

BLAF (No. 2) Limited

Directors' report and financial statements
For the period ended 15 May 2012

REGISTERED NUMBER: 2577757



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For the period ended 15 May 2012

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BLAF (No. 2) Limited
Directors' report
For the period ended 15 May 2012

The Directors present their report together with the audited financial statements of the Company for the period ended 15 May 2012

Business review and principal activities

During the period the only deal in the Company terminated and the Company ceased to trade on 15 May 2012. There are no plans to write new business.

Business performance

The results of the Company show a loss before tax of £7,000 (year ended 31 December 2011: £246,000) and a loss after tax of £55,000 (year ended 31 December 2011: profit of £113,000) for the period. The Company has net assets of £228,000 (as at 31 December 2011: £283,000). Net cash inflow from operating activities for 2012 was £16,815,000 (year ended 31 December 2011: £223,000).

Future outlook

The Directors consider the Company's balance sheet and cash flow position to be satisfactory.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. These risks are more fully explained in note 13 of the financial statements.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human factors or from external agents.

Business risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures.

The Company is committed to the advanced management of operational and business risks, consistent with the ultimate parent, Barclays PLC.

Key performance indicators

The directors of Barclays PLC manage the group's operations on a business cluster basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the relevant business cluster, which includes the Company, is discussed in the Barclays PLC annual report, which does not form part of this report.

Results and dividends

During the period the Company made a loss after tax of £55,000 (year ended 31 December 2011: profit of £113,000).

The Directors did not recommend the payment of an interim dividend during the period (2011: £nil). The Directors do not recommend the payment of a final dividend (2011: £nil).

BLAF (No 2) Limited
Directors' report
For the period ended 15 May 2012 (continued)

Change in UK corporation tax rate

The main rate of corporation tax was reduced from 28% to 26% on 1 April 2011 and was reduced from 26% to 24% on 1 April 2012. Further reductions are proposed to reduce the rate to 23% on 1 April 2013 and 21% on 1 April 2014. These reductions in rate are more fully explained in note 15 of the financial statements.

Change of accounting reference date

The accounting reference date of the Company, which was previously 31 December, has been changed to 15 May for commercial reasons. These financial statements are prepared for the period from 1 January 2012 to 15 May 2012. The prior period covers the year to 31 December 2011 and hence comparative amounts for the income statement, changes in equity, cash flows and related notes are not comparable.

Directors

The Directors of the Company, who served during the period and up to the date of signing the financial statements, together with their dates of appointment and resignation, where appropriate, are as shown below.

J T Leather	
T G Ridout	(Resigned 23 March 2012)
D J Rowberry	
H A M Watson	

Basis of preparation

These financial statements have been prepared on a break-up basis due to the cessation of trade in the current year and with no plans to write new business. There is no effect on the financial statements as a result of ceasing to apply the going concern basis.

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' report set out on pages 5 and 6, 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 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 have prepared the financial statements in accordance with International Financial Reporting Standards ('IFRS') as published by the International Accounting Standards Board. They are also in accordance with IFRS as adopted by the European Union.

The Directors consider that in preparing the financial statements on pages 7 to 26

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates,
- that all the accounting standards which they consider to be applicable have been followed, and
- that the financial statements have been prepared on a break-up basis.

BLAF (No. 2) Limited
Directors' report
For the period ended 15 May 2012 (continued)

Statement of Directors' responsibilities (continued)

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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial instruments

Barclays financial risk management objectives and policies, which are followed by the Company, including the exposure to market risk, credit risk and liquidity risk are set out in the note 'Financial Risks' on pages 20 to 24.

Directors third party indemnity provisions

Qualifying third party indemnity provisions were in force during the course of the financial period ended 15 May 2012 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.

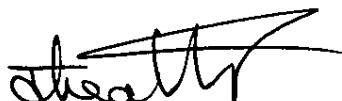
Independent Auditors

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

Statement of disclosure of information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

On behalf of the Board



J T Leather
Director

Date 5 February 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF BLAF (No. 2) LIMITED

We have audited the financial statements of BLAF (No. 2) Limited for the period ended 15 May 2012, which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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

- give a true and fair view of the state of the Company's affairs as at 15 May 2012 and of its loss and cash flows for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

BLAF (No. 2) Limited
Independent Auditors' report
For the period ended 15 May 2012 (continued)

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF BLAF (No. 2) LIMITED (continued)

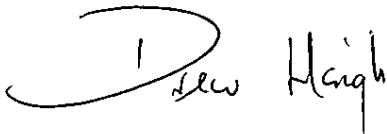
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Emphasis of matter

We draw your attention to Note ³4, which explains that on 15 May 2012 the Company ceased trading. Accordingly the going concern basis of accounting is not considered appropriate. Our opinion is not qualified in this respect.



Drew Haigh (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

Date 6/2/13

BLAF (No. 2) Limited
Income statement
For the period ended 15 May 2012

	Notes	Period ended 15 May 2012 £'000	Year ended 31 December 2011 £'000
Continuing operations			
Lease revenue	4	100	15
Interest income	6	-	1
Interest expense	6	(107)	(262)
Loss before tax		(7)	(246)
Tax	7	(48)	359
(Loss)/profit after tax		(55)	113

(Loss)/profit after tax and total comprehensive (expense)/income for the period was a loss of £55,000 (year ended 31 December 2011 profit of £113,000) There were no items of other comprehensive income

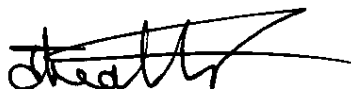
The accompanying notes form an integral part of the financial statements

BLAF (No. 2) Limited
Balance sheet
As at 15 May 2012

	Notes	15 May 2012 £'000	31 December 2011 £'000
ASSETS			
Non-current assets			
Finance lease receivables	8	-	16,582
Total non-current assets		-	16,582
Current assets			
Finance lease receivables	8	-	218
Amounts due from immediate parent undertaking	10	3,958	-
Group relief receivable		-	157
Total current assets		3,958	375
Total assets		3,958	16,957
LIABILITIES			
Current liabilities			
Amounts due to immediate parent undertaking	10	-	(12,857)
Group relief payable		(3,730)	-
Other payables	11	-	(129)
Total current liabilities		(3,730)	(12,986)
Net current assets/(liabilities)		228	(12,611)
Non-current liabilities			
Deferred tax liabilities	9	-	(3,688)
Total non-current liabilities		-	(3,688)
Net assets		228	283
SHAREHOLDER'S EQUITY			
Called up share capital	12	-	-
Retained earnings		(228)	(283)
Total shareholder's equity		(228)	(283)

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 5 February 2013 and were signed on its behalf by



J T Leather
DIRECTOR

Date 5 February 2013

BLAF (No. 2) Limited
Statement of changes in equity
For the period ended 15 May 2012

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2012	-	283	283
Loss after tax and total comprehensive expense	-	(55)	(55)
Balance at 15 May 2012	-	228	228

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2011	-	170	170
Profit after tax and total comprehensive income	-	113	113
Balance at 31 December 2011	-	283	283

The accompanying notes form an integral part of the financial statements

BLAF (No. 2) Limited
Cash flow statement
For the period ended 15 May 2012

	Period ended 15 May 2012 £'000	Year ended 31 December 2011 £'000
Continuing operations		
Reconciliation of loss before tax to net cash flows from operating activities		
Loss before tax	(7)	(246)
Interest income	-	(1)
Interest expense	107	262
Non-cash movements in finance lease receivables	199	274
Profit on termination of finance lease receivables	(45)	-
Net decrease in receivables	-	1
Net decrease in payables	(129)	(10)
Cash from operating activities	125	280
Interest received	-	1
Interest paid	(107)	(262)
Receipts from termination of finance lease receivables	16,646	-
Group relief received	151	204
Net cash from operating activities	16,815	223
Financing from immediate parent undertaking	(16,815)	(223)
Net cash used in financing activities	(16,815)	(223)
Cash and cash equivalents at end of period/year	-	-

The accompanying notes form an integral part of the financial statements

1 Reporting entity

These financial statements are prepared for BLAF (No. 2) Limited (the 'Company'), the principal activity of which is the provision of leasing facilities to business customers. The financial statements are prepared for the Company only. The Company is a wholly owned subsidiary of Barclays Mercantile Business Finance Limited and its ultimate parent company is Barclays PLC. Barclays PLC prepares consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS')

The Company is a private limited company, domiciled and incorporated in the United Kingdom. The address of the registered office of the Company is Churchill Plaza, Churchill Way, Basingstoke, Hampshire RG21 7GP.

2. Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International IFRS, adopted for use in the European Union, International Financial Reporting Interpretations Committee ('IFRIC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

3. Summary of 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

As stated in the Directors' report, the Company ceased to trade on 15 May 2012. The financial statements for this period have been prepared on a break-up basis (year to 31 December 2011, going concern).

In addition, 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 presented in thousands of pounds sterling, £'000, the currency of the country in which the Company is incorporated.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the individual financial statements such as tax (note 7) and credit risk (note 13).

3. Summary of significant accounting policies (continued)

(a) Interest

Interest income or expense is recognised on all interest bearing financial assets classified as held to maturity, available for sale or loans and receivables 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

In calculating effective interest, the Company estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term

(b) Current and deferred income tax

Income tax payable on taxable profits ('current tax') 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 year or prior year taxable profits

Deferred income tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised on deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is regarded as probable that sufficient taxable profits will be available against which the deductible temporary difference, unused tax losses and unused tax credits can be utilised

Deferred and current tax assets and liabilities are only offset 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 with the same tax authority

(c) Financial assets and liabilities

The Company recognises financial instruments from the contract date, and continues to recognise them until, in the case of assets, the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership, or in the case of liabilities, until the liability has been settled, extinguished or has expired

3. Summary of significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

Financial assets are initially recognised at fair value and then classified in the following categories and dealt with in the financial statements as follows

Finance lease receivables

Finance lease receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Finance lease receivables are stated at an amount equal to net investment in the lease, which equates to the present value of the lease payments, discounted at the rate of interest implicit in the lease. Initial direct costs are included in the initial measurement of the finance lease receivables. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are derecognised when extinguished. The Company's financial liabilities comprise trade and other payables and borrowings in the balance sheet.

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 bid 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.

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.

3. Summary of significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

Impairment of financial assets (continued)

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.

Netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously

(d) Leases

Assets leased to customers under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return. Where there is a change in the lease cash flow assumptions, for example as a result of a change in the corporation tax rate, the resultant change in the current period lease receivable balance is recognised in the current period income statement within lease revenue.

Renewal rental income earned on the secondary rental period is recognised as lease revenue on a receivable basis.

Termination profits and/or losses, if they arise, are included in lease revenue.

(e) 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. Trading balances are not considered to be part of cash equivalents.

(f) Borrowing costs

The Company does not capitalise borrowing costs.

3. Summary of significant accounting policies (continued)

Future accounting developments

As at 15 May 2012 the IASB had issued the following accounting standards that are relevant to this entity. These are effective on 1 January 2013, subject to EU endorsement, unless otherwise indicated.

- IFRS 12 *Disclosures of Interests in Other Entities*. This specifies the required disclosures in respect of interests in, and risks arising, from subsidiaries, joint ventures, associates and structured entities whether consolidated or not. As a disclosure only standard it will have no financial impact.
- IFRS 13 *Fair Value Measurement*. This provides comprehensive guidance on how to calculate the fair value of financial and non-financial assets and liabilities. It is not expected to have a material impact on the financial statements.
- IAS 32 and IFRS 7 *Amendments Offsetting Financial Assets and Financial Liabilities*. The circumstances in which netting is permitted have been clarified and disclosures on offsetting have been considerably expanded. The amendments on offsetting are effective from 1 January 2014 and those on disclosures from 1 January 2013.

In 2009 and 2010, the IASB issued IFRS 9 *Financial Instruments* which contains new requirements for accounting for financial assets and liabilities, impairment and hedge accounting, replacing the corresponding requirements in IAS 39. It will introduce changes in the way that the Company accounts for financial instruments. The key changes issued and proposed relate to:

- Financial assets. Financial assets will be held at either fair value or amortised cost, except for equity investments not held for trading, which may be held at fair value through other comprehensive income.
- Financial liabilities. Gains and losses on fair value changes in own credit arising on non-derivative financial liabilities designated at fair value through profit or loss will be excluded from the Income Statement and instead taken to other comprehensive income, and
- Impairment. Expected losses (rather than only incurred losses) will be reflected in impairment allowances for financial assets that are not classified as fair value through profit or loss.

Adoption is not mandatory until periods beginning on or after 1 January 2015, subject to EU endorsement. Earlier adoption is possible, subject to endorsement. At this stage, it is not possible to determine the potential financial impacts of adoption of IFRS 9 on the Company.

In addition, the IASB has indicated that it will issue a new standard on accounting for leases. Under the proposals, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The IASB also plans to issue new standards on insurance contracts and revenue recognition. The Company will consider the financial impacts of these new standards as they are finalised.

BLAF (No. 2) Limited
Notes to the financial statements
For the period ended 15 May 2012 (continued)

4 Lease Revenue

Lease revenue represents income from agreements entered into relating to leased assets. Income is calculated in accordance with note 3(d). The sole market supplied was the United Kingdom.

Lease revenue is arrived at after taking into account

	Period ended 15 May 2012 £'000	Year ended 31 December 2011 £'000
Profit on termination of finance leases	45	-
Repricing adjustment (note 15)	-	(116)

5 Administrative expense

The Company has no full time employees (2011: none). Administrative expenses of the Company are borne by Barclays Mercantile Business Finance Limited, this Company's parent undertaking, and relevant employee remuneration is disclosed in that company's financial statements. Audit fees of £9,000 (2011: £7,000) are borne by Barclays Bank PLC.

The Directors did not receive any remuneration from the Company and no contributions were made, by the Company, under defined benefit or defined contribution pension schemes, on their behalf (2011: £nil). The services of the Directors are considered to be insignificant in relation to their overall management responsibility relating to the Barclays Mercantile Business Finance group.

6. Interest income and interest expense

Interest income and interest expense comprise the following

	Period ended 15 May 2012 £'000	Year ended 31 December 2011 £'000
Interest income		
Immediate parent undertaking	-	1
Total interest income	-	1
Interest expense		
Immediate parent undertaking	(107)	(262)
Total interest expense	(107)	(262)

Finance costs are those specifically associated with the funding of leased assets.

BLAF (No 2) Limited
Notes to the financial statements
For the period ended 15 May 2012 (continued)

7. Tax

The analysis of the (charge)/credit for the period/year is as follows

	Period ended 15 May 2012 £'000	Year ended 31 December 2011 £'000
Current tax		
Current year	(3,736)	150
Deferred tax:		
Origination and reversal of temporary differences	3,688	209
Total (charge)/credit	(48)	359

The effective rate of tax is 732% (2011 146%) The increase in the rate from last year is primarily due to the change in tax rate at which deferred tax liabilities will unwind

A numerical reconciliation of the applicable tax rate and the average effective tax rate is as follows

	Period ended 15 May 2012 £'000	Year ended 31 December 2011 £'000
Loss before tax	(7)	(246)
Tax credit at standard UK corporation tax rate of 25.34% (2011 26.49%)	2	65
Change in tax rate at which deferred tax liabilities will unwind	(50)	294
Non taxable sales proceeds	1,012	-
Disallowable termination refund	(1,012)	-
Overall tax (charge)/credit	(48)	359
Effective tax rate %	732%	146%

The applicable tax rate for 2012 has been calculated using a tax rate of 26% up to and including 31 March 2012 and a tax rate of 24% thereafter

BLAF (No. 2) Limited
Notes to the financial statements
For the period ended 15 May 2012 (continued)

8. Finance lease receivables

The Company is a lessor under finance leases, providing asset financing for its customers. An analysis of the impact of these transactions on the Company's balance sheet and income statement is as follows:

	15 May 2012			31 December 2011		
	Gross investment in finance lease receivables	Future finance income	Net investment in finance lease receivables	Gross investment in finance lease receivables	Future finance income	Net investment in finance lease receivables
	£'000	£'000	£'000	£'000	£'000	£'000
Not more than one year	-	-	-	946	(728)	218
Over one year but not more than two years	-	-	-	983	(715)	268
More than two years but not more than five years	-	-	-	3,253	(2,057)	1,196
More than five years	-	-	-	20,064	(4,946)	15,118
Total more than one year	-	-	-	24,300	(7,718)	16,582
Total	-	-	-	25,246	(8,446)	16,800

An analysis of the fair value of the Company's finance lease receivables is detailed in note 14.

During the period finance lease receivables with a net book value of £16,601,000 (2011: £nil) were terminated.

BLAF (No. 2) Limited
Notes to the financial statements
For the period ended 15 May 2012 (continued)

9. Deferred tax

The components of and the movement on the deferred income tax account during the period/year was as follows

	Accelerated tax depreciation £'000	Rental apportionment £'000	Cumulative accountancy rental excess £'000	Total £'000
Assets	-	50	-	50
Liabilities	(3,738)	-	-	(3,738)
At 1 January 2012	(3,738)	50	-	(3,688)
Income statement credit/(charge)	3,738	(50)	-	3,688
	-	-	-	-
Assets	-	-	-	-
Liabilities	-	-	-	-
At 15 May 2012	-	-	-	-

	Accelerated tax depreciation £'000	Rental apportionment £'000	Cumulative accountancy rental excess £'000	Total £'000
Assets	-	52	38	90
Liabilities	(3,987)	-	-	(3,987)
At 1 January 2011	(3,987)	52	38	(3,897)
Income statement credit/(charge)	249	(2)	(38)	209
	(3,738)	50	-	(3,688)
Assets	-	50	-	50
Liabilities	(3,738)	-	-	(3,738)
At 31 December 2011	(3,738)	50	-	(3,688)

Deferred income taxes are provided in full on temporary differences under the liability method using a principal tax rate of 25% in 2011

The amount of deferred tax liability expected to be settled after more than 12 months is £nil (2011 £3,738,000)

10. Amounts due from/(to) immediate parent undertaking

The amounts due from/(to) the immediate parent undertaking company have no fixed maturity date and are unsecured, bearing interest at rates varying throughout the year based on prevailing market interest rates

The fair value of borrowings is disclosed in note 14

11. Other payables

Other payables have no fixed maturity date, are unsecured and are non-interest bearing. Their fair value is disclosed in note 14.

12. Share capital

Particulars of the Company's share capital were as follows:

	Number of shares	Ordinary shares £
At 1 January 2012 and 15 May 2012	100	100

13. Financial risks

The Company's activities expose it to a variety of financial risks. These are credit risk, liquidity risk, and market risk (including interest rate risk). Consequently, the Company devotes considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks, and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of the business.

The Board of Directors monitors the Company's financial risks and has responsibility for ensuring effective risk management and control.

Credit risk

Credit risk is the risk that the Company's customers or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations in relation to the Company's financial assets.

The Company uses statistical modelling techniques in its credit rating system. These systems assist the Company in credit decisions on new commitments and in managing the portfolio of existing exposures. They enable the application of consistent risk measurement across all credit exposures. The key building blocks in the measurement system are the probability of customer default ('PD') (expressed through an internal risk rating), exposure at default ('EAD') and severity of loss-given-default ('LGD').

The Company assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties. Each internal rating corresponds to the statistical probability of a customer in that rating class defaulting within the next 12 month period. Exposure at default represents the expected level of utilisation of the credit facility when default occurs. At default the customer may not have drawn the loan/lease fully or may have already paid some of the principal, so that exposure is typically less than the approved loan limit. When a customer defaults, much of the outstanding loan/lease is usually recovered. The part that is not recovered, the actual loss, is the LGD. The three components above, PD, EAD, and LGD, are used to calculate the expected loss.

13. Financial risks (continued)

Credit risk (continued)

Credit exposures are actively managed, where weaknesses are detected action is taken to mitigate the risks. These include steps to reduce the amounts outstanding or the sale of assets. In addition, to mitigate the risk, security may be taken for funds advanced.

The Company's principal financial assets are amounts due from the immediate parent undertaking. The Company currently has no credit risk external to the Barclays Group and the Company has the financial support of Barclays Bank PLC.

In the prior year, the Company's principal financial assets were finance lease receivables, which represented the entity's maximum exposure to credit risk in relation to financial assets. Collateral can be an important mitigant of credit risk and the Company mitigated this risk by securing its net investment in finance lease receivables through retention of legal title to the leased assets. In addition, guarantees and letters of credit were obtained from third parties which enables the Company to claim settlement in the event of default.

Maximum exposure to credit risk

Whilst the Company's maximum exposure to credit risk is the carrying value of the assets, the likely exposure is far less due to the collateral and credit risk mitigants described in the section above. The analysis presented below shows the financial effects of these mitigants.

	Total Exposure	Total collateral and other enhancements
	£'000	£'000
As at 15 May 2012		
Amounts due from immediate parent undertaking	3,958	-
Total maximum exposure at 15 May	3,958	-

	Total Exposure	Total collateral and other enhancements
	£'000	£'000
As at 31 December 2011		
Finance lease receivables	16,800	16,800
Total maximum exposure at 31 December	16,800	16,800

13 Financial risks (continued)

Credit risk (continued)

Financial assets subject to credit risk

For the purposes of the Company's disclosures regarding credit quality, financial assets subject to credit risk have been analysed as follows

	Note	15 May 2012 Amounts due from immediate parent undertaking £'000
As at 15 May		
Neither past due nor impaired	(a)	3,958
Total		3,958
Impairment allowance		-
Total carrying amount		3,958

	Note	31 December 2011 Finance lease Receivables £'000
As at 31 December		
Neither past due nor impaired	(a)	16,800
Total		16,800
Impairment allowance		-
Total carrying amount		16,800

An asset is considered past due when a counterparty has failed to make a payment when contractually due

(a) Financial assets neither past due nor impaired

Financial assets neither past due nor impaired can be analysed according to the rating systems used by the Company when assessing customers and counterparties. The credit quality of financial assets subject to credit that were neither past due nor impaired, based on credit rating, was as follows

15 May 2012	Strong £'000
Amounts due from immediate parent undertaking	3,958
Total financial assets subject to credit risk neither past due nor impaired	3,958
31 December 2011	Strong £'000
Finance lease receivables	16,800
Total financial assets subject to credit risk neither past due nor impaired	16,800

Strong indicates there is a very high likelihood of the asset being recovered in full

13 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 and foreign exchange rates. The Company is not exposed to changes in equity prices or foreign exchange rates.

Interest rate risk

Interest rate risk is the risk 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 Company lends at a variable rate and finances it with floating rate debt with the parent company.

Interest rate sensitivity analysis

The sensitivity of the income statement is the effect of assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 15 May 2012.

At 15 May 2012, if interest rates for the period had been 25 basis points lower/higher with all other variables being constant, there would have been an insignificant effect on profit (year ended 31 December 2011 insignificant).

Liquidity risk

Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient to meet its payment obligations as they fall due. The Company has the financial support of its parent, Barclays Bank PLC, that is designed to ensure the Company has sufficient available funds for operations and planned expansion.

Contractual maturity of financial assets and financial liabilities

The table below presents the undiscounted cash flows receivable/payable by the Company under financial assets/liabilities by remaining contractual maturities at the balance sheet date.

As all financial liabilities are either on demand or are short-term in nature, the amounts disclosed in the table for financial liabilities represent both the contractual discounted and undiscounted cash flows (i.e. nominal values).

13. Financial risks (continued)

Contractual maturity of financial assets and financial liabilities (continued)

	On demand £'000	<1 year £'000	1-5 years £'000	>5 years £'000	Total 2012 £'000
Assets					
Finance lease receivables	-	-	-	-	-
Amounts due from immediate parent	3,958	-	-	-	3,958
Total	3,958	-	-	-	3,958
Liabilities					
Amounts due to immediate parent	-	-	-	-	-
Other payables	-	-	-	-	-
Total	-	-	-	-	-
Contractual maturity gap	3,958	-	-	-	
Cumulative contractual maturity gap	3,958	3,958	3,958	3,958	

	On demand £'000	<1 year £'000	1-5 years £'000	>5 years £'000	Total 2011 £'000
Assets					
Finance lease receivables	-	218	1,464	15,118	16,800
Total	-	218	1,464	15,118	16,800
Liabilities					
Amounts due to immediate parent	(12,857)	-	-	-	(12,857)
Other payables	-	(129)	-	-	(129)
Total	(12,857)	(129)	-	-	(12,986)
Contractual maturity gap	(12,857)	89	1,464	15,118	
Cumulative contractual maturity gap	(12,857)	(12,768)	(11,304)	3,814	

14 Fair value of financial instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties. For finance lease receivables, the carrying amount is a reasonable approximation of fair value.

For all other financial assets and liabilities the fair value approximates carrying value due to the short-term nature of these financial assets and liabilities.

15 Change in UK corporation tax rate

The March 2011 Budget Statement included an amendment to The Finance (No 2) Act 2010 reducing the main rate of corporation tax from 28% to 26% from 1 April 2011. A further reduction to the main rate to 24% on 1 April 2012 was substantively enacted during March 2012 and has therefore been reflected in these financial statements. Further reductions are proposed to reduce the rate to 23% on 1 April 2013 and 21% on 1 April 2014. The changes had no effect on the deferred tax liability provided at 15 May 2012 or finance lease receivables due to the cessation of trade.

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, associated and joint venture companies, as well as the Company's key management which includes its Directors. Particulars of transactions, and the balances outstanding at the period/year end, are disclosed in notes 5, 6, 7 and 10.

17. Capital management

Following the cessation of trade on 15 May 2012, the Company's objective when managing capital is to safeguard its ability to meet its payment obligations as they fall due. The Board of Directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management. The Company regards as capital its equity, as shown in the balance sheet.

Total capital is as follows

	15 May 2012 £'000	31 December 2011 £'000
Called up share capital	-	-
Retained earnings	(228)	(283)
Total capital resources	(228)	(283)

In order to maintain or adjust the capital structure, the Company may limit the payment of dividends to shareholders, return capital to shareholders or issue new shares.

The Board of Directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management. The Company regards as capital its equity, as shown in the balance sheet.

18 Parent undertaking and ultimate holding company

Barclays Mercantile Business Finance Limited is the immediate parent undertaking of the Company

The parent undertaking of the smallest group that presents group financial statements is Barclays Bank PLC. The ultimate holding company and the parent company of the largest group that presents group financial statements is Barclays PLC. Both companies are incorporated in the United Kingdom and registered in England. Barclays Bank PLC's and Barclays PLC's statutory financial statements are available from the Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP.