

REYNOLDS FUNDING 2 LIMITED

67/90

Report and Financial Statements

For the period from 13 October 2004 to 31 December 2005

REGISTERED NUMBER (CAYMAN): 140510

REGISTERED NUMBER IN ENGLAND AND WALES : FC025620



REYNOLDS FUNDING 2 LIMITED

DIRECTORS' REPORT

For the period from 13 October 2004 to 31 December 2005

The directors present their report together with the audited financial statements for the period from 13 October 2004 to 31 December 2005.

Review of business

The company was incorporated in the Cayman Islands on 13 October 2004. 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.

Results and Dividends

During the period the Company made a profit after tax of €18,447. The directors did not declare a dividend during the period. The directors consider that the performance of the Company has been satisfactory during the period.

Derivatives and financial instruments

The Company's directors are required to follow the requirements of the Barclays Group risk management policies, which includes specific guidelines on the management of foreign exchange and interest rate risks and advises 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 12).

Directors

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

JEF Corswarem (appointed 28 October 2004)
D Hackett (appointed 28 October 2004 - resigned 31 March 2005)
DJ Hodge (appointed 28 October 2004)
R Isman (appointed 28 October 2004)

Directors' Interests in Shares (as defined by Section 325 of the Companies Act 1985)

No disclosure is made as the directors have taken advantage of the modifications and exemptions from disclosure that are set out in the Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990.

REYNOLDS FUNDING 2 LIMITED

DIRECTORS' REPORT (continued)

For the period from 13 October 2004 to 31 December 2005

Statement of Directors' Responsibilities

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

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

The directors consider that in preparing the accounts:

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and
- that all the accounting standards which they consider to be applicable have been followed, and
- that the financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 1985 as applicable to overseas companies.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors

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

BY ORDER OF THE BOARD



Director
D J Hodge

Date: 19 July 2006

REYNOLDS FUNDING 2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REYNOLDS FUNDING 2 LIMITED

We have audited the financial statements of Reynolds Funding 2 Limited for the period 13 October 2004 to 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 as applicable to overseas companies and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 as applicable to overseas companies. 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, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

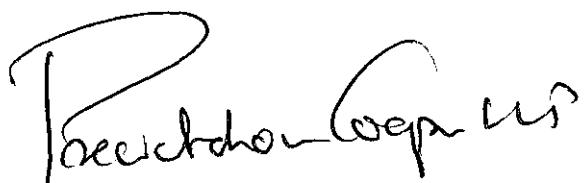
REYNOLDS FUNDING 2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REYNOLDS FUNDING 2 LIMITED (continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985 as applicable to overseas companies.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

[Date] 24 July 2006

REYNOLDS FUNDING 2 LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 13 October 2004 TO 31 DECEMBER 2005

| | Notes | 13 October 2004 to 31 December 2005 € |
|---|-------|--|
| Administrative expenses | | (119) |
| Operating loss | | <u>(119)</u> |
| Interest receivable and similar income | 4 | 819,241 |
| Interest payable and similar charges | 5 | (792,659) |
| Profit on ordinary activities before taxation | 6 | <u>26,463</u> |
| Tax on profit on ordinary activities | 7 | (8,016) |
| Profit on ordinary activities after taxation | | <u>18,447</u> |
| Retained profit | | <u>18,447</u> |

All recognised gains and losses are included in the profit and loss account. Operating loss is derived from continuing activities. 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.

REYNOLDS FUNDING 2 LIMITED

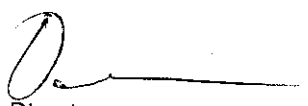
BALANCE SHEET AS AT 31 DECEMBER 2005

| | Notes | 2005 € |
|--|-------|---------------|
| CURRENT ASSETS | | |
| DEBTORS: Amounts falling due within one year | 8 | 32,263 |
| CREDITORS: Amounts falling due within one year | 9 | (3,816) |
| NET CURRENT ASSETS | | <u>28,447</u> |
| CAPITAL AND RESERVES | | |
| Called up share capital | 10 | 100 |
| Share premium | 10 | 9,900 |
| Profit and loss account | | 18,447 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | <u>28,447</u> |
| TOTAL SHAREHOLDERS' FUNDS | 11 | <u>28,447</u> |

A reconciliation of movement in shareholders' funds is given in note 11.

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

The financial statements and notes to the accounts were approved by the Board of Directors on 19 July 2006.



Director
D J Hodge

REYNOLDS FUNDING 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of accounting

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

Overseas company

The financial statements have been prepared in accordance with the Companies Act 1985 applicable to overseas companies. The Company has taken advantage of the modifications and exemptions from disclosure that are set out in the Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990.

Revenue Recognition

Interest income is recognised on an accruals basis.

Foreign Exchange

Assets and liabilities in foreign currencies are translated into Euros 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 Euros at average rates of exchange during the year unless a contracted rate applied. All other exchange profits and losses, which arise from normal trading activities, are included in the profit and loss account. The Euro to Sterling exchange rate prevailing at the balance sheet date was 1.45848.

Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

REYNOLDS FUNDING 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. CASH FLOW STATEMENT

The Company's ultimate holding company has adopted the provisions of Financial Reporting Standard 1 ("FRS 1") revised 1996, Cash Flow Statements. Accordingly the Company, which is a wholly owned subsidiary of Barclays Bank PLC, has elected to utilise the exemption provided in FRS 1 not to produce a cash flow statement.

3. DIRECTORS EMOLUMENTS

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

4. INTEREST RECEIVABLE AND SIMILAR INCOME

| | |
|---|--|
| | 13 October 2004 to 31 December 2005 € |
| Interest receivable from group undertakings | 819,241 |
| | <hr/> 819,241 <hr/> |

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | |
|------------------|--|
| | 13 October 2004 to 31 December 2005 € |
| Interest payable | 792,659 |
| | <hr/> 792,659 <hr/> |

During the period, Reynolds Funding 2 Limited issued short term debt. This debt matured within two months of issue and there is no other interest payable.

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

There were no employees employed by the Company during the period.

REYNOLDS FUNDING 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 13 October 2004 to 31 December 2005 € |
|--------------------------------------|--|
| UK corporation tax | 7,939 |
| Foreign exchange | 77 |
| Tax on profit on ordinary activities | <u>8,016</u> |

The UK corporation tax charge is based on an effective UK corporation tax rate of 30%.

| | 13 October 2004 to 31 December 2005 € |
|---|--|
| Profit on ordinary activities before taxation | 26,463 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%. | 7,939 |
| Foreign exchange | 77 |
| Current tax charge | <u>8,016</u> |

8. DEBTORS

| | |
|-------------------------------------|---------------|
| Amounts falling due within one year | 2005 € |
| Amounts owed by group undertakings | 32,263 |
| | <u>32,263</u> |

9. CREDITORS

| | |
|-------------------------------------|--------------|
| Amounts falling due within one year | 2005 € |
| Corporation tax | 3,816 |
| | <u>3,816</u> |

REYNOLDS FUNDING 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. CALLED UP SHARE CAPITAL

| | 2005 € |
|---------------------------------------|-----------|
| Authorised: | |
| Attributable to equity interests: | |
| 100,000 ordinary shares of €0.01 each | 1,000 |
| | <hr/> |
| Allotted and fully paid: | |
| Attributable to equity interests: | |
| 10,000 ordinary shares of €0.01 each | 100 |
| | <hr/> |
| Share premium: | |
| Attributable to equity interests: | |
| 10,000 ordinary shares of €0.99 each | 9,900 |
| | <hr/> |

The Company issued 9,999 ordinary shares of €0.01 each on 13 October 2004 at a premium of €0.99 per share. The one subscriber share was also issued at a premium of €0.99 per share.

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2005 € |
|---|-----------|
| Profit for the period | 18,447 |
| Dividends | - |
| | <hr/> |
| Increase in shareholders' funds | 18,447 |
| Share capital issued during the period. | 100 |
| Share premium issued during the period. | 9,900 |
| | <hr/> |
| Closing shareholders' funds | 28,447 |
| | <hr/> |

12. 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.

13. 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 Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP.