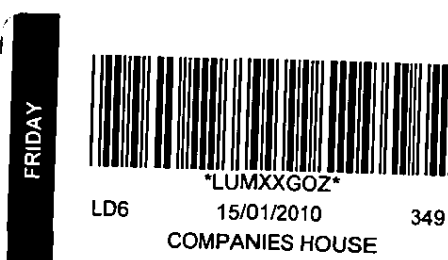


REYNOLDS FUNDING 2 LIMITED

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**Report and Financial Statements  
For the year ended 31 December 2008**



**REGISTERED NUMBER (CAYMAN): MC140510**

**REGISTERED NUMBER IN ENGLAND AND WALES : FC025620**

## **REYNOLDS FUNDING 2 LIMITED (FC025620)**

### **DIRECTORS' REPORT**

**For the year ended 31 December 2008**

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

#### **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 year.

The directors have reviewed the Company's business and performance and consider it to be in line with their expectation. The directors consider that the Company's position at the end of the year is consistent with the size and complexity of the business.

Subsequent to the year end the Company received dividends of €49,000,000 from subsidiary companies.

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 year the Company made a loss after tax of €52,144,310 (2007: loss of €5,296,727). The directors did not declare a dividend during the year (2007: €nil). The directors do not recommend the payment of a final dividend.

#### **Going Concern**

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

#### **Financial instruments**

The Company's directors are required to follow the requirements of the Barclays Group risk management policies, which include specific guidelines on the management of foreign exchange, credit and interest rate risks and advise on the use of financial instruments to manage them. Barclays Group risk management policies can be found in the financial statements of Barclays Bank PLC (see note 14)"

#### **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

Since the year end, DJ Hodge resigned as a director on 25 August 2009 and R Chandra was appointed as a director on 12 October 2009.

## **REYNOLDS FUNDING 2 LIMITED (FC025620)**

### **DIRECTORS' REPORT (continued)**

**For the year ended 31 December 2008**

#### **Directors' Indemnities**

Qualifying third-party indemnity provisions were in force during the course of the financial year ended 31 December 2008 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties/powers of office.

#### **Statement of Directors' Responsibilities**

The 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.

**REYNOLDS FUNDING 2 LIMITED (FC025620)**

**DIRECTORS' REPORT (continued)**  
**For the year ended 31 December 2008**

**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**

A handwritten signature in black ink, consisting of a large, stylized 'Z' or 'J' shape followed by several horizontal strokes.

Director  
For and on behalf of  
Reynolds Funding 2 Limited

Date: 3 November 2009

## **REYNOLDS FUNDING 2 LIMITED (FC025620)**

### **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 2008 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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). This report, including the opinion, has been prepared for and only for the Company's members as a body to assist them in assessing whether the directors have complied with the overseas companies regulation on accounts 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 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 (FC025620)**

**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 2008 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.

A large, stylized handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

Date:

9 November 2009.

# REYNOLDS FUNDING 2 LIMITED (FC025620)

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year ended 31 December 2008 €	Year ended 31 December 2007 €
Administrative expenses		(10,447)	(768)
Operating loss		<u>(10,447)</u>	<u>(768)</u>
Interest receivable and similar income	4	33,436	1,505,599
Interest payable and similar charges	5	(68,255,602)	(9,458,679)
Loss on ordinary activities before taxation	6	<u>(68,232,613)</u>	<u>(7,953,848)</u>
Tax credit on loss on ordinary activities	7	16,088,303	2,657,121
Loss on ordinary activities after taxation		<u>(52,144,310)</u>	<u>(5,296,727)</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 (FC025620)

## BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 €	2007 €
FIXED ASSET INVESTMENTS	8	1,398,998,000	1,398,998,000
CURRENT ASSETS			
DEBTORS: Amounts falling due within one year	9	16,229,047	3,586,008
CREDITORS: Amounts falling due within one year	10	(1,472,646,211)	(1,407,858,862)
NET CURRENT (LIABILITIES)		(1,456,417,164)	(1,404,272,854)
NET (LIABILITIES)		(57,419,164)	(5,274,854)
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Share premium	11	9,900	9,900
Profit and loss account		(57,429,164)	(5,284,854)
TOTAL EQUITY SHAREHOLDERS' FUNDS		(57,419,164)	(5,274,854)
TOTAL SHAREHOLDERS' FUNDS	12	(57,419,164)	(5,274,854)

A reconciliation of movement in shareholders' funds is given in note 12.

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 3 November 2009.

Director

Date: 3 November 2009



# REYNOLDS FUNDING 2 LIMITED (FC025620)

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

The financial statements have been prepared on a going concern basis under the historical cost convention, the accounting policies set out below and in accordance with the Companies Act 1985 and 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.

#### **Basis of preparation**

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

#### **Interest**

Interest income and expense is recognised on an accruals basis.

#### **Fixed asset investments**

Investment securities are stated at cost less any permanent diminution in value. Investment securities are intended for use on a continuing basis by the Group and have been identified as such.

#### **Borrowings**

Borrowings refer to loans and advances entered into and Class E preference shares issued by the Company. They are recognised as a financial liability when a contractual agreement results in the Company having a present obligation to deliver cash or another financial asset to the holder. The liability is recognised at initial cost and amortised over the life of the financial liability. Borrowing costs are charged as an expense to the income statement in the period in which they are incurred.

#### **Foreign Exchange**

Monetary 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 exchange differences 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. Deferred taxation is recognized on timing differences arising between the treatment of certain items for taxation and accounting purposes.

#### **Dividends Received**

Dividend income is recognised in the profit and loss account on the date the Company becomes entitled to receive a dividend.

## REYNOLDS FUNDING 2 LIMITED (FC025620)

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. CASH FLOW STATEMENT

The Company has adopted the provisions of Financial Reporting Standard 1 ("FRS 1") revised 1996, Cash Flow Statements. Accordingly the Company, which is 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, as a cash flow statement is prepared by its ultimate parent.

#### 3. DIRECTORS EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during the year. (2007: Nil)

#### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2008 €	Year ended 31 December 2007 €
Interest receivable from group undertakings	33,436	7,599
Dividend receivable from group undertakings	-	1,498,000
	<u>33,436</u>	<u>1,505,599</u>

#### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2008 €	Year ended 31 December 2007 €
Interest payable to group undertakings	68,255,602	9,458,679
	<u>68,255,602</u>	<u>9,458,679</u>

#### 6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

There were no employees employed by the Company during 2008 (2007: Nil). The audit fee is borne by another group company. Although the audit fee is borne by the another group company, the fee that would have been charged to the company amounts to €3,233 for the year (2007: €4,221). This fee is not recognised as an expense in the financial statements.

# REYNOLDS FUNDING 2 LIMITED (FC025620)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 December 2008 €	Year ended 31 December 2007 €
UK corporation tax	19,446,295	2,835,554
Foreign exchange	(3,357,992)	(178,433)
Tax credit on loss on ordinary activities	<u>16,088,303</u>	<u>2,657,121</u>

The UK corporation tax charge is based on a blended UK corporation tax rate of 28.5% (2007: 30%). The effective tax rate is higher than (2007: higher) the blended tax rate as a result of non-taxable items and foreign exchange.

	Year ended 31 December 2008 €	Year ended 31 December 2007 €
Loss on ordinary activities before taxation	(68,232,613)	(7,953,848)
Loss on ordinary activities multiplied by blended rate of corporation tax in the UK of 28.5%. (2007: 30 %)	(19,446,295)	(2,386,154)
Effects of:		
Non taxable dividend income	-	(449,400)
Foreign exchange	3,357,992	178,433
Current tax credit	<u>(16,088,303)</u>	<u>(2,657,121)</u>

The corporate taxation rate changed from 30% to 28% from 1 April 2008 and therefore a blended rate of 28.5% has been applied to calculate the tax charge for the current year.

## REYNOLDS FUNDING 2 LIMITED (FC025620)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 8. FIXED ASSET INVESTMENTS

	Investment in redeemable preference shares €	Total €
As at 1 January 2008	1,398,998,000	1,398,998,000
As at 31 December 2008	<u>1,398,998,000</u>	<u>1,398,998,000</u>

The Company owns 100% of the redeemable preference shares of Wysteria Euro Investments Limited, being 1,000 redeemable preference shares at a par of €9 and share premium of €1,398,989 per share. The preference shares have no voting rights.

In the opinion of the directors, the value of the Company's investment in its group undertaking is not less than the amount stated in the balance sheet.

#### 9. DEBTORS

Amounts falling due within one year	2008 €	2007 €
Amounts owed by group undertakings	21,831	929,664
Group Relief Receivable	16,207,216	2,656,344
	<u>16,229,047</u>	<u>3,586,008</u>

#### 10. CREDITORS

Amounts falling due within one year	2008 €	2007 €
Amounts due to group undertakings	1,472,646,211	1,407,038,345
Bank Loans and Overdrafts	-	820,517
	<u>1,472,646,211</u>	<u>1,407,858,862</u>

## REYNOLDS FUNDING 2 LIMITED (FC025620)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 11. CALLED UP SHARE CAPITAL

	2008 €	2007 €
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

#### 12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 €	2007 €
Loss for the year	(52,144,310)	(5,296,727)
Decrease in shareholders' funds	(52,144,310)	(5,296,727)
Opening shareholder's funds	(5,274,854)	21,873
Closing shareholders' funds	(57,419,164)	(5,274,854)

#### 13. 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.

#### 14. 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.