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HURLEY INVESTMENTS NO. 2 LIMITED

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



**REGISTERED NUMBER IN ENGLAND AND WALES: FC026881
REGISTERED NUMBER IN CAYMAN ISLANDS: MC168465**

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. 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 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 (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 2008, the Company made a loss of £85,297,969 (2007: profit of £52,468,492). The directors do not recommend the payment of a dividend in relation to the year end 31 December 2008 (2007: £nil). The company has net liabilities of £32,523,142 (2007: net assets £52,772,927)

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 (Appointed: 21 February 2008)

GMF Brawn (Resigned: 2 May 2008)

MPL Brown

NS Dhillon

O Nunn (Appointed: 2 May 2008)

Since the year end, O Nunn resigned as a Director on 3 March 2009 and C Cortes Argote was appointed as a Director on 5 March 2009.

Directors' Indemnities

Qualifying third-party indemnity provisions were in force during the course of the financial year ended 31st 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.

HURLEY INVESTMENTS NO. 2 LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 December 2008

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 financial statements:

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements 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
- that 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.

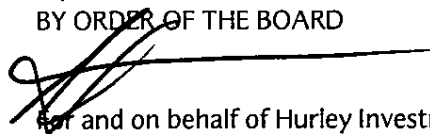
Financial instruments

The Company's financial risk management objectives and policies and the exposure to credit risk, liquidity risk and interest rate risk are set out in note 19 'Financial Risks'.

Auditors

PricewaterhouseCoopers LLP will continue to hold office in accordance with section 487 of the Companies Act 2006.

BY ORDER OF THE BOARD



for and on behalf of Hurley Investments No.2 Limited

Date: 07 August 2009

HURLEY INVESTMENTS NO. 2 LIMITED

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

We have audited the financial statements of Hurley Investments No. 2 Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 whether the financial statements have been 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.

HURLEY INVESTMENTS NO. 2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HURLEY INVESTMENTS NO. 2 LIMITED (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 and of its loss and cash flows 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 Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
[Date]

14 August 2009.

HURLEY INVESTMENTS NO. 2 LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
Continuing operations:			
Interest receivable and similar income	5	127,876	12,229
Interest payable and similar expenses	6	(119,429,735)	(10,771,526)
Net interest expense		<u>(119,301,859)</u>	<u>(10,759,297)</u>
Other income		4,000	-
Profit on repurchase of share capital	7	-	60,000,000
(Loss) / profit on ordinary activities before taxation	8	<u>(119,297,859)</u>	<u>49,240,703</u>
Taxation	11	33,999,890	3,227,789
(Loss) / profit for the year		<u>(85,297,969)</u>	<u>52,468,492</u>

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

HURLEY INVESTMENTS NO. 2 LIMITED

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £	2007 £
Available for sale reserve:		
- Net gains/(losses) from changes in fair value	2,657	1,182
- Current taxation	(757)	(355)
	<hr/>	<hr/>
Amounts included directly in equity	1,900	827
	<hr/>	<hr/>
(Loss) / profit for the year	(85,297,969)	52,468,492
	<hr/>	<hr/>
Total recognised income and expense for the year	(85,296,069)	52,469,319
	<hr/>	<hr/>
Attributable to:		
Shareholders	(85,296,069)	52,469,319
	<hr/>	<hr/>

HURLEY INVESTMENTS NO. 2 LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

ASSETS	Note	2008 £	2007 £
Non-current assets			
Investment in Subsidiaries	12	2,000,050,000	2,000,050,000
Available-for-sale investments	13	-	248,930
Total non-current assets		2,000,050,000	2,000,298,930
Current assets			
Available-for-sale investments	13	255,641	-
Cash and Cash Equivalents		19,929	16,312
Group Receivable		33,999,453	3,229,211
Total current assets		34,275,023	3,245,523
TOTAL ASSETS		2,034,325,023	2,003,544,453
LIABILITIES			
Current liabilities			
Borrowings	14	(2,066,848,165)	(1,950,771,526)
Total current liabilities		(2,066,848,165)	(1,950,771,526)
Net current liabilities		(2,032,828,783)	(1,947,526,003)
TOTAL LIABILITIES		2,066,848,165	1,950,771,526
NET (LIABILITIES)/ASSETS		(32,523,142)	52,772,927
SHAREHOLDERS' EQUITY			
Called up share capital	15	300,000	300,000
Available-for-sale reserve	16	1,830	(70)
Retained earnings	16	(32,824,972)	52,472,997
TOTAL SHAREHOLDERS' (DEFICIT)/EQUITY		(32,523,142)	52,772,927

Notes 1 to 21 form an integral part of these financial statements. The financial statements and accompanying notes were approved by the Board of Directors on 07 August 2009.

Director
Date: 07 August 2009

HURLEY INVESTMENTS NO. 2 LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
NET CASH FLOWS FROM OPERATING ACTIVITIES	17	4,000	-
Interest received on available for sale securities		11,139	12,250
Interest received on cash deposits		118,691	631
Interest paid		(30,443,514)	-
Tax received / (paid)		3,228,879	(3,323)
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES		<u>(27,080,805)</u>	<u>9,558</u>
CASH USED IN INVESTING ACTIVITIES			
Acquisition of available for sale investments		(250,999)	-
Proceeds from disposal of available for sale investments		245,000	-
NET CASH USED IN INVESTING ACTIVITIES		<u>(5,999)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowed funds		27,090,421	-
Redemption of share capital		-	(1,940,000,000)
Proceeds from borrowed funds		-	1,940,000,000
NET CASH FROM FINANCING ACTIVITIES		<u>27,090,421</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>3,617</u>	<u>9,558</u>
CASH AND CASH EQUIVALENTS AT 1 JANUARY		<u>16,312</u>	<u>6,754</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		<u>19,929</u>	<u>16,312</u>
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash in hand		<u>19,929</u>	<u>16,312</u>

HURLEY INVESTMENTS NO. 2 LIMITED

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 with a branch registration in England and Wales. The Company's registered office is:

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

2. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with International Reporting standards (IFRSs) and interpretations issued by the International Reporting Interpretations Committee (IFRIC), as published by the International Accounting standards Board (IASB). They are also in accordance with IFRSs and IFRIC interpretations as adopted by the European Union.

The Company is an overseas company and as such has prepared its financial statements in accordance with the Companies Act as applicable to overseas companies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company are set out below.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments, recognition, and measurement' as set out in the relevant accounting policies. They are stated in pounds sterling, which is the Company's functional and presentational currency.

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.

Revenue and Recognition

Revenue is recognised in the income statement 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.

Fees and commissions

Fees and commissions are recognized in the income statement when the service is provided.

HURLEY INVESTMENTS NO. 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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

In preparing the financial statements, transactions denominated in foreign currencies have been translated into pounds sterling at average rates of exchange during the year. Assets and liabilities in foreign currencies are translated into pounds sterling at rates of exchange ruling on the balance sheet date. All exchange gains and losses are recognised in the income statement (except for qualifying cash flow hedges, hedges of net investments and non-monetary available for sale assets where they are recognised in equity).

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 recoverable by offset against current or future taxable profits.

Deferred tax is provided in full on temporary differences that arise from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realized or the deferred tax liability is settled.

Investments in subsidiaries

Investments in subsidiaries are recorded in the balance sheet at historical cost less any amounts that have been provided for to reflect diminutions 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 income statement.

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 when the cumulative gain or loss is transferred to the income statement.

Cash and Cash Equivalents

For the purposes of the cash flow statement, the cash and cash equivalent balance relates to cash and short term money market positions with a maturity date of less than three months at the balance sheet date.

HURLEY INVESTMENTS NO. 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

Borrowings issued 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 initially 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 income statement in the period in which they are incurred.

Share Capital

Share capital issued 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.

4. SEGEMENTAL REPORTING

The Company has elected not to comply with the voluntary disclosure requirements of International Accounting Standard 14, and does not disclose segmental information, as such information is disclosed in the accounts of the ultimate parent company (see note 18).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £	2007 £
Interest receivable from group companies	118,691	631
Interest receivable – gilt income	9,185	11,598
	<u>127,876</u>	<u>12,229</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Interest payable to group undertakings	119,429,735	10,771,526

7. PROFIT ON REPURCHASE OF PREFERENCE SHARES

	2008 £	2007 £
Profit on repurchase of preference shares	-	60,000,000

HURLEY INVESTMENTS NO. 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. LOSS/PROFIT 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 £4,000 for the year (2007: £5,900). This fee is not recognised as an expense in the financial statements.

9. DIRECTORS' EMOLUMENTS

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

10. STAFF COSTS

There were no employees employed by the Company during 2008 or 2007.

11. TAXATION

	2008 £	2007 £
UK corporation tax	(33,999,890)	(3,227,789)
Tax on profit on ordinary activities	<u>(33,999,890)</u>	<u>(3,227,789)</u>

The UK corporation tax charge is based on a blended UK corporation tax rate of 28.5% (2007: 30%).

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

	2008 £	2007 £
(Loss) / profit on ordinary activities before tax	(119,297,859)	49,240,703
(Loss) / profit on ordinary activities multiplied by a blended rate of corporation tax in the UK of 28.5% (2007: 30%)	(33,999,890)	14,772,211
Effects of:		
Non taxable profit on redemption of preference shares	-	(18,000,000)
Tax credit for the year	<u>(33,999,890)</u>	<u>(3,227,789)</u>

The corporate taxation rate changed from 30% to 28% with effect from 1 April 2008. A blended rate of 28.5% has been applied to calculate the tax credit for the current year.

HURLEY INVESTMENTS NO. 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INVESTMENT IN SUBSIDIARIES

	2008 £	2007 £
Balance at 1 January	2,000,050,000	2,000,050,000
Balance as at 31 December	<u>2,000,050,000</u>	<u>2,000,050,000</u>

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 2008

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

13. AVAILABLE FOR SALE INVESTMENTS

	2008 £	2007 £
Balance as at 1 January	248,930	248,400
Additions	250,999	-
Disposals	(245,000)	-
Revaluation surplus/(deficit) transferred to equity	2,657	1,182
Amortisation	(1,945)	(652)
Balance as at 31 December	<u>255,641</u>	<u>248,930</u>

The investments listed above represent investments in debt securities as follows:

	2008 £	2007 £
Listed securities		
- UK debt securities	255,641	248,930
Balance as at 31 December	<u>255,641</u>	<u>248,930</u>

The interest rate risk and credit risk in these debt securities is disclosed in note 19.

HURLEY INVESTMENTS NO. 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. BORROWINGS

	2008 £	2007 £
Amounts due to group undertakings	2,066,848,165	1,950,771,526

All borrowings from related parties are transacted at market rates. Additional details in respect of the Company's borrowings are detailed in note 19. The fair value of the Company's borrowings as at 31 December 2008 is £2,066,848,165 (2007: £1,950,771,526)

The Company has issued preference shares as follows:

	Preference Shares £	Share Premium £	Total £
As at 1 January 2007	20,000	1,999,980,000	2,000,000,000
Preference Share Capital repurchased	(20,000)	(1,999,980,000)	(2,000,000,000)
As at 31 December 2007 and 31 December 2008	-	-	-

15. CALLED UP SHARE CAPITAL

	Number of shares	Total £
As at 1 January 2007	300,000	300,000
Shares issued	-	-
As at 31 December 2007 and As at 31 December 2008	300,000	300,000

	2008 £	2007 £
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	300,000	300,000

HURLEY INVESTMENTS NO. 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. RETAINED EARNINGS AND OTHER RESERVES

	Available for sale reserve	Retained earnings	Total
	£	£	£
As at 1 January 2007	(897)	4,505	3,608
Net gains taken to equity	1,182	-	1,182
Retained profit for the year	-	52,468,492	52,468,492
Current taxation	(355)	-	(355)
As at 31 December 2007	(70)	52,472,997	52,472,927
As at 1 January 2008	(70)	52,472,997	52,472,927
Net gains taken to equity	2,657	-	2,657
Retained profit for the year	-	(85,297,969)	(85,297,969)
Current taxation	(757)	-	(757)
As at 31 December 2008	1,830	(32,824,972)	(32,823,142)

The available-for-sale reserve records the gains and losses arising from changes in the fair value of the available-for-sale investments on the balance sheet. These gains and losses are included as a separate component of equity before they are transferred to the income statement on the disposal or maturity of the investment.

17. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2008 £	2007 £
(Loss) /profit for the year	(119,297,859)	49,240,703
Profit on repurchase of preference shares	-	(60,000,000)
Gilt interest received	(10,315)	(12,250)
Bank interest received	(118,691)	(631)
Interest Payable	119,429,735	10,771,526
Amortisation of Gilt premium	1,130	652
NET CASH FLOW FROM OPERATING ACTIVITIES	4,000	-

18. 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.

HURLEY INVESTMENTS NO. 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. FINANCIAL RISKS

The Company's activities expose it to a variety of financial risks. These are Market risk (which includes foreign currency risk, interest rate risk and price risk), Credit risk and Liquidity Risk.

The Company's Directors are required to follow the requirements of the Barclays Group risk management policies. This policy includes specific guidelines on the management of price, liquidity, interest rate and credit risks, and advises on the use of financial instruments to manage them. The Company seeks to minimize its exposure to liquidity, credit and market risk by applying these policies, and monitors exposures on a portfolio basis.

Liquidity Risk

This is the risk that the Company's cash and committed facilities may be insufficient to meet its debts as they fall due. The Company has the financial support of the parent undertaking Barclays Bank PLC, it also maintains banking facilities with Barclays Bank PLC.

The table below sets out the financial liabilities of the company, along with their maturity:

2008	Borrowings £	Total £
Financial liabilities repayable:		
- not more than three months	27,179,340	27,179,340
- over three months but not more than one year	2,039,668,825	2,039,668,825
Total	2,066,848,165	2,066,848,165

2007	Borrowings £	Total £
Financial liabilities repayable:		
- over three months but not more than one year	1,950,771,526	1,950,771,526
Total		

These liabilities are all held with Barclays plc.

HURLEY INVESTMENTS NO. 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. FINANCIAL RISKS (continued)

Credit Risk

This is the risk that counterparties to the Company's financial assets may default. The Company assesses all counterparties, including its customers, for credit risk before contracting with them. The Company monitors its exposures and seeks to minimize its credit exposures by monitoring the credit rating of its counterparties in accordance with Barclays Group risk management policies. The Company's assets are neither past due or impaired.

For the year ended 31st December 2008, the company has available for sale investments totalling £255,641 (2007: £248,930) in UK government issued securities and cash deposited in accounts with BB plc company totalling £19,919 (2007: £16,312). The company's assets are of investment grade

Market Risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, equity prices and foreign exchange rates.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the Company's interest bearing financial assets and liabilities.

The only financial asset that attracts floating interest rate is the money placed in bank accounts with the ultimate parent company. No sensitivity analysis has been provided on the grounds that the effect will not be material to profit after taxation or net interest expense.

20. RELATED PARTY TRANSACTIONS

Barclays plc 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 5, 6, 8, 9, 10 and 14.

21. CAPITAL MANAGEMENT

The Company is required to follow the risk management policies of Barclays Bank PLC, its intermediate parent, which include guidelines covering capital management. The capital management objectives and policies for Barclays Bank PLC can be found in its financial statements (see note 18).

The board of directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management.

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern.
- To generate sufficient capital to support asset growth.

The Company regards as capital its equity, as shown in the balance sheet.