BMI (No18) Limited

Directors' report and financial statements
For the period ended 1 August 2011

REGISTERED NUMBER: 2136044

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The Directors present their annual report together with the audited financial statements of the Company for the period ended 1 August 2011

Business review and principal activities

During the period the only deal in the Company matured and the Company ceased to trade on 1 August 2011 The Directors will consider new business opportunities as appropriate

Business performance

The results of the Company show a loss after tax of £450,000 (year ended 30 June 2011 £304,000) and a profit before tax of £17,000 (year ended 30 June 2011 £138,000) for the period The Company has net assets of £16,038,000 (as at 30 June 2011 £16,488,000) Net cash inflow from operating activities for the period was £1,529,000 (year ended 30 June 2011 £6,515,000)

Future outlook

The Directors will consider new business opportunities as appropriate.

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 £450,000 (year ended 30 June 2011 £304,000)

The Directors did not recommend the payment of an interim dividend during the period (year ended 30 June 2011 £nil) The Directors do not recommend the payment of a final dividend (year ended 30 June 2011. £nil)

Change in UK corporation tax rate

The main rate of corporation tax was reduced from 28% to 26% on 1 April 2011 and will reduce from 26% to 24% on 1 April 2012 Further reductions are proposed to reduce the rate by 1% per annum to 22% 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 30 June, has been changed to 1 August for commercial reasons These financial statements are prepared for the period from 1 July 2011 to 1 August 2011 The prior period covers the year to 30 June 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
D J Rowberry
H A M. Watson

Since the year end M Akram was appointed as a director on 1 May 2012 and T G Ridout resigned as a Director on 23 March 2012

Going concern

After reviewing the Company's performance projections, the available banking facilities 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 it's 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

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 IFRSs as adopted by the European Union

The Directors consider that in preparing the financial statements on pages 7 to 25

- 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 going concern basis

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 and the exposure to credit risk, liquidity risk and market risk are set out in note 13 'financial risks'

Directors third party indemnity provisions

Qualifying third party indemnity provisions were in force during the course of the financial period ended 1 August 2011 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office

Pillar 3 disclosures

In accordance with the rules of the Financial Services Authority, the Company's parent, Barclays Bank PLC has published information on its risk management objectives and policies and on its regulatory capital requirements and resources This information is available at http //group.barclays com/Investor-Relations/Financial-results-and-publications/Annual-Reports

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

M. Akram

M Akram
Director

Date 27 June 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BMI (No18) LIMITED

We have audited the financial statements of BMI (No18) Limited for the period ended 1 August 2011, 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 Statement of Directors' Responsibilities 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 members 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 1 August 2011 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BMI (No18) 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

Nicholas Morrison

Nicholas Morrison (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date 28 June 2011

BMI (No18) Limited
Income statement
For the period ended 1 August 2011

	Notes	Period ended 1 August 2011 £'000	Year ended 30 June 2011 £'000
Continuing operations			
Lease revenue	4	11	71
Interest income	6	6	67
Profit before tax		17	138
Tax	7	(467)	(442)
Loss after tax		(450)	(304)

Loss after tax and total comprehensive expense for the period was £450,000 (year ended 30 June 2011. £304,000) There were no items of other comprehensive expense

The accompanying notes form an integral part of the financial statements

BMI (No18) Limited
Balance sheet
As at 1 August 2011

	Notes	1 August 2011 £'000	30 June 2011 £'000
ASSETS			
Non-current assets			
Deferred tax assets	11	33	363
Finance lease receivables	8	-	-
Total non-current assets		33	363
Current assets			
Finance lease receivables	8	-	1,334
Group relief receivable		-	-
Amount due from immediate parent undertaking	9	18,016	16,487
Total current assets		18,016	17,821
Total assets		18,049	18,184
LIABILITIES			
Current liabilities			
Group relief payable		(1,757)	(1,621)
Other payables	10	(254)	(75)
Total current liabilities		(2,011)	(1,696)
Net current assets		16,005	16,125
Net assets		16,038	16,488
SHAREHOLDERS' EQUITY			
Called up share capital	12	-	-
Retained earnings		(16,038)	(16,488)
Total shareholders' equity		(16,038)	(16,488)

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 27 June 2012 and were signed on its behalf by

M. Akram

M Akram

DIRECTOR
Date 27 June 2012

BMI (No18) Limited
Statement of changes in equity
For the period ended 1 August 2011

	Share capital £'000	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 July 2011	**-**	**16,488**	**16,488**
Loss after tax and total comprehensive expenditure	-	(450)	(450)
Balance at 1 August 2011	**-**	**16,038**	**16,038**

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2010	-	16,792	16,792
Loss after tax and total comprehensive expenditure	-	(304)	(304)
Balance at 30 June 2011	-	16,488	16,488

The accompanying notes form an integral part of the financial statements

BMI (No18) Limited
Cash flow statement
For the period ended 1 August 2011

	Period ended 1 August 2011 £'000	Year ended 30 June 2011 £'000
Continuing operations		
Reconciliation of profit before tax to net cash flows from operating activities:		
Profit before tax	**17**	138
Non-cash movement in finance leases	**1,333**	1,199
Interest income	**(6)**	(67)
Net increase/(decrease) in payables	**179**	(64)
Cash from operating activities	**1,523**	1,206
Interest received	**6**	67
Group relief received/(paid)	**-**	5,242
Net cash from operating activities	**1,529**	6,515
Net increase in cash and cash equivalents	**1,529**	6,515
Cash and cash equivalents at beginning of period/year	**16,487**	9,972
Cash and cash equivalents at end of period/year	**18,016**	16,487
Cash and cash equivalents comprise:		
Amounts due from immediate parent undertakings	**18,016**	16,487
Cash and cash equivalents at end of period/year	**18,016**	16,487

The accompanying notes form an integral part of the financial statements

1. **Reporting entity**

These financial statements are prepared for BMI (No18) Limited (the 'Company'), the principal activity of which is the provision of leasing 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 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

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 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

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

3. Summary of significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

Loans and receivables

Loans and 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 Loans and receivables are stated at amortised cost using the effective interest method (see 3 (a)). They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method 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. 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

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

3. **Summary of significant accounting policies (continued)**

(c) Financial assets and liabilities (continued)

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 amounts comprise amounts due from/owed to the immediate parent undertaking as these amounts are payable on demand

(f) Borrowing costs

The Company does not capitalise borrowing costs

3. Summary of significant accounting policies (continued)

Future accounting developments

IFRS 9 Financial Instruments contains new requirements for accounting for financial assets and liabilities, which will also include new requirements for impairment and hedge accounting once the current round of consultation concludes (currently expected early 2012), replacing the corresponding requirements in IAS 39 Financial Instruments Recognition and Measurement

Adoption is not, at present, mandatory until accounting periods beginning on or after 1st January 2013, with the proposal to move mandatory application to 1 January 2015 Earlier adoption will be possible upon endorsement by the EU, although no date has currently been set for this None of the key changes issued or those proposed are anticipated to have a significant impact on the performance reporting of the Company

The International Accounting Standards Board is also undertaking a comprehensive review of other IFRS, including the accounting for leases. It is currently proposed that the majority of leases will be accounted for as finance leases by the lessor The effect of this is not considered to be significant.

In addition to the above the IASB also issued six new or amended IFRS in May 2011, each with an effective date of 1 January 2013 Other than amendments to disclosures required in the financial statements the effect of these standards on the Company is not considered to be significant.

4. Lease revenue

Lease revenue represents income from agreements entered into relating to leased assets, instalment credit, and other financial facilities Income is calculated in accordance with note 3(d)

Lease revenue is arrived at after taking into account

	Period ended 1 August 2011 £'000	Year ended 30 June 2011 £'000
Repricing adjustment (note 15)	-	(11)

5. Administrative expense

The Company has no full time employees (year ended 30 June 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 £4,000 (year ended 30 June 2011. £6,000) 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 (year ended 30 June 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

Interest income comprises the following

	Period ended 1 August 2011 £'000	Year ended 30 June 2011 £'000
Interest income		
Immediate parent undertaking	6	67
Total interest income	6	67

7. Tax

The analysis of the charge for the period is as follows

	Period ended 1 August 2011 £'000	Year ended 30 June 2011 £'000
Current tax:		
Current year charge	(23)	(355)
Adjustment for prior years	(114)	(46)
Deferred tax: (note 11)		
Current year charge	(330)	(41)
Total charge	(467)	(442)

The effective rate of tax is 2,747% (year ended 30 June 2011 320%). The increase in the rate from last year is primarily due to the movement on assets not qualifying for tax relief and a prior year adjustment to the current tax charge

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

	Period ended 1 August 2011 £'000	Year ended 30 June 2011 £'000
Profit before tax	17	138
Tax charge at standard UK corporation tax rate of 26% (year ended 30 June 2011: 27 5%)	(4)	(38)
Prior year adjustment	(114)	(47)
Depreciation on assets non-qualifying for tax relief	(347)	(329)
Change in rate at which deferred tax will reverse	(2)	(28)
Overall tax charge	(467)	(442)
Effective tax rate %	2,747%	320%

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

An analysis of finance lease receivables is as follows:

	1 August 2011			30 June 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	-	-	-	1,347	(13)	1,334
Over one year but not more than two years	-	-	-	-	-	-
Total after more than one year	-	-	-	-	-	-
Total	-	-	-	1,347	(13)	1,334

During the period finance lease receivables with a net book value of £nil (30 June 2011. £nil) matured

An analysis of the fair value of the Company's finance lease receivables and the valuation methodology applied is detailed in note 14

The credit and interest rate risk inherent in these leases is detailed in note 13

9. Amounts due from immediate parent undertaking

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

10. Other payables

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

11. Deferred tax

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

	Accelerated tax depreciation and rental apportionment £'000	Fair value of derivatives £'000	Total £'000
Assets			
At 1 July 2011	**320**	**43**	**363**
Income statement charge	(320)	(10)	(330)
At 1 August 2011	**-**	**33**	**33**
Assets	-	33	33
At 1 August 2011	**-**	**33**	**33**

	Accelerated tax depreciation and rental apportionment £'000	Fair value of derivatives £'000	Total £'000
Assets			
At 1 July 2010	**348**	**56**	**404**
Income statement charge	**(28)**	**(13)**	**(41)**
At 30 June 2011	**320**	**43**	**363**
Assets	**320**	**43**	**363**
At 30 June 2011	**320**	**43**	**363**

Deferred income taxes are provided in full on temporary differences under the liability method using a principal tax rate of 25% (year ended 30 June 2011 26%)

The amount of deferred tax asset expected to be recovered after more than 12 months is £25,000 (year ended 30 June 2011 £35,000)

12. Share capital

Particulars of the Company's share capital were as follows

	1 August 2011 £	30 June 2011 £
Ordinary shares of £1 each	100	100
Ordinary shares of $1 each	-	-

The authorised share capital of the Company is £350,000,000 comprising of 350,000,000 ordinary shares of £1 each and US$500,000,000 comprising 500,000,000 ordinary shares of US $1 each The issued and fully paid up share capital consists of one hundred £1 ordinary shares

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

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.

13. Financial risks (continued)

Credit risk (continued)

The Company's principal financial assets are amounts due from the intermediate parent undertaking and finance lease receivables

In the prior year, in respect of finance lease receivables, the Company mitigated this credit risk by obtaining guarantees from third parties which enabled the Company to claim settlement in the event of default. The Company did not hold any collateral as security as at 1 August 2011 in respect of finance lease receivables

In addition, the Company has the financial support of Barclays Bank PLC

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

As at 1 August 2011	Total Exposure £'000	Total collateral and other enhancements £'000
Amounts due from immediate parent undertaking	18,016	-
Total maximum exposure at 1 August	18,016	-

As at 30 June 2011	Total Exposure £'000	Total collateral and other enhancements £'000
Amounts due from immediate parent undertaking	16,487	-
Finance lease receivables	1,334	1,334
Total maximum exposure at 30 June	17,821	1,334

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	1 August 2011 Amounts due from immediate parent	Finance lease receivables	Total
		£'000	£'000	£'000
As at 1 August				
Neither past due nor impaired	(a)	18,016	-	18,016
Total carrying amount		18,016	-	18,016

	Note	30 June 2011 Amounts due from immediate parent	Finance lease receivables	Total
		£'000	£'000	£'000
As at 30 June				
Neither past due nor impaired	(a)	16,487	1,334	17,821
Total carrying amount		16,487	1,334	17,821

(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

1 August 2011	Strong £'000
Amounts due from immediate parent	18,106
Finance lease receivables	-
Total financial assets subject to credit risk neither past due nor impaired	18,016

30 June 2011	Strong £'000
Amounts due from immediate parent	16,487
Finance lease receivables	1,334
Total financial assets subject to credit risk neither past due nor impaired	17,821

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 primarily lends at a variable rate and finances it with floating rate debt with the parent company.

At 1 August 2011, if interest rates for the year had been 25 basis points lower with all other variables being constant, there would have been an insignificant decrease in the profit before tax (year ended 30 June 2011 £44,000), arising as a result of lower interest payable on the balances owing by the parent company The resulting net profit before tax in the period ended 1 August 2011 would have been unchanged (year ended 30 June 2011 £94,000)

Similarly, as there was no cap on the variable interest rate, had interest rates for the year been 25 basis points higher, the profit would have increased by an insignificant amount (year ended 30 June 2011: £44,000) giving an unchanged net profit before tax in the period of £17,000 (year ended 30 June 2011. £182,000)

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)

Liquidity risk (continued)

Contractual maturity of financial assets and financial liabilities (continued)

	On demand £'000	<1 year £'000	1-5 years £'000	>5 years £'000	Total 1 August 2011 £'000
Assets					
Amounts due from immediate parent	18,016	-	-	-	18,016
Total	18,016	-	-	-	18,016
Liabilities					
Other payables	-	-	-	-	-
Total	-	-	-	-	-
Contractual maturity gap	18,016	-	-	-	
Cumulative contractual maturity gap	18,016	18,016	18,016	18,016	

	On demand £'000	<1 year £'000	1-5 years £'000	>5 years £'000	Total 30 June 2011 £'000
Assets					
Finance lease receivables	-	1,334	-	-	1,334
Amounts due from immediate parent	16,487	-	-	-	16,487
Total	16,487	1,334	-	-	17,821
Liabilities					
Other payables	-	(75)	-	-	(75)
Total	-	(75)	-	-	(75)
Contractual maturity gap	16,487	1,259	-	-	
Cumulative contractual maturity gap	16,487	17,746	17,746	17,746	

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 and amounts due to immediate parent undertaking, 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

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement.

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 25% on 1 April 2012 was substantively enacted on 5 July 2011 As these changes in rate were substantively enacted prior to 1 August 2011, they have been reflected in these financial statements The effect of these changes on these financial statements was a reduction in the deferred tax asset provided at 1 August 2011 of £1,000 and a reduction in the finance lease receivable and current year lease revenue of £nil

The March 2012 Budget Statement included an amendment reducing the main rate of corporation tax from 26% to 24% from 1 April 2012 Further reductions are proposed to reduce the rate by 1% per annum to 22% on 1 April 2014 The amendment from 25% to 24% and subsequent changes to the main rate had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The overall estimated effect of a change in corporation tax rate from 25% to 22%, if applied at 1 August 2011, with consideration of the expected effective date of each reduction and expected movement in temporary differences would be to reduce the deferred tax asset at 1 August 2011 by approximately £3,000 and would have reduced the finance lease receivables balance by approximately £nil

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 The Company, which is a wholly owned subsidiary and is consolidated within the financial statements of Barclays PLC (see note 18), has disclosed transactions with related parties which are members of the Barclays Group in notes 5, 6, 7 and 9

17. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern 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

	1 August 2011 £'000	30 June 2011 £'000
Called up share capital	-	-
Retained earnings	(16,038)	(16,488)
Total capital resources	**(16,038)**	**(16,488)**

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 accounts 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 the United Kingdom 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