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HURLEY INVESTMENTS NO. 2 LIMITED

Report and Financial Statements
For the year ended 31 December 2010



REGISTERED NUMBER IN ENGLAND AND WALES: FCO26881
REGISTERED NUMBER IN CAYMAN ISLANDS: MC168465

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

DIRECTORS' REPORT

For the year ended 31 December 2010

The directors present their report together with the audited financial statements for the year ended 31 December 2010

Change in 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

This is the first set of financial statements prepared by the Company in accordance with the Regulations

Previously the Company prepared its financial statements in accordance with International Financial Reporting Standards ("IFRSs") 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

The directors have changed the accounting framework following an internal assessment on preparing financial statements under IFRS. The Directors concluded that preparation of financial statements under IFRSs entailed a disproportionate expense to the benefit arising. Following this, the Directors elected to prepare accounts under the Regulations.

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. The directors expect the company's future performance to be consistent with the current year.

The directors have reviewed the Company's business and performance and consider it to be in line with expectations. 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 (KPIs) is not necessary for an understanding of the development, performance or position of the business.

Results and dividends

During the year ended 31 December 2010, the Company made a loss after tax for the year of £10,097,393 (2009: loss after tax of £22,570,436). The directors do not recommend the payment of a dividend in relation to the year ended 31 December 2010 (2009: £nil). The company has net liabilities of £65,192,702 (2009: net liabilities £55,094,303).

Going Concern

After reviewing the Company's performance and taking into account the likelihood of available bank facilities from its ultimate parent, the directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the financial statements.

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

DIRECTORS' REPORT (continued)

For the year ended 31 December 2010

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

G Agrawal (resigned on 3 September 2010)
M P L Brown
C Cortes Argote (resigned on 31 December 2010)
N S Dhillon

Since the year end, M G D Treharne and H A M Watson were appointed as Directors on 11 January 2011, and B Hill was appointed as a Director on 4 April 2011. N S Dhillon resigned as a Director on 14 February 2011.

Directors' third party indemnity provisions

Qualifying third party indemnity provisions were in force during the course of the financial year ended 31 December 2010 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 may occur (or have occurred) in connection with their duties, powers or 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 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.

HURLEY INVESTMENTS NO. 2 LIMITED

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DIRECTORS' REPORT (continued)

For the year ended 31 December 2010

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.

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 Martin Brown

Date 11 October 2011

For and on behalf of Hurley Investments No 2 Limited

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number In England & Wales FC026881

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF HURLEY INVESTMENTS NO 2 LIMITED

We have audited the financial statements of Hurley Investments No 2 Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of comprehensive income, 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 2010 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 note 2 to the financial statements which discloses 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

PricewaterhouseCoopers LLP

Chartered Accountants

London, United Kingdom

Date 13 October 2011

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number In England & Wales FC026881

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Continuing operations:			
Interest receivable and similar income	4	4,748	2,821
Interest payable and similar expenses	5	(14,036,903)	(31,358,548)
Net interest expense		(14,032,155)	(31,355,727)
Other income		7,998	7,900
Loss on ordinary activities before taxation	6	(14,024,157)	(31,347,827)
Taxation	9	3,926,764	8,777,391
Loss for the year	14	(10,097,393)	(22,570,436)

Loss for the year is derived from continuing activities. The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £	2009 £
Net loss for the year	(10,097,393)	(22,570,436)
Other comprehensive expense		
Fair value losses on available for sale assets	(1,397)	(1,007)
Tax relating to other comprehensive expense	391	282
Other comprehensive expense for the year net of tax	(1,006)	(725)
Total comprehensive expense for the year	(10,098,399)	(22,571,161)

HURLEY INVESTMENTS NO. 2 LIMITED


Registered Number in England & Wales FC026881

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	2010 £	2009 £
ASSETS			
Non-current assets			
Investment in subsidiaries	10	2,000,050,000	2,000,050,000
Current assets			
Available-for-sale investments	11	231,481	245,683
Cash and cash equivalents		60,383	38,704
Group relief receivable		3,926,725	8,777,237
Total current assets		4,218,589	9,061,624
TOTAL ASSETS		2,004,268,589	2,009,111,624
LIABILITIES			
Current liabilities			
Borrowings	12	(2,069,461,291)	(2,064,205,927)
NET CURRENT LIABILITIES		(2,065,242,702)	(2,055,144,303)
TOTAL LIABILITIES		(2,069,461,291)	(2,064,205,927)
NET LIABILITIES		(65,192,702)	(55,094,303)
SHAREHOLDERS' EQUITY			
Called up share capital	13	300,000	300,000
Available-for-sale reserve	14	99	1,105
Retained earnings	14	(65,492,801)	(55,395,408)
TOTAL SHAREHOLDERS' DEFICIT		(65,192,702)	(55,094,303)

The accompanying notes form an integral part of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 11 October 2011 and were signed on its behalf by


 Director
 Name Martin Brown
 Date 11 October 2011

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

The financial statements are prepared for Hurley Investments No 2 Limited (the Company), the principal activity of the Company is to act as an investment Company. The Company is a wholly owned subsidiary of Wessex Investments Limited and its ultimate parent Company is Barclays PLC. Barclays PLC prepares consolidated financial statements in accordance with IFRS, and accordingly consolidated financial statements have not been prepared for Hurley Investments No 2 Limited.

Hurley Investments No 2 Limited is a limited company incorporated in the Cayman Islands and domiciled in England and Wales. The Company's registered office is

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

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.

The Company has made full retrospective application of Section 396 as modified by SI 2009/1801 of Companies Act 2006 for presentation and disclosure purposes in its 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.

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Pounds Sterling, which is the Company's functional and presentation currency.

Going concern

After reviewing the Company's performance and taking into account the support available from Barclays Bank PLC, the directors are satisfied that the Company has adequate access to resources to enable it 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.

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.

Foreign exchange

Foreign currency transactions are translated into pound sterling using the average rates of exchange prevailing during the year.

Monetary items denominated in foreign currencies are translated into pound sterling at the spot rate prevailing on the balance sheet date. All exchange gains and losses are recognised in the profit and loss account.

Interest

Interest income or expense is recognised on all interest bearing financial instruments 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.

Fees and commissions

Fees and commissions are recognised in the profit and loss account on an accruals basis as the service is provided.

Dividends from subsidiaries

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

HURLEY INVESTMENTS NO. 2 LIMITED

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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.

Current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Investments in subsidiaries

Investments in subsidiaries are recorded in the balance sheet at 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. Any impairment in the value of the investment is recognised in the profit and loss account.

Available for sale investments

Available for sale investments are non-derivative financial investments. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value, and gains and losses arising from changes in fair value are included as a separate component of equity until sale or impairment when the cumulative gain or loss is transferred to the profit and loss account. The assets are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

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.

Borrowings

Borrowings refer to loans and advances entered into and debt securities issued by the Company. 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 fair value and amortised to the redemption value using the effective rate of interest over the life of the instrument. Borrowing costs are charged as an expense to the profit and loss account in the period in which they are incurred.

Share capital

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

HURLEY INVESTMENTS NO. 2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Consolidated financial statements

The financial statements contain information about Hurley Investments No 2 Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Companies Act 2006 provides an exemption in paragraph 402A from the requirement to prepare consolidated financial statements which the Company has elected to apply. Hurley Investments No 2 Limited is a wholly owned subsidiary of Barclays PLC and its results including those of its subsidiaries are consolidated in the financial statements of its parent. Barclays PLC is a Company registered in England and Wales

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Interest receivable from group companies	5,681	264
Interest receivable – gilt income	(933)	2,557
	<u>4,748</u>	<u>2,821</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Interest payable to group undertakings	14,063,903	31,344,233
Interest on commercial paper	-	14,315
	<u>14,063,903</u>	<u>31,358,548</u>

HURLEY INVESTMENTS NO. 2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

6 LOSS ON ORDINARY ACTIVITIES 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 £2,600 (2009 £4,000) for the year. This fee is not recognised as an expense in the financial statements.

7. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during the year (2009 £nil).

8 STAFF COSTS

There were no employees employed by the Company during 2010 or 2009.

9. TAXATION

	2010 £	2009 £
UK corporation tax	(3,926,764)	(8,777,391)
Tax credit on loss on ordinary activities	(3,926,764)	(8,777,391)

The analysis of the tax credit for the year is as follows:

	2010 £	2009 £
Loss on ordinary activities before tax	(14,024,156)	(31,347,827)
Loss on ordinary activities multiplied by the rate of corporation tax in the UK of 28%	3,926,764	8,777,391
Tax credit for the year	3,926,764	8,777,391

The UK corporation tax charge is based on the UK corporation tax rate of 28%.

10. INVESTMENT IN SUBSIDIARIES

	2010 £	2009 £
Balance at 31 December 2010 and 31 December 2009	2,000,050,000	2,000,050,000

Name of subsidiary	Country of incorporation or residence	Nature of business	Proportion of ownership held (%)	Proportion of voting power held (%)	Reporting Date
Borindale Investments Limited	United Kingdom	Investment Company	100	100	29 June 2009

HURLEY INVESTMENTS NO. 2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)**11. AVAILABLE FOR SALE INVESTMENTS**

	2010 £	2009 £
Balance as at 1 January	245,683	255,641
Additions	232,446	255,849
Disposals	(244,732)	(250,924)
Revaluation deficit transferred to equity	(1,397)	(1,007)
Amortisation and interest accrual adjustment	(519)	(13,876)
Balance as at 31 December	<u>231,481</u>	<u>245,683</u>

The investments listed above represent investments in UK debt securities

12. BORROWINGS

	2010 £	2009 £
Amounts due to group undertakings	<u>2,069,461,291</u>	<u>2,064,205,927</u>

13. CALLED UP SHARE CAPITAL

	Number of shares	Total £
As at 31 December 2010 and 31 December 2009	<u>300,000</u>	<u>300,000</u>
	2010 £	2009 £
Authorised		
300,000 Ordinary shares of £1 each	300,000	300,000
2,000,000,000 Preference shares of £1 each	2,000,000,000	2,000,000,000
Allotted and fully paid		
300,000 Ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>

HURLEY INVESTMENTS NO. 2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)**14. RETAINED EARNINGS AND OTHER RESERVES**

	Available-for- sale reserve £	Retained earnings £	Total £
As at 1 January 2010	1,105	(55,395,408)	(55,394,303)
Net loss	-	(10,097,393)	(10,097,393)
Losses taken to equity	(1,006)	-	(1,006)
As at 31 December 2010	99	(65,492,801)	(65,492,702)
As at 1 January 2009	1,830	(32,824,972)	(32,823,142)
Net loss	-	(22,570,436)	(22,570,436)
Losses taken to equity	(725)	-	(725)
As at 31 December 2009	1,105	(55,395,408)	(55,394,303)

15. ULTIMATE HOLDING COMPANY

Wessex Investments Limited 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.

16. RELATED PARTY TRANSACTIONS

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.

Barclays Plc is the parent undertaking and controlling party. During the year there have been no other transactions with related parties other than transactions in the "Cash and cash equivalents" balance, "Other income" balance and disclosed in Notes 4, 5, 6, 7, 10, 12, 14 and 15.