

000048/1080

REYNOLDS FUNDING 2 LIMITED

Report and Financial Statements
For the year ended 31 December 2006



REGISTERED NUMBER (CAYMAN): 140510

REGISTERED NUMBER IN ENGLAND AND WALES : FC025620

REYNOLDS FUNDING 2 LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006

Review of business and future outlook

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

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

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

Results and Dividends

During the period the Company made a loss after tax of €(6,574), (13 October 2004 to 31 December 2005 profit €18,447). The directors did not declare a dividend during the year (13 October 2004 to 31 December 2005 nil). The directors do not recommend the payment of a final dividend. 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 13).

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
DJ Hodge
R Isman

Directors' Indemnities

Qualifying third-party indemnity provisions (as defined by section 309B of the Companies Act 1985) were in force during the course of the financial year ended 31 December 2006 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties/powers of office.

REYNOLDS FUNDING 2 LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 December 2006

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

Each of the directors in office as at the date of this report confirms that

- there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

Auditors

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

BY ORDER OF THE BOARD



Director
For and on behalf of
Reynolds Funding 2 Limited

Date 12 September 2007

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 31 December 2006 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. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 as applicable to overseas companies, and
- the information given in the Director's Report is consistent with the financial statements



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

Date 18 September 2007

REYNOLDS FUNDING 2 LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Year ended 31 December 2006 €	13 October 2004 to 31 December 2005 €
Administrative expenses		(9,350)	(119)
Operating loss		<u>(9,350)</u>	<u>(119)</u>
Interest receivable and similar income	4	-	819,241
Interest payable and similar charges	5	-	(792,659)
(Loss)/Profit on ordinary activities before taxation	6	<u>(9,350)</u>	<u>26,463</u>
Tax on (loss) / profit on ordinary activities	7	2,776	(8,016)
(Loss)/Profit on ordinary activities after taxation		<u>(6,574)</u>	<u>18,447</u>
Retained (loss)/profit		(6,574)	18,447
Retained profit brought forward		18,447	-
Retained profit carried forward		<u>11,873</u>	<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

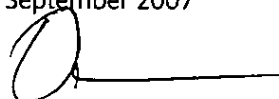
BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 €	2005 €
CURRENT ASSETS			
DEBTORS Amounts falling due within one year	8	21,873	32,263
CREDITORS Amounts falling due within one year	9	-	(3,816)
NET CURRENT ASSETS		<u>21,873</u>	<u>28,447</u>
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Share premium	10	9,900	9,900
Profit and loss account		11,873	18,447
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>21,873</u>	<u>28,447</u>
TOTAL SHAREHOLDERS' FUNDS	11	<u>21,873</u>	<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 12 September 2007



Director

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

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 (2005 Nil)

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2006 €	13 October 2004 to 31 December 2005 €
Interest receivable from group undertakings	-	819,241
	-	819,241

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2006 €	13 October 2004 to 31 December 2005 €
Interest payable	-	792,659
	-	792,659

During the period ended 31 December 2005, Reynolds Funding 2 Limited issued short term debt. This debt matured within two months of issue and there was no other interest payable in 2005 or 2006.

6 (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

There were no employees employed by the Company during 2006 (13 October 2004 to 31 December 2005 Nil). The audit fee is borne by the Company's ultimate holding Company, Barclays PLC. Although the audit fee is borne by the ultimate holding Company, the fee that would have been charged to the company amounts to £4,326 for the period. This fee is not recognised as an expense in the financial statements.

REYNOLDS FUNDING 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2006 €	13 October 2004 to 31 December 2005 €
UK corporation tax	2,805	7,939
Foreign exchange	(12)	77
Tax on profit on ordinary activities	<u>2,793</u>	<u>8,016</u>

The UK corporation tax charge is based on an effective UK corporation tax rate of 30%. The effective rate differs from 30% as a result of foreign exchange differences

	Year ended 31 December 2006 €	13 October 2004 to 31 December 2005 €
(Loss)/Profit on ordinary activities before taxation	(9,350)	26,463
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30 %)	(2,805)	7,939
Foreign exchange	12	77
Current tax charge/(credit)	<u>(2,763)</u>	<u>8,016</u>

8 DEBTORS

Amounts falling due within one year	2006 €	2005 €
Amounts owed by group undertakings	19,110	32,263
Group Relief Receivable	2,763	-
	<u>21,873</u>	<u>32,263</u>

REYNOLDS FUNDING 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 CREDITORS

Amounts falling due within one year	2006 €	2005 €
Corporation tax	-	3,816
	<u>-</u>	<u>3,816</u>

10 CALLED UP SHARE CAPITAL

	2006 €	2005 €
Authorised Attributable to equity interests 100,000 ordinary shares of €0.01 each	1,000	1,000
Allotted and fully paid Attributable to equity interests 10,000 ordinary shares of €0.01 each	100	100
Share premium Attributable to equity interests 10,000 ordinary shares of €0.99 each	9,900	9,900

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 €	2005 €
(Loss)/Profit for the period	(6,574)	18,447
(Decrease)/ Increase in shareholders' funds	<u>(6,574)</u>	<u>18,447</u>
Share capital issued during the period	-	100
Share premium issued during the period	-	9,900
Opening shareholder's funds	28,447	-
Closing shareholders' funds	<u>21,873</u>	<u>28,447</u>

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

REYNOLDS FUNDING 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.