

EM INVESTMENTS NO.3 LIMITED

**Report and Financial Statements
For the period ended 31 December 2009**

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COMPANIES HOUSE

REGISTERED NUMBER IN SCOTLAND: SC276020

EM INVESTMENTS NO.3 LIMITED

Registered Number in England & Wales: SC276020

DIRECTORS' REPORT

For the period ended 31 December 2009

The directors present their report together with the audited financial statements for the period from 14 March 2009 to 31 December 2009.

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 period.

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

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

Results and Dividends

During the period from 14 March 2009 to 31 December 2009 the Company made a loss after taxation of £1,919,114 (period ended 13 March 2009: loss after taxation £36,755). The directors did not propose any dividends on the ordinary shares for the period (period ended 13 March 2009: £nil).

Going Concern

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

Change in accounting period

The statutory reporting period end was changed from 13 March to 31 December to bring it in line with the Barclays Group period end.

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 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 17). The exposure of the company to foreign exchange is set out in note 15.

EM INVESTMENTS NO.3 LIMITED

Registered Number in England & Wales: SC276020

DIRECTORS' REPORT (continued)

For the period ended 31 December 2009

Directors

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

Austin, J	(appointed 14 January 2009 and resigned 2 October 2009)
Benson, P	(appointed 20 July 2009)
Janisch, A	(resigned 10 July 2009)
Shah, P	(appointed 27 October 2009)
Moses, A	
Stokes, R	

Directors' third party indemnity

Qualifying third-party indemnity provisions were in force during the course of the period ended 31 December 2009 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties/powers of office.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors in office as at the date of this report confirm that:

- so far as the director is aware, 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.

EM INVESTMENTS NO.3 LIMITED

Registered Number In England & Wales: SC276020

DIRECTORS' REPORT (continued)

For the period ended 31 December 2009

Auditors

PricewaterhouseCoopers LLP will continue to hold office in accordance with section 487 of the Companies Act 2006.

BY ORDER OF THE BOARD



Name: *Paul Benson*

Director

For and on behalf of

EM Investments No.3 Limited

Date: *13/12/2010*

EM INVESTMENTS NO.3 LIMITED

Registered Number in England & Wales: SC276020

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF EM INVESTMENTS NO.3 LIMITED

We have audited the financial statements of EM Investments No. 3 Limited for the period from 14 March 2009 to 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

EM INVESTMENTS NO.3 LIMITED

Registered Number in England & Wales: SC276020

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF EM INVESTMENTS NO.3 LIMITED
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Carl Sizer (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

Date: 15 December 2010

EM INVESTMENTS NO.3 LIMITED

Registered Number in England & Wales: SC276020

PROFIT AND LOSS ACCOUNT**FOR THE PERIOD ENDED 31 DECEMBER 2009**

	Note	Period ended 31 December 2009 £	Period ended 13 March 2009 £
Income from current asset investments	4	24,214,874	2,761,775
Interest receivable and similar income	5	4,142	84,353,768
Interest payable and similar charges	6	(36,206,797)	(88,121,478)
Foreign exchange revaluation of loans and investments	7	-	-
Loss on ordinary activities before taxation	8	(11,987,781)	(1,005,935)
Tax on loss on ordinary activities	9	10,068,667	969,180
Loss attributable to shareholders		(1,919,114)	(36,755)

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

EM INVESTMENTS NO.3 LIMITEDRegistered Number in England & Wales: SC276020 *16*BALANCE SHEET AS AT 31 DECEMBER 2009 *Scotland*

	Note	31 December 2009 £	13 March 2009 £
CURRENT ASSETS			
INVESTMENTS	10	2,850,144,407	2,830,358,488
DEBTORS: Amounts falling due within one year	11	2,071,641	4,451,218
CREDITORS: Amounts falling due within one year	12	(2,854,249,952)	(2,834,924,496)
NET CURRENT LIABILITIES		(2,033,904)	(114,790)
NET LIABILITIES		(2,033,904)	(114,790)
CAPITAL AND RESERVES			
Called up share capital	13	100,002	100,002
Profit and loss account		(2,133,906)	(214,792)
TOTAL EQUITY SHAREHOLDERS' FUNDS	14	(2,033,904)	(114,790)

A reconciliation of movement in shareholders' funds is given in note 14.

The notes to the accounts form an integral part of these financial statements.

The financial statements and the accompanying notes were approved by the Board of Directors on 13 December 2010.


Name: *PAUL BENSON*

Director

Date: *13/12/2010*

EM INVESTMENTS NO.3 LIMITED

Registered Number In England & Wales: SC276020

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention, the accounting policies set out below and in accordance with the Companies Act 2006 and applicable accounting standards of the Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

Basis of preparation

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

Interest Recognition

Interest income and expense is recognised on an accruals basis.

Taxation

The charge for taxation is based on the results for the period.

Foreign Exchange

Monetary assets and liabilities in foreign currencies are translated into GBP 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 GBP at average rates of exchange during the period unless a contracted rate applied. All exchange differences are included in the profit and loss account.

Investments

The investments in the preference shares and the partnership interests are accounted for as current asset investments and are stated at lower of cost and net realisable value. Income from partnership interests is recognised on an accruals basis. Foreign currency denominated investments are treated in accordance with the foreign exchange policy below.

Issued debt and equity securities

The liability in respect of the redeemable preference shares issued by the Company has been classified as creditors falling due within one year. The discretionary nature of redeemable preference share distributions results in them being classified as dividends paid in accordance with FRS 25.

EM INVESTMENTS NO.3 LIMITED

Registered Number in England & Wales: SC276020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Borrowings

Borrowings are recognised as a financial 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 over the life of the financial liability using the effective rate of interest. Borrowing costs are charged as an expense to the income statement in the period in which they are incurred.

Derivative financial instruments

The Company was party to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These instruments comprised of cross currency swap contracts and an interest rate swap contract. The purpose of the instruments was to hedge currency risk and interest rate risk. The instruments were closed out during the period.

Derivative financial instruments are accounted for on an accruals basis in line with the underlying assets or liabilities. Income and expense is recognized in the same line in the profit and loss account as the underlying asset or liability.

Dividends

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

Consolidated financial statements

The financial statements contain information about EM Investments No.3 Limited, as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Barclays Bank PLC, a company registered in England and Wales.

2. CASH FLOW STATEMENT

The Company has adopted the provisions of Financial Reporting Standard 1 ("FRS 1") revised 1996, Cash Flow Statements. Accordingly the Company, which is ultimately owned by Barclays Bank PLC, has elected to utilise the exemption provided in FRS 1 not to produce a cash flow statement, as a cash flow statement is prepared by its ultimate parent.

3. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during the period (period ended 13 March 2009: £nil).

EM INVESTMENTS NO.3 LIMITED

Registered Number In England & Wales: SC276020

NOTES TO THE FINANCIAL STATEMENTS (continued)**4. INCOME FROM CURRENT ASSET INVESTMENTS**

	Period ended 31 December 2009 £	Period ended 13 March 2009 £
Income receivable from investment in partnership	243,112	306,351
Income receivable from preference shares in group undertakings	23,971,762	2,455,424
	<u>24,214,874</u>	<u>2,761,775</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 31 December 2009 £	Period ended 13 March 2009 £
Interest receivable from group undertakings	4,142	84,353,768

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 December 2009 £	Period ended 13 March 2009 £
Interest payable to group undertakings	10,241,639	55,396,981
Interest payable to limited partnership	25,965,158	32,719,339
Loss on termination of cross currency swaps	-	5,158
	<u>36,206,797</u>	<u>88,121,478</u>

7. FOREIGN EXCHANGE REVALUATION

	Period ended 31 December 2009 £	Period ended 13 March 2009 £
Foreign exchange revaluation of preference share investments	(19,785,919)	9,970,421
Termination of cross currency swaps	-	(9,970,421)
Foreign exchange revaluation of foreign currency loans	19,785,919	-
	<u>-</u>	<u>-</u>

EM INVESTMENTS NO.3 LIMITED

Registered Number in England & Wales: SC276020

NOTES TO THE FINANCIAL STATEMENTS (continued)**8. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

There were no employees employed by the Company during the periods ended 31 December 2009 and 13 March 2009. 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 (period ended 13 March 2009: £5,900) for the period. This fee is not recognised as an expense in the financial statements.

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	Period ended 31 December 2009 £	Period ended 13 March 2009 £
United Kingdom:		
Corporation tax credit for the period	10,068,667	969,180

The effective tax rate is different from the standard tax rate of 28% as a result of non taxable income. These differences are explained below:

	Period ended 31 December 2009 £	Period ended 13 March 2009 £
Loss on ordinary activities before taxation	(11,987,781)	(1,005,935)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%	3,356,579	281,662
Effect of non taxable foreign exchange	5,540,057	-
Effect of foreign exchange on hedging loans	(5,540,057)	-
Effect of non taxable dividend income	6,712,088	687,518
Current tax credit	10,068,667	969,180

10. INVESTMENTS

	Investment in preference shares £	Investment in partnership £	Total £
13 March 2009	2,805,358,488	25,000,000	2,830,358,488
Foreign exchange movement	19,785,919	-	19,785,919
31 December 2009	2,825,144,407	25,000,000	2,850,144,407

EM INVESTMENTS NO.3 LIMITED

Registered Number in England & Wales: 5C276020

~~SCOTLAND~~**NOTES TO THE FINANCIAL STATEMENTS (continued)****10. INVESTMENTS (continued)**

The Company holds the following investments:

	% Holding	No of shares	13 March 2009	31 December 2009 £
<u>Investment in preference shares</u>				
EM Investment (Brazil) No.2 Limited ("EMBRL2")				
Preference shares BRL5 at par	100%	74,000,000	114,604,305	131,344,470
Preference shares £1 at par	100%	2,136,277,826	2,136,277,826	2,136,277,826
EM Investment (South Africa) No.2 Limited ("EMSA2")				
Preference shares £1 at par	100%	535,806,512	535,806,512	535,806,512
Preference shares ZAR10 at par	100%	26,000,000	18,669,845	21,715,799
			<u>2,805,358,488</u>	<u>2,825,144,607</u>

Investment in partnership

Emily Finance LP

General Partnership interest

25,000,000 25,000,000

The preference shares acquired in EMBRL2 and EMSA2 entitle the Company to discretionary dividends and to a return of investment on winding up in priority to the ordinary shares in those companies. The preference shares are redeemable at the option of the either the issuer, on one business days notice, or the Company, on 6 weeks notice.

In the opinion of its directors, the value of the Company's investment in preference shares is not less than the amount stated in the balance sheet. It is the intention of the directors to hold these investments for the long term. The principal activity of both EMBRL2 and EMSA2 is to act as an investment company and they are registered in England & Wales.

The Company's general partner interest is not less than the amount stated in the balance sheet. On winding up of the partnership the Company receives back the initial capital contribution on liquidation of the partnership and any accrued interest owing.

11. DEBTORS: Amounts falling due within one year

	31 December 2009 £	13 March 2009 £
Amounts owed by group undertakings	2,071,641	4,451,218

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NOTES TO THE FINANCIAL STATEMENTS (continued)**12. CREDITORS: Amounts falling due within one year**

	31 December 2009 £	13 March 2009 £
Preference shares in issue	24,900,000	24,900,000
Amounts payable to group undertakings	2,829,349,952	2,810,024,496
	<u>2,854,249,952</u>	<u>2,834,924,496</u>

Preference Shares in issue

	31 December 2009	13 March 2009
Preference Shares of £1 each		
Authorised number	100,000,000	100,000,000
Authorised value	<u>£100,000,000</u>	<u>£100,000,000</u>
Allotted and fully paid number	24,900,000	24,900,000
Allotted and fully paid value	<u>£24,900,000</u>	<u>£24,900,000</u>

The holders of the Preference shares carry no voting rights, except on a winding up or a proposal to vary preference share rights, and are entitled to discretionary dividends. The Preference shares are redeemable at the option of the holder on 6 weeks notice. In the event of a winding up the holders of the Preference shares are entitled to a sum equal to their then redemption values and any discretionary dividends outstanding in priority to the ordinary shareholders.

13. CALLED UP SHARE CAPITAL

	31 December 2009	13 March 2009
Ordinary Shares of £1 each		
Authorised number	1,000,000	1,000,000
Authorised value	<u>£1,000,000</u>	<u>£1,000,000</u>
Allotted and fully paid number	100,002	100,002
Allotted and fully paid value	<u>£100,002</u>	<u>£100,002</u>

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 December 2009 £	13 March 2009 £
Loss for the period	(1,919,114)	(36,755)
Opening shareholders' losses	<u>(114,790)</u>	<u>(78,035)</u>
Closing shareholders' losses	<u>(2,033,904)</u>	<u>(114,790)</u>

EM INVESTMENTS NO.3 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

15. DERIVATIVES AND FINANCIAL INSTRUMENTS

Currency swaps

The Company was party to cross currency swap contracts to reduce exposure to fluctuations in foreign currency in respect of its investments in foreign currency preference shares and foreign currency loans. These swaps were terminated on 13 March 2009. There were no cross currency swaps in the current period.

Interest Rate Swap

In the period ended 13 March 2009 the Company held an interest rate swap with a fellow group undertaking. The notional of the BRL Interest Rate Swap was BRL 373,746,590. The Company paid fixed rate and received a floating rate for deposits in BRL in the non-deliverable forward market, on a quarterly basis. The interest rate swap terminated on 13 March 2009. There were no interest rate swaps in the current period.

16. 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 other related parties requiring disclosure during the period.

17. PARENT UNDERTAKING AND ULTIMATE PARENT 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, 1 Churchill Place, London E14 5HP.