

Registered number: 219615

NEWFOUNDLAND CLO I LTD

Report and Financial Statements

For the year ended 31 December 2011

NEWFOUNDLAND CLO I LTD

CONTENTS

	Page
Corporate information	1
Report of the directors	2 - 4
Statement of directors' responsibilities	5
Independent auditor's report	6
Profit and loss account	7
Balance sheet	8
Reconciliation of movements in shareholder's funds	9
Cash flow statement	10
Notes to the financial statements	11 - 19

CORPORATE INFORMATION

DIRECTORS

Nicholas Bland
Mahen Beejadhursingh Surnam
Thadeshwar Fangoo (appointed on 24 June 2011 as alternate director to Nick Bland)

SECRETARY

Deutsche Bank (Cayman) Limited
P.O. Box 1984
Boundary Hall
Cricket Square
George Town
Grand Cayman KY1-1104
Cayman Islands

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
7 More London Riverside
London
SE1 2RT

REGISTERED OFFICE

P.O. Box 1984
Boundary Hall
Cricket Square
George Town
Grand Cayman KY1-1104
Cayman Islands

COLLATERAL MANAGER, ACCOUNT BANK, VENDOR AND VENDOR TRUSTEE

Barclays Bank Plc
The North Colonnade
Canary Wharf
London E14 4BB

COLLATERAL ADMINISTRATOR, PRINCIPAL PAYING AGENT AND CALCULATION AGENT

Deutsche Bank AG London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

DEUTSCHE TRUSTEE COMPANY LIMITED

Deutsche Bank AG London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

Newfoundland CLO I Limited (the “Company”), an exempted company incorporated in the Cayman Islands with limited liability, was set up by Barclays Bank Plc (“BBPLC”) under the Companies Law (2007 Revision) of the Cayman Islands with company registration number 219615 as a special purpose entity (“SPE”) for the purpose of issuing limited recourse notes (the “Notes”). The registered office of the Issuer is at PO Box 1984, Boundary Hall, Cricket Square, 171 Elgin Avenue, Grand Cayman KY1-1104, Cayman Islands.

Given that the entity is an exempted company, it is free from any form of income tax, capital gains tax or corporation tax and no withholding tax is imposed by the Cayman Islands on any cash flows. However, the Company is subject to tax under ‘The Taxation of Securitisation Companies Regulations 2006’ since it is considered to be UK resident for tax purposes.

The principal activity of the Company is the issue of Notes. The proceeds of the Notes have been used to acquire a beneficial interest in the portfolio of collateral debt obligations from BBPLC. BBPLC was the initial purchaser of the Notes and as at the year end remained the sole noteholder.

BBPLC is considered to be the Company’s ultimate controlling party.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

As at the year end, the Company acted as a Special Purpose Entity (“SPE”) established to raise or borrow money and to grant security over its assets for such purpose and to acquire receivables and administer these receivables. The directors do not anticipate any changes to the present level of activity, or the nature of the Company’s business in the near future.

The Notes during the year are as per the table below:

	Senior notes	Senior notes (S-1)	Subordinated notes	Subordinated notes (Sub-1)
	USD	USD	USD	USD
As at 1 January 2011 and 31 December 2011	3,246,000,000	3,246,000,000	615,150,000	615,150,000

The Notes are intended only for highly sophisticated and knowledgeable investors who are capable of understanding and evaluating the risks involved in investing in the Notes.

The Company has no direct employees.

The Company has no subsidiaries.

INCORPORATION

The Company was incorporated in the Cayman Islands on 12 November 2008.

In 2009, the Company issued 250 shares at USD 1 each.

RESULTS

The Company’s loss for the year was USD 385,006 (31 December 2010: USD 628,198)

DIVIDENDS

The directors do not recommend the payment of a dividend for the year under review (31 December 2010:nil).

GOING CONCERN

At 31 December 2011 the Company had net liabilities of USD 1,942,287 (31 December 2010: net liabilities of USD 1,557,281). In considering the appropriateness of preparing the financial statements on a going concern basis, the directors have taken into account the variable nature of the interest payable on the subordinated Notes (which is based upon residual available cash flows after payment of agreed expenses) and the limited recourse nature of all of the Company’s Notes.

REPORT OF THE DIRECTORS (CONTINUED)**GOING CONCERN (Continued)**

Finally, the directors have assessed the collateral quality tests that are performed by the collateral administrator and disclosed in the 'Monthly Investor Report'. At 31 December 2011, the status of the triggers involved in the collateral tests was as set out in the table below.

TESTS	TRIGGERS	RESULTS	STATUS
Moody's Maximum Asset Correlation Test	<=6.00%	4.06%	PASS
Moody's Maximum Weighted Average Rating Factor Test	<=975.00	940.00	PASS
Moody's Minimum Weighted Average Recovery Rate Test	>=36.00%	36.70%	PASS
Weighted Average Maturity Test	<=01 Sep 2016	21 Sep 2014	PASS
Minimum Weighted Average Spread Test	>=2.80%	2.80%	PASS

The above collateral quality tests are calculated on a monthly basis by the collateral administrator using data obtained from the Company's credit rating agency, Moody's, and the collateral manager, Barclays Bank Plc. The first three Moody's collateral quality tests are performed so long as the Senior Notes are rated by Moody's and the Notes are outstanding. These tests are used primarily as the criteria for the acquisition of beneficial interest in Collateral Debt Obligations by the Company.

In addition, the collateral quality tests is used to assess and mitigate concentration risk, which refers to the higher degree risk of default in the case of an economic downturn relating to an industry if the whole or major part of the portfolio of collateral debt obligations is concentrated in that particular industry. At year end, the Company has satisfied all of its collateral quality tests.

Based on the above facts, the directors have concluded that the Company's financial statements should continue to be prepared on a going concern basis.

DIRECTORS AND THEIR INTERESTS

The directors of the Company during the year and up to the date on which the financial statements were approved are shown on page 1.

None of the directors held any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest either during or at the end of the year in any material contract or arrangement with the Company.

The directors benefited from qualifying third party indemnity provisions in place during the year.

Financial Risk Management

The Company's operations are financed primarily by means of the Notes issuances. The Company issued such financial instruments to finance the acquisition of the beneficial interest in a portfolio of collateral debt obligations from BBPLC.

The primary risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The principal nature of these risks is summarised below.

Credit risk

Credit risk reflects the risk that the underlying borrowers or other transaction parties will not meet their obligations as they fall due.

Liquidity risk

Liquidity risk reflects the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial instruments, should the actual cash flows from its assets differ from those expected.

Interest rate risk

Interest rate risk exists where interest rates on assets and liabilities are either set according to different bases or reset at different times.

The directors are of the opinion that the Company successfully mitigates material credit, liquidity and interest rate risks via the structure of the transaction, which means that these risks are ultimately borne by the noteholders.

REPORT OF THE DIRECTORS (CONTINUED)

KEY PERFORMANCE INDICATORS

The key performance indicators of the Company are considered to be compliance with the Portfolio profile tests, the Collateral quality tests set out on page 3 and the coverage tests which are set out in the monthly investor reports and reviewed by the directors.

In order to qualify as a Collateral Debt Obligation, an obligation must satisfy certain specified Eligibility Criteria specified in the Collateral Management Agreement on the relevant Trust Date. Full details of the Eligibility Criteria are set out in "The Management Criteria" section on pages 104 to 125 of the Offering Circular dated 26 November 2008. If a Collateral Debt Obligation does not meet the Eligibility Criteria on the relevant Trust Date the Vendor Trustee shall re-acquire the beneficial interest in such Collateral Debt Obligation from the Issuer at the price at which the Issuer acquired the beneficial interest therein.

As at the end of the year, the Company passed all the Portfolio profile tests, Collateral quality tests and Coverage tests. In addition none of the triggers set out in the Transaction Documentation had been breached.

INDEPENDENT AUDITORS

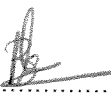
The auditors, PricewaterhouseCoopers LLP, were appointed during the year to perform a non-statutory audit on behalf of the directors.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The directors confirm that:

- so far as the directors are aware, there is no relevant information of which the Company's auditors are unaware of; and
- each director has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board


.....
Mahen Surnam - Director

Date: 8 August 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and UK Accounting Standards.

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that year. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and ensure that the financial statements comply with the Companies Law (2011 Revision), as applicable in the Cayman Islands. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF NEWFOUNDLAND CLO 1 LIMITED

We have audited the financial statements of Newfoundland CLO 1 Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of these financial statements is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5 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 and express an opinion on 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 opinion, has been prepared for and only for the directors to discharge their obligations under sections 6.6.19 and 6.6.20(e) of the Channel Island Stock Exchange Listing Rules 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 including without limitation under any contractual obligations of the company, 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its loss and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

London

Date: 9 August 2012

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2011

		Year ended 31 December		Year ended 31 December	
		2011		2010	
	Notes	USD	USD	USD	USD
INTEREST INCOME AND SIMILAR INCOME					
Interest income	5	243,601,285		245,413,932	
Interest expense	6	<u>(243,719,908)</u>		<u>(245,629,500)</u>	
Net interest income		(118,623)		(215,568)	
EXPENSES					
Administration and trustee fees		(157,458)		(117,704)	
Auditor's remuneration	4	(52,176)		(37,125)	
Other expenses		<u>(50,366)</u>		<u>(250,779)</u>	
			(260,000)		(405,608)
LOSS FOR THE YEAR BEFORE TAXATION			<u>(378,623)</u>		<u>(621,176)</u>
Taxation	7		(6,383)		(7,022)
LOSS FOR THE YEAR AFTER TAXATION			<u><u>(385,006)</u></u>		<u><u>(628,198)</u></u>

The Company has made no recognised gains and losses other than the above result for the year.

There are no differences between the loss for the year above and its historical cost equivalent.

The result for the year was derived from continuing operations.

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	2011 USD	2010 USD
FIXED ASSETS			
Deemed loan to Originator	8	7,720,000,000	7,720,000,000
Unpaid share capital		250	250
		<u>7,720,000,250</u>	<u>7,720,000,250</u>
CURRENT ASSETS			
Debtors	9	23,494,533	23,189,675
Cash	10	31,350	213,399
		<u>23,525,883</u>	<u>23,403,074</u>
CREDITORS: amounts falling due within one year			
Creditors and accruals	11	(23,598,676)	(23,332,149)
		<u>(72,793)</u>	<u>70,925</u>
NET CURRENT (LIABILITIES)/ASSETS			
		<u>(72,793)</u>	<u>70,925</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		7,719,927,457	7,720,071,175
CREDITORS: amounts falling due in more than one year			
Limited recourse notes	12	(7,721,869,744)	(7,721,628,456)
		<u>(1,942,287)</u>	<u>(1,557,281)</u>
NET LIABILITIES			
		<u>(1,942,287)</u>	<u>(1,557,281)</u>
CAPITAL & RESERVES			
Ordinary share capital	13	250	250
Profit and loss account		(1,942,537)	(1,557,531)
EQUITY SHAREHOLDER'S DEFICIT			
		<u>(1,942,287)</u>	<u>(1,557,281)</u>

The financial statements on pages 7 to 19 were approved and authorised for issue by the Board of Directors on 8 August 2012 and were signed on its behalf by:



Mahen Surnam - Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS
For the year ended 31 December 2011

	Ordinary share capital	Profit and loss account	Total
	USD	USD	USD
Balance as at 31 December 2009	250	(929,333)	(929,083)
Loss for the year	-	(628,198)	(628,198)
Balance as at 31 December 2010	250	(1,557,531)	(1,557,281)
Loss for the year	-	(385,006)	(385,006)
Balance as at 31 December 2011	250	(1,942,537)	(1,942,287)

CASH FLOW STATEMENT

For the year ended 31 December 2011

	Year ended 31 December 2011 USD	Year ended 31 December 2010 USD
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES (SEE BELOW)	<u>(245,967)</u>	<u>(409,560)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	243,256,737	244,579,340
Interest paid	<u>(243,186,436)</u>	<u>(244,444,502)</u>
	70,301	134,838
Taxation	(6,383)	(7,022)
Net movement in cash and cash equivalents	(182,049)	(281,744)
Cash and cash equivalents at beginning of the year	<u>213,399</u>	<u>495,143</u>
Cash and cash equivalents at the end of the year	<u><u>31,350</u></u>	<u><u>213,399</u></u>

**RECONCILIATION OF NET PROFIT TO NET CASH
FLOW FROM OPERATING ACTIVITIES**

	Year ended 31 December 2011 USD	Year ended 31 December 2010 USD
Loss before tax for the year	(378,623)	(621,176)
Interest charged in the profit and loss account	243,719,908	245,388,318
Interest earned in the profit and loss account	(243,601,285)	(245,413,932)
Movement in debtors	39,690	(39,690)
Movement in creditors	(25,657)	35,738
Amortised issue costs	-	241,182
Net cash flows from operating activities	<u><u>(245,967)</u></u>	<u><u>(409,560)</u></u>

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2011****1. BASIS OF PREPARATION AND ACCOUNTING POLICIES****Statement of compliance**

The financial statements have been prepared in accordance with United Kingdom accounting standards (UK GAAP).

Basis of measurement

The financial statements have been prepared in accordance with the historical cost convention and on the going concern basis. Although the Company has adopted FRS 26, no items are held at fair value. The financial statements are prepared in United States Dollars ('USD').

Going concern basis

The financial statements have been prepared on a going concern basis as stated in the directors' report on page 2.

Reporting currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. These financial statements are presented in USD. All financial information presented has been rounded to the nearest USD.

Use of estimates and judgements

The preparation of financial statements in conformity with UK GAAP requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Interest income and expense

Interest income is derived from the Company's investments and funds invested while interest expense is derived from limited recourse loan notes issued. Interest income and interest expense are recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The year end accrual for interest payable on the Notes is recognised unless the collectability of the income from the underlying asset in which the proceeds from the limited recourse Notes were invested in is in doubt, in which case no interest expense is recognised as there is no obligation to pay interest to the noteholders in those circumstances.

Foreign currency translation

Transactions in foreign currencies are initially recorded using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Other income and expense recognition

All operating income and expenses are accounted for on an accruals basis.

Taxation

Income tax payable on profits is based on applicable tax law and is calculated at rates of tax enacted or substantively enacted at the balance sheet date. Income tax payable is recognised as an expense in the year in which the profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available which these losses can be utilised against.

The Company is taxable under The Taxation of Securitisation Companies Regulations 2006 (Regulations), which is effective for accounting periods beginning on or after the 1 January 2007.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**For the year ended 31 December 2011****1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)****Deemed loan to originator**

The legal ownership of the collateral debt obligations sold to the Company by BBPLC (the originator) failed the derecognition criteria of FRS 26 as the significant risks and rewards of the loans were not transferred to the Company and, therefore, these loans remain on the statement of financial position of the originator. As such, the beneficial interest in the underlying portfolio is shown as a deemed loan to originator in the financial statements.

Purchases and sales of the deemed loan to originator are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Deemed loans are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. They are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all the risks and rewards of ownership.

The Company recognizes principal and interest cash flows from the underlying pool of collateral debt obligations only to the extent that it is entitled to retain these cash flows. Cash flows attributable to the originator are not recognised by the Company.

Newfoundland CLO 1 Limited (Newfoundland) has entered into a swap with Barclay's Bank Plc under which (a) Newfoundland swaps each principal amount on each Collateral Debt Obligation (including for the avoidance of doubt each principal amount received in respect of a Collateral Debt Obligation denominated in USD) for its USD denominated equivalent principal amount (or for the return payment of such principal amount in respect of a Collateral Debt Obligation denominated in USD) from Barclay's Bank Plc and (b) Newfoundland swaps the interest proceeds on the Collateral Debt Obligations for Scheduled Periodic Payments from Barclay's Bank Plc. This is not recognised separately as a financial derivative instrument, as the amounts payable under the swap reflect interest flows from the collateral debt obligations which are not recognised by the Company for accounting purposes. Instead, the deemed loan to originator is recognised with an interest rate which reflects the amount receivable under the swap recovery leg.

The deemed loan to originator is regularly assessed for impairment, based primarily on the performance of the underlying receivables.

Cash

Cash comprises cash at banks. This can only be used for the Notes programme.

Amounts payable to noteholders

Financial liabilities comprise the senior and subordinated limited recourse notes. Financial liabilities are initially recognised as the proceeds received net of any direct issue costs. They are subsequently measured at amortised cost. Direct issue costs are then released to the profit and loss account over the life of the notes via the effective interest rate.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Cash flow statement

The cash flow statement has been prepared using the indirect method. For the purpose of the cash flow statement, both interest income on the deemed loan and interest expense on the notes are considered to form part of returns on investments and servicing of finance.

2. EMPLOYEE COSTS

The entity does not have any employees and therefore there are no associated costs.

3. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company.

4. AUDITOR'S REMUNERATION

The audit fees payable during the year in respect of the statutory audit of the Company's financial statements amounted to USD 36,521 (2010: USD 37,125).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

5. INTEREST INCOME

	Year ended 31 December 2011 USD	Year ended 31 December 2010 USD
Interest income on deemed loan	243,600,909	245,413,085
Bank interest income	376	847
	<u>243,601,285</u>	<u>245,413,932</u>

6. INTEREST EXPENSE

	Year ended 31 December 2011 USD	Year ended 31 December 2010 USD
Interest on senior notes	185,103,915	186,629,374
Interest on subordinated notes	58,373,339	58,757,941
Bank interest and charges	1,366	1,003
Amortisation of set up costs	241,288	241,182
	<u>243,719,908</u>	<u>245,629,500</u>

7. TAXATION

The Company is taxable under The Taxation of Securitisation Companies Regulations 2006 ("The Regulations"), which is effective for accounting periods beginning on or after the 1 January 2007.

The Company is entitled to retain one basis point of each interest payment date income collection as profit. This profit meets the definition of Retained Profits under the Regulations, and is taxable at the current taxation rate.

	Year ended 31 December 2011 USD	Year ended 31 December 2010 USD
Tax expense comprises:		
Current tax expense	6,383	3,850
Deferred tax	-	-
Adjustment to prior year tax	-	3,172
Tax for the year	<u>6,383</u>	<u>7,022</u>
Loss on ordinary activities before tax	(378,623)	(621,176)

The total charge for the year/period can be reconciled to the accounting profit as follows:

Income tax expense/(credit) calculated at the rate of 26.5% (2010: 28%)	(106,014)	(173,929)
Adjustment to prior year tax	-	3,172
Effect of adjustments under the Regulations in determining taxable profit	112,397	177,779
Income tax expense recognised in the profit and loss account	<u>6,383</u>	<u>7,022</u>

At 31 December 2011, the Company has not provided for deferred tax assets or liabilities, as it is taxed under the Regulations referred to above. The Regulations only take the annual retention profit into consideration for the purpose of determining the Company's tax liability. The directors are not aware of any factors that will have a significant effect on the future tax charge of the Company.

8. DEEMED LOAN TO ORIGINATOR

	2011 USD	2010 USD
Balance as at 1 January and 31 December	<u>7,720,000,000</u>	<u>7,720,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

8. DEEMED LOAN TO ORIGINATOR (CONTINUED)

On November 26, 2008, the Company obtained a beneficial interest in a portfolio of loans from BBPLC by way of a Declaration of Trust. The deemed loan, and all subsequent acquisitions and disposals, are recorded at par value.

Under the deal structure, BBPLC pays interests of 3-Month USD Libor + 2.80% to the Company. All receipts from the beneficial interest are used to pay interest to the Company's note holders and other expenses.

9. DEBTORS

	2011 USD	2010 USD
Interest receivable	23,494,533	23,149,985
Other debtors	-	33,358
Prepayments	-	6,332
	<u>23,494,533</u>	<u>23,189,675</u>

10. CASH

	2011 USD	2010 USD
Cash held at Barclays Bank Plc	31,350	213,399
	<u>31,350</u>	<u>213,399</u>

11. CREDITORS AND ACCRUALS

	2011 USD	2010 USD
Expenses payable	59,337	84,994
Interest payable	23,539,339	23,247,155
	<u>23,598,676</u>	<u>23,332,149</u>

12. LIMITED RECOURSE NOTES

Limited recourse and segregation of assets and liabilities

The Notes issued by the Company are limited in recourse to the amount due from the deemed loan to the originator. In the event of the termination of the Declaration of Trust, any outstanding claims will be borne by the note holders pro rata to their holdings.

On 26 November 2008, the Company issued USD 16,601,700,000 Senior Secured Floating Rate Notes due 2018 and USD 3,400,000,000 Subordinated Notes due 2018. The senior notes bear interest of three months USD libor plus 2.50%.

On 19 March 2009, a further issue was made of USD 16,464,200,000 Senior (S-1) Secured Floating Rate Notes due 2025 and USD 2,700,000,000 Subordinated Notes (Sub-1) due 2025. The senior (S-1) notes bear interest of three months USD libor plus 2.50%.

On 10 September 2009, the Company repurchased part of the Notes from the market at fair value and the amount remaining was USD 12,550,000,000 as senior notes, USD 4,300,000,000 as senior notes (S-1), USD 2,346,300,000 as subordinated notes and USD 803,900,000 as subordinated notes (Sub-1).

On 19 November 2009, the Company made further repurchases of the Notes. From that date to 31 December 2011, there have been no further issues or repurchases and the notional amount remaining is as follows:

	2011 USD	2010 USD
Senior notes	3,246,000,000	3,246,000,000
Senior notes (S-1)	3,246,000,000	3,246,000,000
Subordinated notes	615,150,000	615,150,000
Subordinated notes (Sub-1)	615,150,000	615,150,000
Issue costs capitalised	(1,870,319)	(1,870,319)
Amortisation of issue costs	1,440,063	1,198,775
	<u>7,721,869,744</u>	<u>7,721,628,456</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

12. LIMITED RECOURSE NOTES (CONTINUED)

The Company repurchased the Notes at 100% notional amount, thus there was no gain or loss.

Status

The limited recourse loan notes will at all times be direct and unconditional obligations of the Company. The Senior Notes will at all times rank pari passu among themselves but in priority to the Subordinated Notes. The Subordinated Notes will rank pari passu among themselves but subordinate to the Senior Notes.

Security

The Company acquired the beneficial interest in the collateral debt obligations from BBPLC, which represents the collateral of the notes in issue.

Interest

Limited recourse loan notes are subject to floating interest rates on the senior notes at 3 months USD Libor + 2.50%. The payment of interest on the notes is dependent on the receipt of income from the deemed loan to originator. If the Company does not receive income from the deemed loan to originator then there is no obligation to pay interest to the subordinate noteholders. The non-payment of interest amounts due and payable on the Subordinated Notes as a result of insufficiency of available Interest Proceeds will not constitute an event of default.

Redemption

Redemption of the limited recourse loan notes will be made from the proceeds received on the sale or maturity of the underlying obligations on the relevant redemption date. Also, in the case the Senior Coverage Test is not satisfied on any Determination Date following the Issue Date then, Interest Proceeds and thereafter Principal Proceeds will be used to redeem the Senior Notes until each Coverage Test is satisfied if recalculated after such redemption.

Additionally at the option of all noteholders, the notes or collateral may be redeemed early, in whole but not in part, at any interest payment date. On one hand, the early redemption price of the Senior Notes will be 100% of the Principal amount outstanding of the Notes to be redeemed plus accrued and unpaid interest thereon to the day of redemption. On the other hand, the redemption price for each Subordinated Note will be its pro rata share of the aggregate proceeds of liquidation of the Collateral, or realization of the security there over which are payable in respect of such Subordinated Notes pursuant to the Priorities of Payment.

Notes details are as follows:

Description of the notes	Maturity date	Interest rate	2011 and 2010 USD
Senior Secured Floating Rate Notes	26/11/2025	3 month USD Libor + 2.50%	3,246,000,000
Senior (S-1) Secured Floating Rate Notes	26/02/2025	3 month USD Libor + 2.50%	3,246,000,000
Subordinated notes	26/11/2025	N/A	615,150,000
Subordinated (Sub-1) Notes	26/02/2025	N/A	615,150,000
			<u>7,722,300,000</u>

13. ORDINARY SHARE CAPITAL

2011 and 2010
USD

Authorised:

50,000 ordinary shares of USD 1 each

50,000

Issued:

250 ordinary shares of USD 1 each

250

The Company is not exposed to externally imposed capital requirements and accordingly the directors do not actively manage its ordinary share capital.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

14. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2011	Cash flows	Non-cash flows	31 Dec 2011
	USD	USD	USD	USD
Cash and cash equivalents	213,399	(182,049)	-	31,350
Limited recourse notes	(7,721,628,456)	-	(241,288)	(7,721,869,744)
	<u>(7,721,415,057)</u>	<u>(182,049)</u>	<u>(241,288)</u>	<u>(7,721,838,394)</u>

15. RECONCILIATION OF NET CASH FLOWS TO CHANGE TO NET DEBT

	2011	2010
	USD	USD
Movement in cash	(182,049)	(281,744)
Amortised issue costs	(241,288)	(241,182)
Net debt brought forward	<u>(7,721,415,057)</u>	<u>(7,720,892,131)</u>
Net debt carried forward	<u>(7,721,838,394)</u>	<u>(7,721,415,057)</u>

16. FINANCIAL INSTRUMENTS

The role of financial assets and liabilities in the Company

The principal activity of the Company is limited to the issue of secured floating rate Notes which are listed on the Channel Islands stock exchange. Therefore the role of financial liabilities is central to the activities of the Company.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk profile of the Company is such that market, credit and liquidity risks of the financial assets and liabilities held are ultimately borne by the holders of the Notes issued.

The Noteholders are exposed to the following risks arising from the financial instruments held by the Company:

- Interest rate risk, currency risk and liquidity risk;
- Credit risk and counterparty risk.

All substantial risks and rewards associated with the investment securities are ultimately borne by the Noteholders.

Interest rate risk, currency risk and liquidity risk

The Company pays floating interest of 3 month USD Libor plus 2.50% on the senior limited recourse loan notes issued.

Under the deal structure, the Company receives floating interest of 3 month USD Libor plus 2.80%. The notional value of the swap is matched to the nominal value of the limited recourse loan notes and as such the Company is not exposed to interest rate risk. The margin earned by the Company is used to make priority payments and the remainder used to pay the subordinated notes. All amounts paid are in US dollars and further beneficial interest in non-USD portfolio of collateral debt obligations is acquired using a determined USD-equivalent through swap arrangements. Also, the Company swaps the interest proceeds on the Collateral Debt Obligations for scheduled periodic payments denominated in USD. Thus, the directors are of the opinion that there is no net significant currency risk, interest rate risk or liquidity risk to the Company.

The following table shows the undiscounted contractual maturities of financial assets and financial liabilities as at the balance sheet date. For the purposes of this disclosure, the final principal settlement on the deemed loan and the Notes issued has been omitted.

	In less than one year	Two to five years	More than five years
31 December 2011	USD	USD	USD
Financial assets	256,304,000	1,025,216,000	2,306,736,000
Financial liabilities	<u>(196,058,400)</u>	<u>(784,233,600)</u>	<u>(1,764,525,600)</u>
Balance available for expense/subordinated noteholders payment	<u>60,245,600</u>	<u>240,982,400</u>	<u>542,210,400</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

16. FINANCIAL INSTRUMENTS (CONTINUED)

	In less than one year	Two to five years	More than five years
31 December 2010	USD	USD	USD
Financial assets	238,114,136	952,456,544	2,381,141,360
Financial liabilities	(180,761,950)	(723,047,798)	(1,903,448,091)
Balance available for expense/subordinated noteholders payment	57,352,186	229,408,746	477,693,269

Sensitivity analysis

The sensitivity analysis has been determined based on the Company's exposure to interest rates for interest bearing assets and liabilities at the balance sheet date and has been based on management's assessment of the possible changes in interest rates.

The sensitivity of the Company to interest rate changes, and the resulting changes in net assets attributable to equity shareholders, is negligible due to the structuring of the basis swap.

Credit risk

Credit risk is the risk of the financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables.

The underlying collateral debt obligations have not been assigned to the Company ("Issuer") and legal title has remained with BBPLC in its capacity as Vendor Trustee under the Vendor Trust. Accordingly, neither the Issuer nor the Trustee is in privity of contract with the Obligors under the Collateral Debt Obligations and does not have the right to assert claims or effect remedies directly against the Obligors. In the event of default by Obligors under the Collateral Debt Obligations, the Issuer and the Trustee have rights solely against the Vendor under the Vendor Trust Deed and have no rights against the Obligors under the Collateral Debt Obligations and only BBPLC is entitled to take any remedial actions or exercise any votes permitted to be taken or given thereunder. However, the Vendor Trustee Power of Attorney is drafted such that it allows the Issuer, the Collateral Manager on behalf of the Issuer or, where applicable, the Trustee to act in the name of BBPLC to enforce the Collateral Debt Obligations against the Obligors and collect the proceeds therefrom upon the occurrence of certain events of default, without the need to seek the leave of a court under English insolvency laws.

The maximum exposure to the credit risk at reporting date was as follows:

	2011 USD	2010 USD
Deemed loan	7,720,000,000	7,720,000,000
Cash and cash equivalents	31,350	213,399
Debtors	23,494,533	23,183,343
	<u>7,743,525,883</u>	<u>7,743,396,742</u>

Counterparty risk

The directors believe that there is no net significant counterparty risk since all material contracts involving the Notes are subject to limited recourse provisions as described in note 11, and therefore all counterparty risk is borne by the Noteholders.

Fair value of financial assets and liabilities

There is no active market for the assets or the limited recourse notes, therefore the Directors have estimated the fair value of both the limited recourse loan notes and the deemed loan to the originator by discounting the cash flows using a discount rate based upon comparable structures in the market.

The fair values and accounting classification of the financial assets and liabilities at the balance sheet date are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

16. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and liabilities (continued)

	Carrying amount USD	Fair value USD
31 December 2011		
<i>Loans and receivables</i>		
Deemed loan to originator	7,720,000,000	7,157,984,000
Cash	31,350	31,350
Debtors	23,494,533	23,494,533
Financial assets	<u>7,743,525,883</u>	<u>7,181,509,883</u>
<i>Financial liabilities measures at amortised cost</i>		
Limited recourse notes	7,721,869,744	7,159,717,627
Creditors	23,539,339	23,539,339
Financial liabilities	<u>7,745,409,083</u>	<u>7,183,256,966</u>
	Carrying amount USD	Fair value USD
31 December 2010		
<i>Loans and receivables</i>		
Deemed loan to originator	7,720,000,000	7,357,160,000
Cash	213,399	213,399
Debtors	23,183,343	23,183,343
Financial assets	<u>7,743,396,742</u>	<u>7,380,556,742</u>
<i>Financial liabilities measures at amortised cost</i>		
Limited recourse notes	7,721,628,456	7,358,711,918
Creditors and accruals	23,247,155	23,247,155
Financial liabilities	<u>7,744,875,611</u>	<u>7,381,959,073</u>

Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed in note 1. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Fair values of financial assets and financial liabilities that are traded in active markets, level 1, are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

16. FINANCIAL INSTRUMENTS (CONTINUED)

Valuation of financial instruments (continued)

Level 2 prices uses widely recognised valuation models for determining the fair value of common and more simple financial instruments such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives, e.g. interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

At 31 December 2011, none of the assets or liabilities of the Company were valued using Level 1 or Level 3 pricing.

17. ULTIMATE CONTROLLING PARTY

The immediate parent of the Company is Deutsche Bank (Cayman) Limited. It does not consolidate the Company in its financial statements.

BBPLC, being the originator and the sole noteholder, bears the Company's substantial risks and rewards and has full control over the Company's operations. On this basis, the Company is consolidated in BBPLC's financial statements.

18. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, the following related party transactions took place between the Company and the related parties during the financial year:

Deutsche Bank AG, London Branch

	Year ended 31 December 2011	Year ended 31 December 2010
	USD	USD
Administration fees expense for the year	143,664	104,626
Year end administrative fee creditor	11,395	10,183

Barclays Bank Plc

	Year ended 31 December 2011	Year ended 31 December 2010
	USD	USD
Interest income on deemed loan for the year	243,600,909	245,413,085
Interest income on deemed loan receivable at year	23,494,533	23,149,985

	Year ended 31 December 2011	Year ended 31 December 2010
	USD	USD
Interest expense on limited recourse notes for the year	243,477,254	245,387,315
Interest expense on limited recourse notes payable at year	23,539,339	23,247,155

	Year ended 31 December 2011	Year ended 31 December 2010
	USD	USD
Trustee fees expense for the year	13,794	13,078
Trustee fees payable at year	1,188	1,273