

002544 £150

Company Registration No FC025708

## **HAREWOOD INVESTMENTS LIMITED**

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2007**



## COMPANY INFORMATION

**Country of Incorporation**  
Jersey

**Directors**  
M Field  
N E Brick

**Secretary**  
Carey Olsen

**Registered Office**  
47 Esplanade  
St Helier  
JE1 0BD  
Jersey

**Auditors**  
Deloitte & Touche LLP  
Hill House  
1 Little New Street  
London  
EC4A 3TR  
United Kingdom

## CONTENTS

	Page
Directors' report	2-3
Statement of Directors' responsibilities	4
Independent auditor's report	5
Income statement	6
Balance sheet	7
Cash flow statement	8
Statement of changes in equity	9
Notes to the financial statements	10 - 17

## **HAREWOOD INVESTMENTS LIMITED**

### **DIRECTORS' REPORT**

**For the year ended 31 December 2007**

---

The Directors present their report and the financial statements of Harewood Investments Limited (the 'Company') for the year ended 31 December 2007

#### **Principal activity and review of the business**

The principal activity of the company is investing in financial securities. The Company is incorporated in Jersey and its principal place of business is the United Kingdom.

The income statement on page 6 of the financial statements shows a profit after taxation for the year of £361 (2006 loss £81). The result is attributable to interest receivable less loss on maturity of bonds during the year.

The balance sheet on page 7 shows the Company's financial position at the end of the year, which, in net asset terms is consistent with the prior period. There has been an increase in cash and cash equivalents to £6,455 (2006 £17) which resulted from the maturity of available-for-sale assets during the period.

The Directors do not recommend the payment of a dividend (2006 Nil).

#### **Future developments**

It is the Directors' belief that no significant developments are likely and that the Company will continue to hold investments in financial securities.

#### **Principal risks and financial risk management policies**

The Company's activities potentially expose it to a variety of financial risks: market risk (including fair value, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

##### **Price risk**

The Company is exposed to securities price risk due to available-for-sale-financial assets held by the Company. The directors do not deem this to be a significant risk to the Company as they intend to hold these available-for-sale financial assets until close to maturity.

##### **Credit risk**

The Company has no significant exposures to credit risk. All credit risk is currently with other group companies and the UK government.

##### **Liquidity risk**

Other group companies will provide liquidity to the Company as and when cash is required. Liquidity risk is monitored centrally by Group Risk Management Department of the ultimate parent undertaking, BNP Paribas S.A.

##### **Cash flow and fair value interest rate risk**

The Company is exposed to fair value interest rate risk from its investment in fixed rate UK Government Securities. It is the opinion of the Directors that the fair value interest rate risk arising from these investments is insufficient to require hedging.

**HAREWOOD INVESTMENTS LIMITED**

**DIRECTORS' REPORT**

**For the year ended 31 December 2007**

---

**Directors**

The Directors holding office since 1 January 2007 and to the date of signing this report, except where noted were

M Field

H J M Reynaud (Resigned on 29 July 2008)

N E Brick

**Charitable and political donations**

There were no charitable or political contributions made in the year (2006 nil)

Approved by the Board of Directors and signed on their behalf



N E BRICK

Director

**31** July 2008

## **HAREWOOD INVESTMENTS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**For the year ended 31 December 2007**

---

The directors are responsible for preparing 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. 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.

## HAREWOOD INVESTMENTS LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAREWOOD INVESTMENTS LIMITED

---

We have audited the financial statements of Harewood Investments Limited (the "company") for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with 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).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

#### Basis of 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 judgements 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.

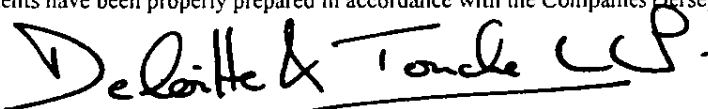
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

#### 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Deloitte & Touche LLP  
Chartered Accountants  
London, United Kingdom  
31 July 2008



**HAREWOOD INVESTMENTS LIMITED****INCOME STATEMENT****For the year ended 31 December 2007**


	Notes	2007 £	2006 £
Interest receivable	2	646	328
Loss on maturity of bonds		(130)	(444)
<b>Profit / (Loss) before taxation</b>	<b>3</b>	<b>516</b>	<b>(116)</b>
Taxation (charge) / credit	4	(155)	35
<b>Profit/ (Loss) for the year</b>		<b>361</b>	<b>(81)</b>

The results for both the current year and prior period are derived wholly from continuing operations

**HAREWOOD INVESTMENTS LIMITED****BALANCE SHEET**  
**At 31 December 2007**

	Notes	2007 £	2006 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale financial assets	5	-	4,791
		-	4,791
<b>Current assets</b>			
Available-for-sale financial assets	5	4,800	6,108
Other receivables	6	77	107
Cash and cash equivalents	7	6,455	17
<b>Total current assets</b>		<b>11,332</b>	<b>6,232</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	8	(234)	(307)
<b>Total current liabilities</b>		<b>(234)</b>	<b>(307)</b>
<b>Net current assets</b>		<b>11,098</b>	<b>5,925</b>
<b>NET ASSETS</b>		<b>11,098</b>	<b>10,716</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Capital and reserves</b>			
Ordinary shares	9	10,000	10,000
Available for sale reserves		3	(18)
Retained earnings		1,095	734
<b>TOTAL EQUITY</b>		<b>11,098</b>	<b>10,716</b>

The financial statements on pages 6 to 17 were approved by the Board of Directors on **31** July 2008 and were signed on its behalf by



**M FIELD**

Director



**HAREWOOD INVESTMENTS LIMITED****CASH FLOW STATEMENT****For the year ended 31 December 2007**

	Notes	2007 £	2006 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	-	-
Interest received		676	621
Tax paid		(238)	-
<b>Net cash generated by operating activities</b>		<b>438</b>	<b>621</b>
<b>Cash flows from investing activities</b>			
Maturity of available-for-sale financial assets		6,000	8,150
Purchase of available-for-sale financial assets		-	(10,985)
<b>Net cash generated from/(used in) investing activities</b>		<b>6,000</b>	<b>(2,835)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>6,438</b>	<b>(2,214)</b>
Cash and cash equivalents at the beginning of the period		17	2,231
<b>Closing cash and cash equivalents at 31 December</b>		<b>6,455</b>	<b>17</b>

**HAREWOOD INVESTMENTS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2007**

	Ordinary Shares	Available- for-sale reserves	Retained Earnings	Total equity
	£	£	£	£
<b>Balance at 1 January 2006</b>	10,000	(263)	815	10,552
(Loss) for the year	-	-	(81)	(81)
Movement in value of available for sale financial assets	-	351	-	351
Tax on movement in value of available for sale financial assets	-	(106)	-	(106)
<b>Balance at 31 December 2006</b>	10,000	(18)	734	10,716
Profit for the year	-	-	361	361
Movement in value of available for sale financial assets	-	31	-	31
Tax on movement in value of available for sale financial assets	-	(10)	-	(10)
<b>Balance at 31 December 2007</b>	10,000	3	1,095	11,098

## **HAREWOOD INVESTMENTS LIMITED**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 December 2007**

---

#### **1 Accounting Policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year presented, unless otherwise stated.

##### **a) Basis of preparation**

These financial statements have been prepared in accordance with European Union ('EU') adopted International Financial Reporting Standards ('IFRS'). These comprise standards issued by the International Accounting Standards Board (IASB) and its predecessor as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body. The financial statements have been prepared under the historical cost convention.

In the current year, the Company has adopted IFRS 7 Financial Instruments: Disclosures, and the related amendment to IAS 1 Capital Management, which are effective for annual reporting periods beginning on or after 1 January 2007. The impact of adoption of IFRS 7 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments.

At the date of authorisation of these financial statements, although the following relevant Standards and Interpretations were in issue, they were not effective and the Company has not chosen to adopt them early:

IFRS 8 Operating Segments

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

IFRIC 12 Service Concession Arrangements

IFRIC 14 IAS 19 – The Limit on a Defined Benefit, Minimum Funding Requirements and their Interaction

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company when the relevant standards apply from their respective effective dates. A summary of the more important accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

Once approved, the Financial Statements cannot be amended without re-presenting them for approval by the Board.

##### **b) Accounting Convention**

###### *Trade date accounting*

Purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the assets.

##### **c) Critical accounting estimates and judgements**

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements.

##### **d) Revenue recognition**

###### *Interest income*

Interest income arises from cash at bank and from interest earning available-for-sale investments. Interest income is recognised in the income statement using the effective interest method.

## HAREWOOD INVESTMENTS LIMITED

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2007

---

#### e) Foreign currency translation

##### *(i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling, which is the Company's functional and presentation currency.

##### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### f) Financial instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

##### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

##### *(ii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains or losses arising, from changes in the fair value of the 'derivative financial instruments' category, including interest and dividend income, are presented in the income statement within 'net gains and losses on derivative financial instruments', in the year in which they arise.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

## HAREWOOD INVESTMENTS LIMITED

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2007

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date

#### g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdraft. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

#### h) Share capital, capital contribution and debt instruments

Ordinary shares and capital contributions that evidence a residual interest in the assets of the Company after deducting all of its liabilities are classified as equity instruments

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration

#### i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

#### j) Current and deferred tax

The tax currently payable is based on taxable profit for the year. The company's liability for current tax and deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability that at the time of the transaction affects neither the accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that foreseeable future taxable profit will be available against which the temporary differences can be utilised

#### k) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders

## 2 Interest receivable

	2007	2006
	£	£
Income from UK Government Securities	646	328
	646	328

## HAREWOOD INVESTMENTS LIMITED

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2007

#### 3 Profit before taxation

Services provided by the Company's auditor consisted of the statutory audit, costs of £5,100 (2006 £5,000) were borne by the ultimate parent undertaking. All administrative expenses have also been borne by the ultimate parent undertaking.

##### a) Directors' emoluments

The Directors provide services to the Company, the ultimate parent undertaking and a number of fellow subsidiary undertakings. The emoluments of all Directors are paid by the parent undertaking. It is not practical to apportion the emoluments received and therefore they are not disclosed in respect of any Directors in these financial statements.

##### b) Number of employees

The Company had no employees during the year to 31 December 2007 (2006 nil).

#### 4 Taxation

##### (a) Analysis of charge in the year

	2007 £	2006 £
Current taxation (charge) / credit – continuing operations	(155)	35

##### (b) Tax on items charged to equity

	2007 £	2006 £
Current tax charge/(credit) on available for sale investments	10	106
Tax charge/(credit) on items charged to equity	10	106

The tax for the year is calculated at the standard rate of corporation tax in the UK of 30% (2006 30%) as detailed below.

	2007 £	2006 £
Profit / (loss) on ordinary activities before taxation	516	(116)
Tax (charge) / credit for the year calculated at the standard rate of corporation tax in the UK of 30%	(155)	35

**HAREWOOD INVESTMENTS LIMITED****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****For the year ended 31 December 2007****5 Available-for-sale financial assets**

	2007	2006
	£	£
Opening balance	10,899	8,379
Maturity	(6,130)	(8,755)
Release of revaluation deficit from equity on maturity	-	376
Additions	-	10,924
Revaluation surplus/(deficit) transferred to equity	31	(25)
Balance at 31 December	4,800	10,899
Less current portion	(4,800)	(6,108)
Non-current portion	-	4,791

Available-for-sale financial assets comprises of UK Government securities Gilts '5.0% Treasury Stock 2008'. This financial asset was re-valued at bid prices prevailing at the balance sheet date. The effective interest rate of the gilts held at the balance sheet date approximates to 5.00%.

The net surplus on revaluation of £21 (2006: £18) was taken to equity, and is disclosed in 'available for sale reserves' in the balance sheet.

The loss on maturity of £130 (2006: £444) is shown in the income statement.

**6 Other receivables**

	2007	2006
	£	£
Accrued coupon interest receivable	77	107
	77	107

**7 Cash and cash equivalents**

	2007	2006
	£	£
Cash at bank and in hand	6,455	17

**HAREWOOD INVESTMENTS LIMITED****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****For the year ended 31 December 2007****8 Other payables**

	2007	2006
	£	£
Group Tax relief creditors	234	307

The Group tax relief creditors have no maturity date and the effective interest rate of the liability is zero percent

**9 Share capital**

	Number of shares	2007 £	2006 £
Authorised Ordinary shares of £1 each	500,010,000	500,010,000	500,010,000
Issued and fully paid Ordinary shares of £1 each	10,000	10,000	10,000

The Company has in issue only one class of equity share, which is non-redeemable, carries one vote per share and has no right to dividends other than those recommended by the Directors, and unlimited right to share in the surplus remaining on a winding up

**10 Financial risk management**

The Company's activities potentially expose it to a variety of financial risks, credit risk, liquidity risk, foreign exchange risk, price risk and cash flow and fair value interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The exposures and risk management techniques have not changed significantly from the prior year.

**a) Credit risk**

The Company takes on exposure to credit risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk arises on cash and cash equivalents due from other group companies and on available-for-sale UK Government Securities.

*Maximum exposure to credit risk before collateral held or credit enhancements*

	2007 £	2006 £
Available-for-sale financial assets	4,800	10,899
Other receivables	77	107
Cash and cash equivalents	6,455	17
	11,332	11,023

The above table represents a worse case scenario of credit risk exposure for the Company at 31 December 2007 and 2006, without taking into account collateral held or other credit enhancements attached. The exposures set out above are based on the carrying amounts as reported in the balance sheet.



## HAREWOOD INVESTMENTS LIMITED

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2007

---

#### **b) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Other group companies will provide liquidity to the Company as and when cash is required. The financial liabilities as shown in Note 8 are all repayable on demand consequently no liquidity table is provided.

#### **c) Market risk**

The Company activities potentially expose it to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency, and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. Exposure to market risk is monitored by the Directors.

##### *(i) Foreign exchange risk*

The Company is not exposed to foreign exchange risk as all assets and liabilities are denominated in the Company's functional currency of sterling.

##### *(ii) Interest rate risk*

The Company is exposed to fair value interest rate risk from its investment in fixed rate UK Government Securities. The Company is exposed to cash flow interest rate risk from its floating rate cash balances. It is the opinion of the Directors that the cash flow and fair value interest rate risk arising from these investments is insufficient to require hedging.

##### *Interest rate risk sensitivity*

The sensitivity analyses below have been determined based on the following assumptions:

- the exposure to interest rates is on all financial instruments held at the balance sheet date,
- the stipulated change took place at the beginning of the financial year and held constant throughout the reporting period, and
- instruments that reprice within a period of 6 months are considered variable while those that reprice after 6 months are considered fixed.

Based on historic volatility a 50 basis point increase or decrease is considered a reasonably possible change in interest rates.

The sensitivity analysis shown below is representative of the risks inherent in the Companies financial instruments. The methods and assumptions used to prepare the sensitivity analysis are consistent for both reporting periods.

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's

- other equity reserves would decrease by GBP 29 (2006 decrease by GBP 53) as a result of changes in fair value of available-for-sale fixed rate financial assets.

A 50 basis point decrease in interest rates would have an inverse effect on equity. The Company's sensitivity to interest rates has remained constant during the current period. The Company's exposure to cash flow interest rate risk decreased marginally during the prior year as a result of decreasing floating rate financial assets.

##### *(iii) Other price risk*

The Company is exposed to securities price risk due to available-for-sale-financial assets held by the Company. The directors do not deem this to be a significant risk to the Company as they intend to hold these available-for-sale financial assets until close to maturity.

**HAREWOOD INVESTMENTS LIMITED****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****For the year ended 31 December 2007****11 Cash flow from operating activities**

Reconciliation of profit for the year to net cash inflow from operating activities

	2007	2006
	£	£
Profit / (Loss) for the year	361	(81)
Adjustments for		
— interest income	(646)	(328)
— loss on maturity of bonds	130	444
— taxation	(155)	(35)
Cash generated by operations	-	-

**12 Related party transactions**

In respect of related party transactions, the outstanding balances receivable / (payable) as at 31 December 2007 were as follows

Nature of transaction	Related party	2007	2006
		£	£
Cash and cash equivalents	Ultimate parent undertaking	6,455	17
Group tax relief creditor	Fellow subsidiaries	(234)	(307)

Costs including key management compensation, audit fees, and services provided by support functions of the ultimate parent undertaking, e.g. (finance, legal and secretarial services) which are incidental to the Company's operations, were borne by the ultimate parent undertaking and no re-charge was made to the Company

**13 Ultimate parent undertaking**

BNP Paribas SA the main provider of funds, is the immediate, ultimate parent and controlling party of the group, and is the smallest and largest group to consolidate these financial statements. BNP Paribas SA is a company incorporated in France with limited liability.

Copies of the group financial statements can be obtained from BNP Paribas SA, 16 boulevard des Italiens, 75009 Paris, France