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OSTIA FUNDING NO.2 LLC

Report and Financial Statements
For the year ended 31 December 2011



REGISTERED NUMBER IN DELAWARE, USA: 4082657
REGISTERED NUMBER IN ENGLAND AND WALES: FC026478

OSTIA FUNDING NO.2 LLC

REGISTERED NUMBER IN ENGLAND AND WALES FC026478

DIRECTORS' REPORT

For the year ended 31 December 2011

The directors present their report for Ostia Funding No 2 LLC ("the Company") together with the audited financial statements for the year ended 31 December 2011

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 move in line with changes to interest rates going forward.

The directors have reviewed the Company's business and performance and consider it to be satisfactory for the year. 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 taxation of \$14,315,265 (2010 \$12,736,909). The directors declared no dividends for the year (2010 nil). The Company had net assets at the year end of \$2,299,373,197 (31 December 2010 \$2,285,057,932).

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:

S Eijkenduijn	(appointed on 5 January 2011 and resigned on 17 March 2011)
J Huckle	(appointed on 22 November 2011)
E Khairov	
T Morjaria	(appointed on 22 November 2011)
M Ralph	(resigned on 22 November 2011)

Directors' third party Indemnity provisions

Qualifying third-party indemnity provisions were in force during the course of the financial year ended 31 December 2011 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 or office.

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REGISTERED NUMBER IN ENGLAND AND WALES FC026478

DIRECTORS' REPORT (continued)

For the year ended 31 December 2011

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 2006 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 financial statements

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, 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 2006, as applicable to overseas companies

The Directors in office as at the date of this report confirm that

- there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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

Financial Instruments

The Company operates within the Barclays financial risk management objectives and policies. These include a policy for hedging each major type of forecasted transaction for which hedge accounting is used

OSTIA FUNDING NO.2 LLC

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DIRECTORS' REPORT (continued)

For the year ended 31 December 2011

Independent 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

Name

TEJAL MODY

Date

28.08.2012

For and on behalf of

Ostia Funding No.2 LLC

OSTIA FUNDING NO.2 LLC

REGISTERED NUMBER IN ENGLAND AND WALES FC026478

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF OSTIA FUNDING NO 2 LLC

We have audited the financial statements of Ostia Funding No 2 LLC for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared on the basis of preparation and accounting policies in notes 2 and 3 to the financial statements.

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 the directors are responsible for the preparation of the financial statements in accordance with the basis of preparation and accounting policies in notes 2 and 3 to the financial statements and the Companies Act 2006 as applicable to overseas companies. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the directors for management purposes 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.


Opinion on financial statements

In our opinion the financial statements for the year ended 31 December 2011 have been properly prepared, in all material respects, in accordance with

- the basis of preparation and accounting policies in notes 2 and 3 to the financial statements, and
- the Companies Act 2006 as applicable to overseas companies.

Basis of preparation

Without modifying our opinion, we draw attention to notes 2 and 3 to the financial statements which disclose the basis of preparation. The financial statements have been prepared for the directors for management purposes and may not be suitable for another purpose.



PricewaterhouseCoopers LLP

Chartered Accountants

London, United Kingdom

Date 29 August 2012

OSTIA FUNDING NO.2 LLC

REGISTERED NUMBER IN ENGLAND AND WALES: FC026478

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2011**

		2011	2010
	Notes	\$	\$
Continuing operations:			
Interest receivable and similar income	4	19,532,582	17,377,054
Interest payable and similar charges		-	(5,105)
Net interest income		<u>19,532,582</u>	<u>17,371,949</u>
Other income		21,138	2,723
Net income		<u>19,553,720</u>	<u>17,374,672</u>
Administrative expenses		-	(51,680)
Profit before taxation for the year	5	<u>19,553,720</u>	<u>17,322,992</u>
Taxation	8	(5,238,455)	(4,586,083)
Profit after taxation for the year		<u><u>14,315,265</u></u>	<u><u>12,736,909</u></u>

Profit for the year is derived from continuing activities. The accompanying notes form an integral part of these financial statements. No statement of comprehensive income has been prepared as all the gains and losses attributable to the shareholders are reported in the profit and loss account.

OSTIA FUNDING NO.2 LLC


REGISTERED NUMBER IN ENGLAND AND WALES FC026478

BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	31 December 2011 \$	31 December 2010 \$
ASSETS			
Current assets			
Loans and advances	9	2,304,194,945	2,289,382,221
Cash		152,162	115,367
Total current assets		2,304,347,107	2,289,497,588
TOTAL ASSETS		2,304,347,107	2,289,497,588
LIABILITIES			
Current liabilities			
Group relief payable		4,973,910	4,439,656
Total current liabilities		4,973,910	4,439,656
Net current assets		2,299,373,197	2,285,057,932
TOTAL LIABILITIES		4,973,910	4,439,656
NET ASSETS		2,299,373,197	2,285,057,932
SHAREHOLDER'S EQUITY			
Called up share capital	10	1,200,143,998	1,200,143,998
Distributable reserve	11	1,049,836,002	1,049,836,002
Retained earnings	11	49,393,197	35,077,932
TOTAL SHAREHOLDER'S EQUITY		2,299,373,197	2,285,057,932

The accompanying notes from an integral part of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 28 August 2012 and were signed on its behalf by


 Name of Director **TEJAL MOKKIANA**
 Date **28.08.2012**

OSTIA FUNDING NO.2 LLC

REGISTERED NUMBER IN ENGLAND AND WALES FC026478

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

The financial statements are prepared for Ostia Funding No 2 LLC (the Company), the principal activity of the Company is to act as an investment Company. The Company is a wholly owned subsidiary of Ostia Funding No 1 LLC and its ultimate parent Company is Barclays PLC. Barclays PLC prepares consolidated financial statements in accordance with IFRS as adopted by the European Union, and accordingly consolidated financial statements have not been prepared for Ostia Funding No 2 LLC.

Ostia Funding No 2 LLC is a limited liability company incorporated and domiciled in Delaware, USA. The Company's registered office is:

2711 Centerville Road
Suite 400
Wilmington
Delaware 19808
USA

2 ACCOUNTING FRAMEWORK

The financial statements have been prepared in accordance with the Overseas Companies Regulations 2009 (SI 2009/1801) made under section 1049 of the Companies Act 2006 (the "Regulations"). The Company has applied Section 396 of the Companies Act 2006, as modified by the Regulations, in producing overseas companies individual accounts.

The Company applies the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), as published by the International Accounting Standards Board ("IASB") and in accordance with the IFRSs and IFRIC interpretations as adopted by the European Union.

However, for presentation and disclosure purposes, the directors have adopted the requirements under the Regulations and selected disclosures under IFRS which the directors deem to be relevant in understanding its state of affairs. As a result, the following items which are required under IFRS are not included in these financial statements:

- 1 Statement of Changes in Equity,
- 2 Statement of Cash flows,
- 3 Capital Management note,
- 4 IFRS 7 Financial Instruments Disclosures to the extent they are not relevant in assessing the Company's state of affairs

The preparation of these financial statements in conformity with the Regulations requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

OSTIA FUNDING NO.2 LLC

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NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments. They are stated in US dollars, which is the Company's functional and presentation currency.

Revenue Recognition

Revenue is recognised in the profit and loss account when it is probable that the economic benefits associated with the transaction will be received by the Company. Revenue is reported at the fair value of the consideration received or receivable.

Interest

Interest income or expense is recognised on all interest bearing financial assets classified as held to maturity, available for sale or other loans and advances, and on interest bearing financial liabilities, using the effective interest method.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Foreign exchange

Foreign currency transactions are translated into US dollars using the spot exchange rates prevailing at the dates of the transactions (or are they translated at average rates of exchange during the year).

Monetary items denominated in foreign currencies are translated into functional currency at the spot rate prevailing on the balance sheet date. All exchange gains and losses are recognised in the profit and loss account except for items that are designated as hedging instruments in qualifying cash flow hedges or hedges of net investments, translation differences for which are recognised in equity.

Non-monetary items recognised at historical cost are not re-translated at subsequent dates. Non-monetary items that are measured at fair value are re-translated using the exchange rate at the date when the fair value was determined. Exchange differences on equities and similar non-monetary items held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items whose fair value gains or loss are recognised in equity are included directly in equity.

OSTIA FUNDING NO.2 LLC

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Taxation payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as probable that it is recoverable by offset against current or future taxable profits.

Loans and advances

Loans and advances are recorded on balance sheet according to the substance of the contractual arrangement entered into. Loans and receivables are initially recorded at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, less any amounts that have been provided for to reflect impairment in the value of the investment, where there is objective evidence of impairment. Income is recognised in the profit and loss account, using the effective interest rate which discounts estimated future cash flows through the life of the financial asset to that asset's net carrying value.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets, including trade receivables, is impaired. The factors that the Company takes into account include significant financial difficulties of the debtor or the issuer, a breach of contract or default in payments, the granting by the Company of a concession to the debtor because of a deterioration in its financial condition, the probability that the debtor will enter into bankruptcy or other financial reorganisation, or, in the disappearance of an active market for a security because of the issuer's financial difficulties.

Impairment allowances are calculated, based on the difference between the carrying amount of the asset and its estimated recoverable amount, calculated by reference to the expected cash flows from it discounted at the original effective interest rate for the asset.

Share Capital

Share capital, provided that there is no present obligation to deliver cash or another financial asset to the holder, is classified as equity, and the costs associated with the issuance of shares are recorded as a deduction from equity.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 \$	2010 \$
Interest receivable from parent undertaking	19,319,919	17,316,257
Interest receivable from group undertakings	212,663	60,797
	<u>19,532,582</u>	<u>17,377,054</u>

5 PROFIT BEFORE TAXATION

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 \$12,700 for the year (2010 \$9,980). This fee is not recognised as an expense in the financial statements.

6. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during the year (2010 \$nil).

7. STAFF COSTS

There were no employees employed by the Company during the year (2010 none).

8. TAXATION

	2011 \$	2010 \$
UK corporation tax	5,181,736	4,850,438
Foreign exchange	56,719	(278,825)
Withholding tax written off	-	14,470
	<u>5,238,455</u>	<u>4,586,083</u>

The UK corporation tax charge is based on a blended tax rate of 26.5% (2010 28%). The effective tax rate is different from the standard tax rate as a result of foreign exchange.

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NOTES TO THE FINANCIAL STATEMENTS (continued)**8 TAXATION (continued)**

The overall tax charge is explained in the following table

	2011 \$	2010 \$
Profit on ordinary activities before tax	19,553,720	17,322,992
Profit on ordinary activities multiplied by a blended rate of tax in the UK of 26.5% (2010: 28%)	5,181,736	4,850,438
Effects of		
Foreign exchange current year	56,719	(278,825)
Withholding tax written off	-	14,470
Tax charge for the year	<u>5,238,455</u>	<u>4,586,083</u>

9. LOANS AND ADVANCES

	31 December 2011 \$	31 December 2010 \$
Loans and advances to parent undertaking	2,251,369,000	2,251,369,000
Interest receivable on loans and advances to parent undertaking	11,695,020	15,359,446
Loans and advances to group undertakings	41,130,925	22,653,775
	<u>2,304,194,945</u>	<u>2,289,382,221</u>

10 CALLED UP SHARE CAPITAL

	Number of shares	Ordinary shares \$
Ordinary Shares	224,997	1,200,133,998
Subscriber Share	1	10,000
As at 31 December 2011 and 31 December 2010	<u>224,998</u>	<u>1,200,143,998</u>

OSTIA FUNDING NO.2 LLC

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NOTES TO THE FINANCIAL STATEMENTS (continued)**10 CALLED UP SHARE CAPITAL (continued)**

	31 December 2011 \$	31 December 2010 \$
Authorised		
1 Subscriber share of \$10,000 each	10,000	10,000
224,997 of ordinary shares of \$5,334 each	1,200,133,998	1,200,133,998
Allotted and fully paid		
1 Subscriber share of \$10,000 each	10,000	10,000
224,997 Ordinary shares of \$5,334 each	1,200,133,998	1,200,133,998

11. RETAINED EARNINGS AND OTHER RESERVES

	Distributable reserve \$	Retained earnings \$	Total \$
As at 1 January 2011	1,049,836,002	35,077,932	1,084,913,934
Profit for the year	-	14,315,265	14,315,265
As at 31 December 2011	1,049,836,002	49,393,197	1,099,229,199
As at 1 January 2010	1,049,836,002	22,341,023	1,072,177,025
Profit for the year	-	12,736,909	12,736,909
As at 31 December 2010	1,049,836,002	35,077,932	1,084,913,934

12. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions, or one other party controls both

The definition of related parties includes parent company, ultimate parent company, subsidiary, as well as the Company's key management which includes its Directors

Ostia Funding No 1 LLC is the parent undertaking and controlling party. During the period there have been no other transactions with related parties other than transactions disclosed in notes 4 and 9

OSTIA FUNDING NO.2 LLC

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13 ULTIMATE HOLDING COMPANY

Ostra Funding No 1 LLC is the parent undertaking and controlling party. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC. The ultimate holding Company and the parent Company of the largest group that presents group accounts is Barclays PLC. Both companies are incorporated in Great Britain and registered in England. Barclays Bank PLC's and Barclays PLC's statutory accounts are available from Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP.

14 POST BALANCE SHEET EVENTS

On 4 May 2012, the Company paid a dividend of \$222,224.2 per ordinary share, totalling US\$50,000,000.