

# BMBF (No.21) LIMITED

Report and Financial Statements  
For the Year ended 30 September 2008

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REGISTERED NUMBER: 2260145

**BMBF (No.21) LIMITED**

**YEAR ENDED 30 SEPTEMBER 2008  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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## **BMBF (No.21) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2008**

The Directors present their report together with the audited financial statements of the Company for the year ended 30 September 2008.

#### **PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS**

During the year the principal activity of the Company was the leasing of equipment and vehicles, and this is likely to continue for the foreseeable future.

The results of the Company show a profit before tax of £30,000 (2007: £35,000) for the year. The Company has net funds of £118,000 (2007: net debt of £135,000). Net cash inflow from operating activities for 2008 was £253,000 (2007: £255,000).

#### *Future outlook*

We remain confident that we will improve our current level of performance in the future.

#### *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 12 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 Company is discussed on pages 10-14 / section 1 of the Barclays PLC 2007 annual report, which does not form part of this report.

#### **RESULTS AND DIVIDENDS**

During the year the Company made a profit after taxation of £17,000 (2007: £47,000).

The Directors did not recommend the payment of an interim dividend during the year (2007: £427,000). The Directors do not recommend the payment of a final dividend (2007: £Nil).

## **BMBF (No.21) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)**

#### **DIRECTORS**

The Directors of the Company who served during the year and up to the date of signing of the financial statements are as shown below:

C H Evans  
J T Leather  
R J McMillan  
D I Rowberry  
H A M Watson

#### **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 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements on pages 7 to 23,

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

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 1985 and the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

#### *Directors' Indemnities*

Qualifying third-party indemnity provisions (as defined by section 236 of the Companies Act 2006) were in force during the course of the financial year ended 30 September 2008 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties/powers of office.

## **BMBF (No.21) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)**

#### **CREDITORS' PAYMENT POLICY**

Payment performance indicators disclosed on page 4 of the 2007 annual report of Barclays Mercantile Business Finance Limited, the Company's parent undertaking, which settles all amounts due to suppliers on the Company's behalf.

#### **FINANCIAL INSTRUMENTS**

Barclays financial risk management objectives and policies and the exposure to credit risk, liquidity risk and cash flow risk are set out in note 12 'Financial Risks'.

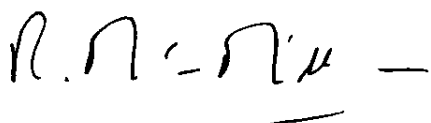
#### **INDEPENDENT AUDITORS**

On 11 February 1994 an Elective Resolution was passed by the Shareholders of the Company pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the Directors in office as at the date of approval of this Report confirms that, 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.

**By Order of the Board**



R J McMillan  
Director

Date: 6 January 2009

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BMBF (No.21) LIMITED**

We have audited the financial statements of BMBF (No.21) Limited for the year ended 30 September 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes on pages 7 to 23. These financial statements have been prepared under the accounting policies set out on pages 10 to 14.

**Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

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

**Basis of audit opinion**

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

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

**BMBF (No.21) LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BMBF (No.21) LIMITED**  
(continued)

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 30 September 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*  
*PricewaterhouseCoopers LLP*  
*Chartered Accountants and Registered Auditors*  
*London*

Date: *7th January 2009*

**BMBF (No.21) LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 2008**

	Notes	2008 £'000	Restated 2007 £'000
LEASE REVENUE	3	10	45
FINANCE INCOME/(EXPENSE)	5	20	(10)
		-----	-----
NET INCOME FROM LEASING ACTIVITIES BEFORE TAX	3	30	35
INCOME TAX	6	(13)	12
		-----	-----
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION TRANSFERRED TO RESERVES		17	47
		=====	=====

Profits for the financial years relate exclusively to continuing operations.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2008**

	2008			Restated 2007		
	Called up share capital £'000	Retained earnings £'000	Total £'000	Called up share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 October	-	547	547	-	927	927
Profit for the year	-	17	17	-	47	47
Dividend paid	-	-	-	-	(427)	(427)
	-----	-----	-----	-----	-----	-----
Balance as at 30 September	-	564	564	-	547	547
	=====	=====	=====	=====	=====	=====

The accompanying notes form an integral part of the financial statements.

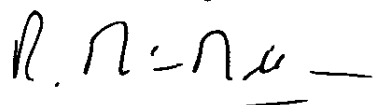


**BMBF (No.21) LIMITED****BALANCE SHEET AS AT 30 SEPTEMBER 2008**

	Notes	2008 £'000	Restated 2007 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Finance lease receivables	8	378	723
<b>CURRENT ASSETS</b>			
Finance lease receivables	8	387	422
Amounts due from immediate parent undertaking	11	118	-
		-----	-----
		505	422
		-----	-----
<b>TOTAL ASSETS</b>		883	1,145
		=====	=====
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	14	-	-
Retained earnings		(564)	(547)
		-----	-----
<b>TOTAL SHAREHOLDERS' EQUITY</b>		(564)	(547)
		=====	=====
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	10	(198)	(292)
<b>CURRENT LIABILITIES</b>			
Group relief payable		(114)	(143)
Amounts due to immediate parent undertaking	11	-	(135)
Other payables	9	(7)	(28)
		-----	-----
		(121)	(306)
		-----	-----
<b>TOTAL LIABILITIES</b>		(319)	(598)
		=====	=====
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		(883)	(1,145)
		=====	=====

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the board of directors on 6 January 2009 and were signed on its behalf by:



R J McMillan  
DIRECTOR

**BMBF (No.21) LIMITED****CASHFLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2008**

	Notes	2008 £'000	2007 £'000
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	16	389	313
Proceeds from termination of finance leases		-	66
Group relief paid		(136)	(124)
		-----	-----
<b>NET CASH FROM OPERATING ACTIVITIES</b>		253	255
		-----	-----
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Dividend paid	7	-	(427)
		-----	-----
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		-	(427)
		-----	-----
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		253	(172)
Cash and cash equivalents at beginning of year		(135)	37
		-----	-----
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		118	(135)
		-----	-----
<b>Cash and cash equivalents comprise:</b>			
Amounts due from/(to) immediate parent undertaking	11	118	(135)
		=====	=====

The accompanying notes form an integral part of the financial statements.

## **BMBF (No.21) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008**

#### **1. REPORTING ENTITY**

These financial statements are prepared for BMBF (No. 21) Limited ('the Company'), the principal activity of which is 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 IFRS, and accordingly consolidated financial statements have not been prepared.

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

#### **2. ACCOUNTING POLICIES**

##### **(a) BASIS OF ACCOUNTING**

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), adopted for use in the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. In all material respects, this is also in accordance with full IFRS, including the interpretations issued by the International Financial Reporting Interpretations Committee.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies.

The financial statements have been prepared under the historical cost convention and they are stated in thousands of pounds sterling, (£'000), the currency of the country in which the Company is incorporated.

During the year, the Company has adopted the disclosure requirements of IFRS 7: Financial Instruments: Disclosures. Prior period balances are shown in accordance with IFRS 7, and are shown as restated where applicable.

##### **(b) 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

2. ACCOUNTING POLICIES (continued)

(b) LEASES (continued)

When assets are leased to customers under a finance lease or similar hire purchase contract, the fair value of lease assets, or, if lower, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. Initial direct costs, such as legal fees, are included in the initial measurement of this receivable. Minimum lease payments, including any fees relating to the overall return from the lease, are apportioned between finance income and repayment of principal so as to allocate finance income to achieve a constant periodic return on investment in the lease. The difference between the total payments receivable under the lease and the present value of the receivable is deferred as unearned finance income, and is recognised over the remaining term of the agreement on a basis which produces a constant periodic rate of return on the net investment in the lease.

(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:

*Receivables*

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. Receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. (See note (b) and (h)).

*Financial liabilities*

Financial liabilities are measured at amortised cost.

*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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

2. ACCOUNTING POLICIES (continued)

(d) IDENTIFIED CREDIT IMPAIRMENT

The Company assesses, on a monthly basis, whether there is objective evidence that a financial asset or a portfolio of assets is impaired. The factors that the Company takes into account in determining whether a loss event which indicates objective evidence and impairment has arisen include significant financial difficulties of the debtor/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, and an increase in the probability that the debtor will enter bankruptcy or other financial reorganisation.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are significant, and individually or collectively for financial assets that are not individually significant. If the Company determines no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Identified impairment provisions are raised when the Company considers that there is objective evidence of impairment as a result one or more loss events have occurred since the original recognition of the asset and prior to the balance sheet date which affect the estimated future cashflows predicted with the asset. The provision is based on the difference between the carrying amount of the asset and its latest expectation of future recoverable amount, calculated by reference to the future cash flows from it discounted at the original effective interest rate for the asset.

The movement in identifiable impairments, net of any recoveries of amounts previously written off, is charged in the income statement. Total impairments at the balance sheet date are deducted from lease receivables. Bad debts are written off against identified impairments in part, or in whole, when the extent of the loss incurred has been confirmed.

e) 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 or future taxable profits.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)**

**2. ACCOUNTING POLICIES (continued)**

**(e) INCOME TAX (continued)**

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

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

**(f) GROUP FINANCIAL STATEMENTS**

The financial statements of BMBF (No.21) Limited are consolidated in the financial statements of Barclays PLC, a company registered in England and Wales and these financial statements are publicly available (see note 15). The Company is a wholly owned subsidiary and the parent company prepares publicly available financial statements. The Company has elected to utilise the exemption provided in IFRS 8, and does not disclose segmental information, as such information is disclosed in the financial statements of the parent company.

**(g) CASH AND CASH EQUIVALENTS**

For the purposes of the cash flow statement, cash equivalents comprise amounts due from the immediate parent undertaking, as these amounts are receivable on demand.

**(h) INTEREST**

Interest income or expense is recognised on all interest bearing financial assets classified as held to maturity, available for sale or other loans and advances, and on financial liabilities, using the effective interest method.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

2. ACCOUNTING POLICIES (continued)

(h) INTEREST (continued)

Cashflows 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.

(i) BORROWING COSTS

The Company does not capitalise borrowing costs.

(j) DIVIDEND DISTRIBUTION

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are declared.

3. NET INCOME FROM LEASING ACTIVITIES

Lease revenue represents income from agreements entered into relating to leased assets. Income is calculated in accordance with note 2 (b). The sole market supplied was the United Kingdom.

4. ADMINISTRATIVE EXPENSES

The Company has no full time employees. Administrative expenses of the Company, including audit fees, 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.

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. 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.

5. FINANCE INCOME/(EXPENSE)

Finance income/(expense) comprises the following:-

	2008 £'000	2007 £'000
Immediate parent undertaking:		
Interest income/(expense)	20	(10)
	=====	=====

Finance income included in net income from leasing activities is that specifically associated with the funding of leased assets.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

## 6. INCOME TAX

The (charge)/credit in the income statement is based on a UK corporation tax rate of 29% (2007: 30%) which is the rate at which group relief is surrendered and comprises:-

	2008 £'000	Restated 2007 £'000
Current tax charge:		
Group relief payable	(105)	(144)
Adjustments for prior years	(2)	-
	-----	-----
	(107)	(144)
Deferred tax credit		
Origination and reversal of temporary differences (see note 10)	94	156
	-----	-----
Net tax (charge)/credit	(13)	12
	=====	=====

The tax (charge)/credit relates wholly to the United Kingdom.

	2008 £'000	2007 £'000
Deferred tax liability due within one year	(98)	(93)
Deferred tax liability due after more than one year	(100)	(199)

The effective tax rate is higher (2007: higher) than the standard rate of corporation tax of 29% for the year ended 30 September 2008 (2007: 30%). The differences are set out below:

	2008 £'000	2007 £'000
Profit before tax	30	35
	-----	-----
Tax charge at average UK corporation tax rate of 29% (2007: 30%)	(9)	(11)
Prior year adjustments	(2)	-
Transfer pricing	1	2
Change in rate at which deferred tax reverses	(3)	21
	-----	-----
Overall tax (charge)/credit	(13)	12
	=====	=====
Effective tax rate	43%	(34) %

## 7. DIVIDENDS

No dividend was declared or paid during the year ended 30 September 2008. In the prior year £427,000 was paid, this equates to £4,270 per share.



**BMBF (No.21) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)****8. FINANCE LEASE RECEIVABLES**

	2008 £'000	2007 £'000
Gross investment in finance lease receivables:		
Not later than one year	452	493
Later than one year and not later than five years	378	744
	-----	-----
	830	1,237
Less: unearned future finance income	(65)	(92)
	-----	-----
	765	1,145
	=====	=====
Net investment in finance lease receivables:		
Not later than one year	387	422
Later than one year and not later than five years	378	723
	-----	-----
	765	1,145
	=====	=====

During the year finance leases with a net book value of £Nil (2007: £66,000) were terminated. The average interest rate risk inherent in these leases is detailed in note 12.

Included in finance lease receivables are finance lease arrears of £78,000 (2007: £96,000), which have been shown separately as part of other receivables in previous years. Netted against finance lease receivables is a provision of £36,000 (2007: Nil) for arrears considered to be uncollectible

**9. OTHER PAYABLES**

Other payables have no fixed maturity date, are unsecured and are non interest bearing. Their fair value is disclosed in note 12.

**10. DEFERRED TAX**

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2007: 28%). The movement on the deferred income tax account is as follows:

	2008 £'000	2007 £'000
At beginning of year	(292)	(448)
Income statement credit	94	156
	-----	-----
At end of year	(198)	(292)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

## 10. DEFERRED TAX (continued)

Deferred income tax liabilities are attributable to the following items:

	2008 £'000	2007 £'000
Deferred income tax liabilities		
Accelerated tax depreciation	(192)	(285)
Rental apportionment	(6)	(7)
	-----	-----
Total deferred tax liabilities	(198)	(292)
	=====	=====

The deferred tax credit in the income statement comprises the following temporary differences:

	2008 £'000	2007 £'000
Accelerated tax depreciation	93	154
Rental apportionment	1	2
	-----	-----
	94	156
	=====	=====

The headline rate of corporation tax decreased from 30% to 28% from 1 April 2008. The financial effect of this change is reflected in the deferred tax balances.

## 11. AMOUNTS DUE (TO)/FROM IMMEDIATE PARENT UNDERTAKING

The amounts due (to)/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. Their fair value is disclosed in note 12.

## 12. 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. There has been no change to the above risk management policy in the current year.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

12. FINANCIAL RISKS (continued)

*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 lease fully or may have already paid some of the principal, so that exposure is typically less than the approved lease limit.

When a customer defaults, much of the outstanding debt is usually recovered. The part that is not recovered, the actual loss, is the loss-given-default. The three components above, PD, EAD, and LGD, are used to calculate the expected loss, known as risk tendency (RT). RT provides insight into the credit quality of an asset portfolio and to track changes in risk.

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 finance lease receivables, which are substantially represented by one significant transaction. The Company has mitigated its credit risk by holding counterparty guarantees that substantially cover the value of the finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

## 12. FINANCIAL RISKS (continued)

*Credit risk (continued)*

The following tables show the maximum exposure to credit risk at 30 September:

		2008		
	Note	Finance lease receivables £'000	Amounts due from immediate parent £'000	Total £'000
<b>As at 30 September</b>				
Neither past due nor impaired	(a)	723	118	841
Impaired	(c)	42	-	42
		-----	-----	-----
Total carrying amount		765	118	883
		=====	=====	=====

		2007		
	Note	Finance lease receivables £'000	Amounts due from immediate parent £'000	Total £'000
<b>As at 30 September</b>				
Neither past due nor impaired	(a)	1,049	-	1,049
Past due but not impaired	(b)	96	-	96
		-----	-----	-----
Total carrying amount		1,145	-	1,145
		=====	=====	=====

**(a) Financial assets neither past due nor impaired**

The credit quality of financial assets neither past due nor impaired, based on the credit rating system used by the Company when assessing customers and counterparties, was strong (2007: strong). This indicates there is a very high likelihood of the assets being recovered in full.

**(b) Financial assets past due but not impaired**

An asset is considered past due when a counterparty has failed to make a payment when contractually due. The age analysis of financial assets that are past due but not individually impaired is as follows:

Finance lease receivables	Past due 31-60 days £'000	Past due 121-150 days £'000	Past due >180 days £'000	Total £'000
2007	90	4	2	96

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

## 12. FINANCIAL RISKS (continued)

*Credit risk (continued)**(c) Impaired financial assets*

The impairment allowance at 30 September is shown in the table below.

Finance lease receivables	Original carrying amount £'000	Impairment allowance £'000	Revised carrying amount £'000
2008	78	(36)	42

These impaired assets were individually assessed. The movement in the impairment allowance is set out as follows:

Impairment allowance	At 1 October £'000	Charged against profit £'000	At 30 September £'000
2008	-	(36)	(36)

*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. 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 30 September 2008, if interest rates for the year had been 25 basis points lower/higher with all other variables being constant, there would have been an insignificant effect on profit.

The effective interest rates at 30 September were as follows:

	2008	2007
Finance lease receivables	6.27%	6.27%
Amounts due from/to immediate parent undertaking	5.00%	5.75%

*Liquidity risk*

Liquidity risk is the risk that the Company's cash balances may be insufficient to meet its debts as they fall due. The Company has the financial support of its parent, Barclays Mercantile Business Finance Limited, which is designed to ensure the Company has sufficient available funds for operations.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

## 12. FINANCIAL RISKS (continued)

*Liquidity risk (continued)***Contractual maturity of financial assets and financial liabilities**

The table below presents the discounted 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).

Financial Instrument	On demand £'000	<1 year £'000	1-5 years £'000	>5 years £'000	Non financial instruments £000	Total 2008 £'000
<b>Assets</b>						
Finance lease receivables	-	387	378	-	-	765
Amounts due from parent	118	-	-	-	-	118
<b>Total</b>	<b>118</b>	<b>387</b>	<b>378</b>	<b>-</b>	<b>-</b>	<b>883</b>
<b>Liabilities</b>						
Called up share capital	-	-	-	-	-	-
Retained earnings	-	-	-	-	(564)	(564)
Deferred tax liabilities	-	-	-	-	(198)	(198)
Group relief payable	-	-	-	-	(114)	(114)
Other payables	-	-	-	-	(7)	(7)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(883)</b>	<b>(883)</b>
Contractual maturity gap	118	387	378	-		
Cumulative contractual maturity gap	118	505	883	883		

Financial Instrument	On demand £'000	<1 year £'000	1-5 years £'000	>5 years £'000	Non financial instruments £000	Total 2007 £'000
<b>Assets</b>						
Finance lease receivables	-	422	723	-	-	1,145
<b>Total</b>	<b>-</b>	<b>422</b>	<b>723</b>	<b>-</b>	<b>-</b>	<b>1,145</b>
<b>Liabilities</b>						
Called up share capital	-	-	-	-	-	-
Retained earnings	-	-	-	-	(547)	(547)
Deferred tax liabilities	-	-	-	-	(292)	(292)
Group relief payable	-	-	-	-	(143)	(143)
Amounts due to parent	(135)	-	-	-	-	(135)
Other payables	-	-	-	-	(28)	(28)
<b>Total</b>	<b>(135)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,010)</b>	<b>(1,145)</b>
Contractual maturity gap	(135)	422	723	-		
Cumulative contractual maturity gap	(135)	287	1,010	1,010		

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

12. FINANCIAL RISKS (continued)

*Fair value of financial instruments*

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The fair value for finance lease receivables is calculated using discounted cash flows, applying market rates. The fair value approximates the carrying 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.

13. RELATED PARTY TRANSACTIONS

The definition of related parties includes parent company, ultimate parent company, and fellow subsidiary undertakings, 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, has disclosed transactions with related parties which are members of the Barclays Group in note 4, 5, 6 and 11.

14. SHARE CAPITAL

	2008 £	2007 £
Authorised, allotted and fully paid 100 Ordinary shares of £1 each	100 =====	100 =====

15. PARENT UNDERTAKINGS AND ULTIMATE PARENT 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 Great Britain and registered in England and Wales. Barclays Bank PLC's and Barclays PLC's statutory financial statements are available from the Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £'000	2007 £'000
Profit from operations	30	35
Non-cash movements on finance leases	380	258
Net decrease in payables	(21)	(2)
Net decrease in receivables	-	22
	-----	-----
Cash inflow from operating activities	389	313
	=====	=====

17. PRIOR PERIOD ADJUSTMENT

Provision was made in the 2007 financial statements for potential bad debts on two deals with arrears that were considered uncollectible, and this provision was not reversed when the arrears were written off. The financial statements for 2007 have been restated to correct this error.

The effect of the restatement on those financial statements is summarised below:

	Effect on 2007 £'000
Increase in lease revenue	30
Decrease in income tax credit	(9)
	-----
Increase in profit	21
	=====
Increase in finance lease receivables	30
Increase in group relief payable	(9)
	-----
Increase in equity	21
	=====

There is no effect in 2008.