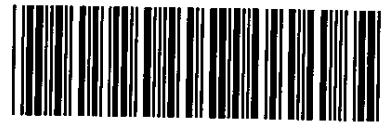


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HURLEY INVESTMENTS NO. 2 LIMITED

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

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COMPANIES HOUSE

**REGISTERED NUMBER IN ENGLAND AND WALES: FC026881
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 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. 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 2009, the Company made a loss after tax for the year of £22,570,436 (2008: loss of £85,297,969). The directors do not recommend the payment of a dividend in relation to the year ended 31 December 2009 (2008: £nil). The company has net liabilities of £55,094,303 (2008: net liabilities £32,523,142).

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.

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:

C Cortes Argote (appointed 5 March 2009)

G Agrawal

MPL Brown

NS Dhillon

O Nunn (resigned 3 March 2009)

Directors' third party indemnity provisions

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 may occur (or have occurred) in connection with their duties, powers or office.

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number In England & Wales FC026881

DIRECTORS' REPORT (continued)

For the year ended 31 December 2009

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

Barclays financial risk management objectives and policies, which are followed by the Company, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in the Note 17 'Financial Risks'.

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 *M. Brown*

Date 8 September 2010

For and on behalf of Hurley Investments No 2 Limited

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 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out in the notes to the financial statements.

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 directors to meet their obligations under the Companies Act 1985 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, as applicable to overseas companies. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

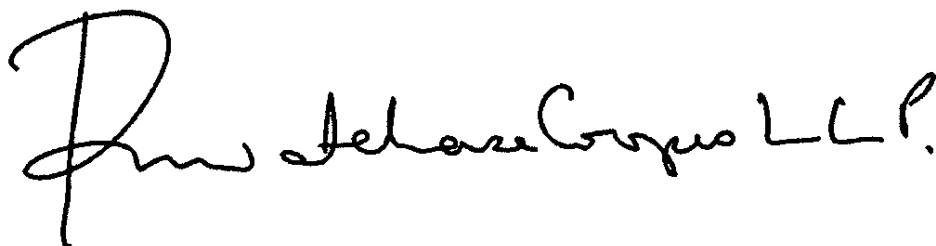
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS 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 for use in the European Union, of the state of the Company's affairs as at 31 December 2009 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.

A large, stylized handwritten signature in black ink, which appears to read 'PwC PricewaterhouseCoopers LLP'.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
12 September 2010

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number In England & Wales FC026881

INCOME STATEMENT**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £	2008 £
Continuing operations:			
Interest receivable and similar income	4	2,821	127,876
Interest payable and similar expenses	5	(31,358,548)	(119,429,735)
Net interest expense		(31,355,727)	(119,301,859)
Other income		7,900	4,000
Loss on ordinary activities before taxation	6	(31,347,827)	(119,297,859)
Taxation	9	8,777,391	33,999,890
Loss for the year		(22,570,436)	(85,297,969)

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

Registered Number in England & Wales FC026881

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 £	2008 £
Net loss for the year	(22,570,436)	(85,297,969)
Other comprehensive income		
Fair value (losses)/gains on available for sale assets	(1,007)	2,657
Tax on fair value (losses) / gains on available for sale assets	282	(757)
Other comprehensive (expense)/ income for the year net of tax	(725)	1,900
Total comprehensive expense for the year	(22,571,161)	(85,296,069)

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number In England & Wales FC026881

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009 £	2008 £
ASSETS			
Non-current assets			
Investment in subsidiaries	10	2,000,050,000	2,000,050,000
Current assets			
Available-for-sale investments	11	245,683	255,641
Cash and cash equivalents		38,704	19,929
Group relief receivable		8,777,237	33,999,453
Total current assets		9,061,624	34,275,023
TOTAL ASSETS		2,009,111,624	2,034,325,023
LIABILITIES			
Current liabilities			
Borrowings	12	(2,064,205,927)	(2,066,848,165)
NET CURRENT LIABILITIES		(2,055,144,303)	(2,032,573,142)
TOTAL LIABILITIES		(2,064,205,927)	2,066,848,165
NET LIABILITIES		(55,094,303)	(32,523,142)
SHAREHOLDERS' EQUITY			
Called up share capital	13	300,000	300,000
Available-for-sale reserve	14	1,105	1,830
Retained earnings	14	(55,395,408)	(32,824,972)
TOTAL SHAREHOLDERS' DEFICIT		(55,094,303)	(32,523,142)

Notes 1 to 19 form an integral part of these financial statements. The financial statements and accompanying notes were approved by the Board of Directors on 8 September 2010.



Director

Name **M. Brown**

Date 8 September 2010

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital £	Available for sale reserve £	Retained earnings £	Total equity £
Balance at 1 January 2009	300,000	1,830	(32,824,972)	(32,523,142)
Total comprehensive expense for the year	-	(725)	(22,570,436)	(22,571,161)
Balance at 31 December 2009	300,000	1,105	(55,395,408)	(55,094,303)

	Share capital £	Available for sale reserve £	Retained earnings £	Total equity £
Balance at 1 January 2008	300,000	(70)	52,472,997	52,772,927
Total comprehensive income / (expense) for the year	-	1,900	(85,297,969)	(85,296,069)
Balance at 31 December 2008	300,000	1,830	(32,824,972)	(32,523,142)

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2008 £
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	7,900	4,000
Interest received on available for sale securities		16,433	11,139
Interest received on cash deposits and bank balances		264	118,691
Interest paid		(56,272,897)	(30,443,514)
Tax received		33,999,890	3,228,879
NET CASH USED IN OPERATING ACTIVITIES		(22,248,410)	(27,080,805)
CASH FLOWS FROM /(USED IN) INVESTING ACTIVITIES			
Acquisition of available for sale investments		(255,849)	(250,999)
Proceeds from disposal of available for sale investments		250,924	245,000
NET CASH USED IN INVESTING ACTIVITIES		(4,925)	(5,999)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowed funds		22,272,110	27,090,421
NET CASH FROM FINANCING ACTIVITIES		22,272,110	27,090,421
NET INCREASE IN CASH AND CASH EQUIVALENTS		18,775	3,617
CASH AND CASH EQUIVALENTS AT 1 JANUARY		19,929	16,312
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		38,704	19,929
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash in hand and in bank		38,704	19,929

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. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with 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") They are also in accordance with the 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

The preparation of financial statements in conformity with IFRS 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 adoption of IAS 1 (revised) has resulted in the reformatting of the statement of recognised gains and losses into a statement of comprehensive income and the addition of a statement of changes in equity The adoption of IAS 1 (revised) does not change the recognition, measurement or disclosure of specific transactions and events required by other standards

The adoption of amendment to IFRS 7 – Financial Instruments Disclosures, has resulted in additional disclosures being made regarding liquidity risk and the fair value of financial instruments

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 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

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 functional currency at the spot rate prevailing on the balance sheet date. All exchange gains and losses are recognised in the income statement 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.

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 income statement on an accruals basis as the service is provided.

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number In England & Wales FC026881

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends from subsidiaries

Dividend income is recognised in the income statement on the date the Company becomes entitled to receive a dividend

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.

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

Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand, demand deposits, and cash equivalents. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

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 income statements in the period in which they are incurred.

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number In England & Wales FC026881

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted market value in an active market wherever possible. Where no such active market exists for the particular asset, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants

The following fair value classifications are used when determining the fair value of assets and liabilities in the financial risks note

Level 1

Financial instruments for which their valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis

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

The Company also considers observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, arising from adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults on assets in the portfolio

The Company first assesses whether objective evidence of impairment exists individually for individually significant financial assets and then collectively assesses remaining financial assets that are not individually significant. In addition, portfolios of financial assets with similar credit risk characteristics are also collectively assessed

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

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. International Accounting Standard 27 Consolidated and Separate Financial Statements, provides an exemption in paragraph 41 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.

Future accounting developments

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods, but have not been adopted. They are not expected to result in significant changes to the Company's accounting policies.

- Embedded derivatives Amendments to IFRIC 9 and IAS 39
- Eligible Hedged Items (an amendment to IAS 39)
- IAS 24 Related Party Disclosures
- IFRIC 19 – Extinguishing financial liabilities with equity instruments
- Improvements to IFRS 2008
- Improvements to IFRS 2009

IFRS 9 'Financial Instruments Classification and Measurement' was published on 12 November 2009. It is the first phase of a project to replace IAS 39 and will ultimately result in fundamental changes in the way that the Company's accounts for financial instruments. Adoption of the standard is not mandatory until accounting periods beginning on or after 1st January 2013 but early adoption is permitted. However, it is not available for adoption in the EU until it has been endorsed.

The main differences from IAS 39 are as follows:

- All financial assets, except for certain equity investments, would be classified into two categories: amortised cost, where they generate solely payments of interest and principal and the business model is to collect contractual cash flows that represent principal and interest, or fair value through profit or loss.
- Certain non-trading equity investments would be classified at fair value through profit or loss or fair value through other comprehensive income with dividends recognised in net income.
- Embedded derivatives are no longer considered for bifurcation but are included in the assessment of the cash flows for the classification of the financial asset as a whole.
- Financial assets which meet the requirements for classification at amortised cost are optionally permitted to be measured at fair value if that eliminates or significantly reduces an accounting mismatch.
- Reclassifications are required, if and only if, there is a change in the business model.

Aspects of financial instrument accounting which will be addressed in future phases of the project include the accounting for financial liabilities, impairment of amortised cost financial assets and hedge accounting. The entity is assessing the impacts of the first phase in the project, as well as following developments in the future phases.

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £	2008 £
Interest receivable from group companies	264	118,691
Interest receivable – gilt income	2,557	9,185
	<u>2,821</u>	<u>127,876</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £	2008 £
Interest payable to group undertakings	31,344,233	119,429,735
Interest on commercial paper	14,315	-
	<u>31,358,548</u>	<u>119,429,735</u>

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 (2008 £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 (2008 £nil).

8. STAFF COSTS

There were no employees employed by the Company during 2009 or 2008.

9. TAXATION

	2009 £	2008 £
UK corporation tax	(8,777,391)	(33,999,890)
Tax credit on loss on ordinary activities	<u>(8,777,391)</u>	<u>(33,999,890)</u>

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

NOTES TO THE FINANCIAL STATEMENTS (continued)**9. TAXATION (continued)**

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

	2009 £	2008 £
Loss on ordinary activities before tax	(31,347,827)	(119,297,859)
Loss on ordinary activities multiplied by the rate of corporation tax in the UK of 28% (2008 28.5%)	8,777,391	33,999,890
Tax credit for the year	8,777,391	33,999,890

The UK corporation tax charge is based on the UK corporation tax rate of 28% (2008 28.5% blended rate). The reduction 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.

An analysis of the tax credit/(charge) on items charged directly to equity is as follows -

	2009 £	2008 £
Available for sale investments	282	(757)

The tax effects relating to each component of other comprehensive income were as follows

	2009			2008		
	Before Tax Amount £	Tax credit £	Net of tax amount £	Before Tax Amount £	Tax charge £	Net of tax amount £
Available for sale assets	(1,007)	282	(725)	2,657	(757)	1,900

10. INVESTMENT IN SUBSIDIARIES

	2009 £	2008 £
Balance at 31 December 2009 and 31 December 2008	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

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.

HURLEY INVESTMENTS NO. 2 LIMITED

Registered Number in England & Wales FC026881

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

	2009 £	2008 £
Balance as at 1 January	255,641	248,930
Additions	255,849	250,999
Disposals	(250,924)	(245,000)
Revaluation (deficit)/surplus transferred to equity	(1,007)	2,657
Amortisation and interest accrual adjustment	(13,876)	(1,945)
Balance as at 31 December	<u>245,683</u>	<u>255,641</u>

The investments listed above represent investments in UK debt securities. The interest rate risk and credit risk in these debt securities is disclosed in Note 17.

12. BORROWINGS

	2009 £	2008 £
Amounts due to group undertakings	<u>2,064,205,927</u>	<u>2,066,848,165</u>

The fair value of the Company's borrowings approximates the carrying value as they are repayable on demand. All borrowings from related parties are transacted at market rates. Additional details in respect of the Company's borrowings are detailed in Note 17.

13. CALLED UP SHARE CAPITAL

	Number of shares	Total £
As at 31 December 2009 and 31 December 2008	<u>300,000</u>	<u>300,000</u>
	2009 £	2008 £
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>

14. RETAINED EARNINGS AND OTHER RESERVES

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

15. RECONCILIATION OF LOSS BEFORE TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2009 £	2008 £
Loss before tax	(31,347,827)	(119,297,859)
Gilt interest income	(14,241)	(10,315)
Amortisation of Gilt premium	11,684	1,130
Bank interest income	(264)	(118,691)
Interest payable	31,358,548	119,429,735
NET CASH FLOW FROM OPERATING ACTIVITIES	7,900	4,000

16. 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.

17. 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. These facilities are designed to ensure the Company has sufficient available funds for operations.

The table below shows the maturity of financial liabilities the company is exposed to, and the undiscounted contractual maturity of the liabilities it faces.

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NOTES TO THE FINANCIAL STATEMENTS (continued)**17. FINANCIAL RISKS (continued)**

2009	Borrowings £	Total £
Financial liabilities repayable: - not more than three months	2,064,205,927	2,064,205,927
Total	2,064,205,927	2,064,205,927

2008	Borrowings £	Total £
Financial liabilities repayable: - not more than three months	2,066,848,165	2,066,848,165
Total	2,066,848,165	2,066,848,165

These liabilities are all held with group undertakings

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers or market counterparties fail to fulfil their contractual obligations to the Company. The Company assesses all counterparties on a portfolio basis to ensure the credit risk is maintained within Barclays Group risk management policy guidelines.

The Company manages its credit risk by contracting with entities within the Barclays Group. The Company's assets are neither past due or impaired. The company's assets are of investment grade. No collateral is held as security.

The Company's maximum exposure to credit risk is detailed in the table below. The exposure reported in the table represents the gross receivable amounts and not the fair value. The exposure is reported gross and does not include any collateral or other credit risk mitigants which reduce the Company's exposure.

2009	Available for sale investments £	Total £
Carrying value	245,683	245,683
2008	Available for sale investments £	Total £
Carrying value	255,641	255,641

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NOTES TO THE FINANCIAL STATEMENTS (continued)

17. FINANCIAL RISKS (continued)

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

Interest rate sensitivity analysis

The sensitivity of the income statement is affected by changes in interest rates on the net interest income for the year. The Company has floating rate interest rate risk on its financial liabilities of £2,064m (2008 £2,067m)

Impact on net interest income

The Company has considered the effect on interest of a 100 basis points change. This analysis has been performed by applying a 100 basis point change to the net outstanding principal of the interest bearing positions. The impact would be as follows:

	+100 basis points 2009	-100 basis points 2009	+100 basis points 2008	-100 basis points 2008
Total	20,642,059	(20,642,059)	20,668,482	(20,668,482)
As a percentage of net interest expense	66%	(66%)	17%	(17%)

Valuation methodology

The table below shows the Company's financial assets and liabilities that are recognised and measured at fair value analysed by valuation technique. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety. A description of the nature of the techniques used to calculate valuations is described in Note 3.

31 December 2009	Level 1 £	Total £
Available for sale investments - Debt securities	245,683	245,683
	<hr/>	<hr/>
31 December 2008	Level 1 £	Total £
Available for sale investments - Debt securities	255,641	255,641
	<hr/>	<hr/>

Fair values of financial instruments

The fair value of financial instruments are disclosed in the respective notes to the accounts

HURLEY INVESTMENTS NO. 2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

18. 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 disclosed in Notes 4, 5, 6, 7, 10, 12, 14 and 16

19. 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 16)

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