties are reported in notes 11,13,14 and 15. There have been no other transactions with related parties requiring disclosure in the accounts. All related party transactions are at an arms length basis.

#### 18. FINANCIAL RISKS

The main financial risks that the Company is exposed to and its management policy with respect to those risks are as follows:

The Company's activities expose it to a variety of financial risks. These are liquidity risk, credit risk and market risk.

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



## BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 18. FINANCIAL RISKS (continued)

Company seeks to minimize its exposure to liquidity, credit and market risk by applying these policies, and monitors exposures on a portfolio basis.

##### Liquidity risk

This is the risk that the Company's cash and committed facilities may be insufficient to meet its debts as they fall due. The Company maintains a mixture of long term and short term committed facilities, including financial support from the parent, Barclays PLC. The Company seeks to match the cash flow profile of its assets and liabilities to ensure that it has sufficient funds to make payments when they fall due. These are designed to ensure the Company has sufficient available funds for operations and planned expansion.

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

	2008 Borrowings €	Total €
<b>Financial liabilities repayable:</b>		
- on demand	-	-
- not more than three months	45,281,872	45,281,872
- over three months but not more than one year	139,931,362	139,931,362
- over one year but not more than five years	4,757,651,485	4,757,651,485
- over five years	-	-
<b>Total</b>	<b>4,942,864,719</b>	<b>4,942,864,719</b>

##### Credit Risk

This is the risk that counterparties to the Company's financial assets may default. The Company assesses all counterparties, including its customers, 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 table below describes the Company's credit exposure by industry type:

	Cash	Available for sale investments €	Preference Shares €	Total €
Other financial intermediaries	85,768	-	4,206,347,596	4,206,433,364
German Government		997,419	-	997,419
<b>Total</b>	<b>85,768</b>	<b>997,419</b>	<b>4,206,347,596</b>	<b>4,207,431,031</b>

## BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 18. FINANCIAL RISKS (continued)

##### 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's interest rate risk arises from short term deposits.

##### 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.

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

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

	+200 basis points 2008	-200 basis points 2008
Impact on Income Statement	(739)	739
As a percentage of net interest expense	0.005%	0.005%

#### 19. ULTIMATE HOLDING COMPANY

The Company's immediate parent undertaking is Barclays Bank PLC. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC. The ultimate holding company and the parent company of the largest group presents consolidated financial statements is Barclays PLC. Both companies are incorporated in Great Britain and registered in England and their statutory financial statements are available from the Barclays Corporate Secretariat, 1 Churchill Place London E14 5HP.

## BARCLAYS MOSELLE NO. 3 INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 20. CAPITAL MANAGEMENT

The Company is required to follow the risk management policies of Barclays Bank PLC, its ultimate parent, which include guidelines covering capital management. The capital management objectives and policies for Barclays Bank PLC can be found in its financial statements (see note 26).

The board of directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management. The Company regards as capital its equity reported on balance sheet.

The Company regards as capital its ordinary share capital.

Total capital of the Company is as follows:

	2008
	€
Ordinary share capital	1,000,001
Total capital resources	<u>1,000,001</u>