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# REYNOLDS FUNDING 2 LIMITED

**Report and Financial Statements**  
**For the year ended 31 December 2009**



**REGISTERED NUMBER IN CAYMAN ISLANDS: MC140510**

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



## **REYNOLDS FUNDING 2 LIMITED**

Registered Number in England and Wales FC025620

### **DIRECTORS' REPORT**

For the year ended 31 December 2009

The directors present their report together with the audited financial statements for the year ended 31 December 2009

#### **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.

Given the nature of the business, the Company's directors are of the opinion that analysis using Key Performance Indicators 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 profit after tax of €24,947,247 (2008: loss of €52,144,310). The directors did not declare a dividend during the year (2008: €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 for the year ended 31 December 2009 (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 (resigned 25 August 2009)

R Isman

R Chandra (appointed 12 October 2009)



## **REYNOLDS FUNDING 2 LIMITED**

Registered Number in England and Wales: FC025620

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

For the year ended 31 December 2009

#### **Directors' Indemnities**

Qualifying third-party indemnity provisions were in force during the course of the financial year ended 31 December 2009 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,
- 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**

Registered Number in England and Wales. FC025620

**DIRECTORS' REPORT (continued)**

**For the year ended 31 December 2009**

**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 dark ink, consisting of a large, stylized 'R' followed by a series of horizontal strokes, extending to the right.

Director

Name R Isman

Date 10 June 2010

For and on behalf of

Reynolds Funding 2 Limited



## **REYNOLDS FUNDING 2 LIMITED**

Registered Number in England and Wales FC025620

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

We have audited the financial statements of Reynolds Funding 2 Limited for the year ended 31 December 2009 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.

This report, including the opinion, has been prepared for and only for the directors to meet their obligations under 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 including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

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

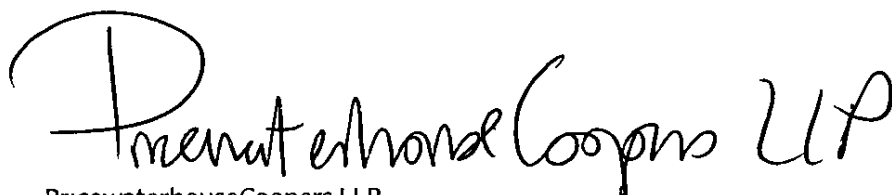
Registered Number in England and Wales FC025620

### 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 2009 and of its profit 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

17 June 2010



**REYNOLDS FUNDING 2 LIMITED**

Registered Number in England and Wales: FC025620

**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Year ended 31 December 2009 €	Year ended 31 December 2008 €
Administrative expenses		(278)	(10,447)
Operating loss		(278)	(10,447)
Interest receivable and similar income	4	49,013,779	33,436
Interest payable and similar charges	5	(35,319,919)	(68,255,602)
Profit/(loss) on ordinary activities before taxation	6	13,693,582	(68,232,613)
Tax credit on profit/(loss) on ordinary activities	7	11,253,665	16,088,303
Profit/(loss) on ordinary activities after taxation		24,947,247	(52,144,310)

All recognised gains and losses are included in the profit and loss account. Operating profit/(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 1 to 14 form an integral part of these financial statements.



**REYNOLDS FUNDING 2 LIMITED**

Registered Number in England and Wales: FC025620


**BALANCE SHEET AS AT 31 DECEMBER 2009**

	Notes	2009 €	2008 €
FIXED ASSET INVESTMENTS	8	1,398,998,000	1,398,998,000
CURRENT ASSETS			
DEBTORS Amounts falling due within one year	9	9,914,321	16,229,047
CREDITORS Amounts falling due within one year	10	(1,441,384,238)	(1,472,646,211)
NET CURRENT (LIABILITIES)		(1,431,469,917)	(1,456,417,164)
NET (LIABILITIES)		(32,471,917)	(57,419,164)
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Share premium	11	9,900	9,900
Profit and loss account		(32,481,917)	(57,429,164)
TOTAL EQUITY SHAREHOLDERS' FUNDS		(32,461,917)	(57,419,164)
TOTAL SHAREHOLDERS' FUNDS	12	(32,471,917)	(57,419,164)

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 and authorized for issue by the Board of Directors on 10 June 2010



Director  
Name R. Isman  
Date 10 June 2010



## **REYNOLDS FUNDING 2 LIMITED**

Registered Number in England and Wales. 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

##### **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

##### **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 and have been identified as such

##### **Borrowings**

Borrowings refer to loans and advances entered into. They are recognised as a 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 cost using the effective rate of interest. 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 from subsidiaries**

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



## REYNOLDS FUNDING 2 LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS

#### 2. CASH FLOW STATEMENT

The Company's ultimate holding company, Barclays Bank PLC, prepares consolidated financial statements which are publically available. 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 year (2008 Nil)

#### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2009 €	Year ended 31 December 2008 €
Interest receivable from parent undertakings	13,779	33,436
Dividend receivable from group undertakings	49,000,000	-
	<u>49,013,779</u>	<u>33,436</u>

#### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2009 €	Year ended 31 December 2008 €
Interest payable to group undertakings	35,319,919	68,255,602
	<u>35,319,919</u>	<u>68,255,602</u>

#### 6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

There were no employees employed by the Company during 2009 (2008. Nil). The audit fee is borne by another group company. Although the audit fee is borne by another group company, the fee that would have been charged to the Company amounts to €3,233 for the year (2008 €3,233). This fee is not recognised as an expense in the financial statements.



**REYNOLDS FUNDING 2 LIMITED**

Registered Number in England and Wales FC025620

**NOTES TO THE FINANCIAL STATEMENTS (continued)****7. TAX CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	Year ended 31 December 2009 €	Year ended 31 December 2008 €
UK corporation tax	9,885,797	19,446,295
Foreign exchange	1,367,868	(3,357,992)
Tax credit on profit/(loss) on ordinary activities	11,253,665	16,088,303

The UK corporation tax charge is based on a UK corporation tax rate of 28% (2008 28.5% blended). The reduction in corporation tax rate is due to the use of a blended corporation tax rate for the year 2008, as a result of the reduction of the corporation tax rate from 30% to 28% with effect from 1 April 2008. The effective tax rate is higher (2008 lower) than the standard tax rate as a result of non-taxable items and foreign exchange.

	Year ended 31 December 2009 €	Year ended 31 December 2008 €
Profit/(loss) on ordinary activities before taxation	13,693,582	(68,232,613)
Profit/(loss) on ordinary activities multiplied by corporation tax in the UK of 28% (2008 28.5%)	3,834,203	(19,446,295)
Effects of		
Non taxable preference share income	(13,720,000)	-
Foreign exchange	(1,367,868)	3,357,992
Current tax credit	(11,253,665)	(16,088,303)



**REYNOLDS FUNDING 2 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (continued)****8. FIXED ASSET INVESTMENTS**

	Investment in redeemable preference shares €	Total €
As at 31 December 2009 and 31 December 2008	1,398,998,000	1,398,998,000

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**

	2009 €	2008 €
Amounts falling due within one year		
Amounts owed by group undertakings	25,619	21,831
Group Relief Receivable	9,888,702	16,207,216
	<u>9,914,321</u>	<u>16,229,047</u>

**10. CREDITORS**

	2009 €	2008 €
Amounts falling due within one year		
Amounts due to group undertakings	1,441,384,238	1,472,646,211
	<u>1,441,384,238</u>	<u>1,472,646,211</u>



## REYNOLDS FUNDING 2 LIMITED

Registered Number in England and Wales: FC025620

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 11. CALLED UP SHARE CAPITAL

	2009 €	2008 €
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

	2009 €	2008 €
Profit/(loss) for the year	24,947,247	(52,144,310)
Increase/(decrease) in shareholders' funds	24,947,247	(52,144,310)
Opening shareholder's funds	(57,419,164)	(5,274,854)
Closing shareholders' funds	(32,471,917)	(57,419,164)

#### 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. There have been no other transactions with related parties requiring disclosure during the year (2008: none).

#### 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.