

Barclays Unquoted Investments Limited

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

REGISTERED NUMBER IN UNITED KINGDOM: 2156066



Barclays Unquoted Investments Limited (Registered Number: 2156066)
Directors' Report and Financial Statements
For the year ended 31 December 2018

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**Barclays Unquoted Investments Limited (Registered Number: 2156066)
Directors' Report
For the year ended 31 December 2018**

The Directors present their annual report together with the audited financial statements of Barclays Unquoted Investments Limited (the 'Company') for the year ended 31 December 2018.

Profit and dividends

During the year the Company made a profit after tax of £17,986,751 (2017: £12,162,428) The Directors do not recommend the payment of a dividend in relation to the current year (2017: None)

Post balance sheet event

On 4th April 2019, one of the equity investments was listed on the New York Stock Exchange.

Directors

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

D R Mudie
A D Challis
G J Chapman
S A Tait

Going concern

After reviewing the Company's performance projections and the available banking facilities, the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations; or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Financial risk management

The Company's activities are exposed to a variety of financial risks. The Company is required to follow the requirements of the Group risk management policies, which include specific guidelines on the management of foreign exchange, interest rate and credit risks, and advice on the financial instruments used to manage them. The main financial risks that the Company is exposed to are outlined on note 20.

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Directors' Report
For the year ended 31 December 2018

Directors third party indemnity provisions

Qualifying third party indemnity provisions were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 2018 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

KPMG LLP has been appointed by the Company to hold office in accordance with s.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.

FOR AND ON BEHALF OF THE BOARD



G.J. Chapman
Director

26 September 2019
Company number 2156066

Business review and principal activities

The principal activity of the Company is to provide equity finance to support the development of established businesses requiring funding for their next phase of growth/ownership. The Company acquired forty three new investments and made one disposal during the year (2017: nine new investments and four disposals).

Business performance

The Company's business performance will vary from year to year depending on fair value changes and / or sales of investments. The results of the Company show a profit before tax of £17,966,059 (2017: £12,167,049) for the year. The Company has net assets of £71,126,457 (2017: £53,139,706). Net cash inflow from operating activities for 2018 was £8,634,280 (2017: outflow £1,032,922).

Future outlook

The Company will focus on the active investment management of its portfolio to ensure that, wherever feasible, the businesses are robust enough to handle the on-going difficult trading conditions, including being able to take advantage of acquisition and organic growth opportunities. In addition, the medium term outlook is positive for the successful realisation of certain assets.

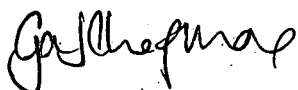
Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the risks that the Barclays PLC group are exposed to through investment activities and are not managed separately. Accordingly, these risks and uncertainties of Barclays PLC, which include those of the Company, are discussed in the Barclays PLC annual report which does not form part of this report. Please refer to pages 20 to 22 of these accounts where the specific risks of the Company are detailed.

Key performance indicators

The Company has made significant progress during the year on its objectives and business strategy. The Board of Directors monitors progress on the overall strategy by reference to the following key performance indicators; disposals of investments: two (2017: four) and the carrying value of investments in financial assets through the income statement of £322,072,268 (2017: £5,986,931).

FOR AND ON BEHALF OF THE BOARD



G J Chapman
Director

26 September 2019
Company number 2156066

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS UNQUOTED INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Barclays Unquoted Investments Limited ("the Company") for the year ended 31 December 2018 which comprise the Income Statement, Statement of other comprehensive income, Statement of Changes in Equity, Cash Flow Statement, and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Pinks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

27 SEPTEMBER 2019

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Income Statement
For the year ended 31 December 2018

	Notes	2018	2017
		£	£
Continuing operations:			
Revenue	5	18,994,364	12,161,698
Impairment charge on associate investments	13	(434,904)	-
Gross profit		18,559,460	12,161,698
Administrative expenses		(63,186)	(25,078)
Operating profit		18,496,274	12,136,620
Exchange loss		(396,620)	-
Interest income and similar income	6	2,555,491	97,534
Interest expense and similar expense	6	(2,689,086)	(67,105)
Profit before tax	7	17,966,059	12,167,049
Tax charge	9	20,692	(4,621)
Profit after tax		17,986,751	12,162,428

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

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Statement of Other Comprehensive Income
For the year ended 31 December 2018

	Notes	2018 £	2017 £
Profit after tax		17,986,751	12,162,428
Other comprehensive income that may be recycled to profit or loss:			
Fair value gains on revaluation of available for sale assets		-	2,261,823
Foreign exchange movement on available for sale investments		-	620,936
Other comprehensive income for the year net of tax		-	2,882,759
Total comprehensive income for the year		17,986,751	15,045,187

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

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Statement of financial position
As at 31 December 2018

	Notes	2018	2017
		£	£
ASSETS			
Non-current assets			
Investments in Associates	13	1,815,087	-
Long-term deposits	14	14,621,391	-
Deferred tax assets	17	538	656
Total non-current assets		16,437,016	656
Current assets			
Financial assets			
- Fair value through the income statement	11	322,072,268	5,986,931
- Financial assets at fair value through other comprehensive income	10	-	16,616,988
- Derivative financial instruments	12	597,869	-
Other assets	10	880,079	602,096
Cash and cash equivalents		70,019,090	39,057,200
Short-term deposits	14	22,892,246	-
Current tax assets	15	16,346	-
Total current assets		416,477,898	62,263,215
Total assets		432,914,914	62,263,871
LIABILITIES			
Current liabilities			
Trade and other payables	16	(13,040,586)	(83,434)
Short-term borrowings	18	(337,235,187)	-
Current tax liabilities	15	-	(4,464)
Total current liabilities		(350,275,773)	(87,898)
Net current assets		66,202,125	62,175,317
Non-current liabilities			
Long-term borrowings	18	(11,512,684)	(9,036,267)
Total non-current liabilities		(11,512,684)	(9,036,267)
Net assets		71,126,457	53,139,706
SHAREHOLDERS' EQUITY			
Called up share capital	19	1,000	1,000
Available for sale reserve		-	7,838,240
Accumulated gains		71,125,457	45,300,466
Total shareholders' equity		71,126,457	53,139,706

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 26 September 2019 and were signed on its behalf by:



G J Chapman
Director

26 September 2019
Company number 2156066

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Statement of Changes in Equity
For the year ended 31 December 2018

	Share capital	Available for sale reserve	Retained earnings	Total equity
	£	£	£	£
Balance at 1 January 2018 as previously reported	1,000	7,838,240	45,300,466	53,139,706
Adjustment on initial application of IFRS 9, net of tax	-	(7,838,240)	7,838,240	-
Adjusted balance at 1 January 2018	1,000	-	53,138,706	53,139,706
Profit after tax	-	-	17,986,751	17,986,751
Balance at 31 December 2018	1,000	-	71,125,457	71,126,457

	Share capital	Available for sale reserve	Retained earnings	Total equity
	£	£	£	£
Balance at 1 January 2017	1,000	4,955,481	33,138,038	38,094,519
Profit after tax	-	-	12,162,428	12,162,428
Other comprehensive income:				
Available for sale financial assets	-	2,882,759	-	2,882,759
Total comprehensive income for the year	-	2,882,759	12,162,428	15,045,187
Balance at 31 December 2017	1,000	7,838,240	45,300,466	53,139,706

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Cash flow statement
For the year ended 31 December 2018

	Notes	2018	2017
		£	£
Continuing Operations			
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax		17,966,059	12,167,049
Adjustment for non-cash items:			
Allowance for impairment		434,904	-
Foreign exchange movements		(154,101)	(333,646)
Changes in operating assets and liabilities			
Net decrease/(increase) in loans and other receivables		(277,983)	(215,888)
Net increase in trade and other payables	14	12,957,152	2,611
Less: net interest received/(paid)	6	287,696	(30,428)
Net gains on financial instruments held at fair value through profit or loss		(22,579,447)	(11,617,323)
Cash used in operating activities		8,634,280	(27,625)
Tax paid		-	(1,005,297)
Net cash generated from operating activities		8,634,280	(1,032,922)
Cash flows from investing activities			
Interest received	6	2,555,491	97,534
Purchase of investments		(291,781,181)	(35,525)
Proceeds from sale of investments		12,044,419	10,887,887
Net cash from investing activities		(277,181,271)	10,949,896
Cash flows from financing activities			
Interest paid		(2,689,086)	(67,105)
Proceeds from borrowings		339,711,604	384,310
Net cash used in financing activities		337,022,518	317,205
Net increase in cash and cash equivalents		68,475,527	10,234,179
Net effect of changes in exchange rates			
Cash and cash equivalents at beginning of the year		39,057,200	28,823,021
Cash and cash equivalents at end of year		107,532,727	39,057,200
Cash and cash equivalents comprise:			
Cash at bank		70,019,090	39,057,200
Deposits		37,513,637	-
Cash and cash equivalents at end of year		107,532,727	39,057,200

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

Barclays Unquoted Investments Limited (Registered Number: 2156066)

Notes to the financial statements

For the year ended 31 December 2018

1. Reporting entity

These financial statements are prepared for Barclays Unquoted Investments Limited (the 'Company'), the principal activity is to provide equity finance to support the development of established businesses requiring funding for their next phase of growth/ownership. The financial statements are prepared for the Company only in line with the UK Companies Act 2006. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC and the ultimate holding company and the parent undertaking of the largest group that presents group financial statements is Barclays PLC, both of which prepare consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC'), as published by the International Accounting Standards Board ('IASB').

The Company is a private limited company, domiciled and incorporated in the United Kingdom. The address of the registered office is 1 Churchill Place, London E14 5HP.

2. Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with IFRS and interpretations issued by the Interpretations Committee ('IFRS IC'), as published by IASB. They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union. The principal accounting policies applied in the preparation of the consolidated and individual financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

3. Basis of preparation

The financial statements have been prepared on a going concern basis 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' for hedges and IFRS 9 'Financial Instruments' as set out in the relevant accounting policies. They are presented in pounds sterling, the currency of the country in which the Company is incorporated.

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 those areas involving a higher degree of judgement or complexity where relevant, or areas where assumptions are significant to the financial statements.

4. 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.

(a) Foreign currency translation

Items included in the financial statements of the Company are measured using their functional currency, being pounds sterling (GBP) the currency of the primary economic environment in which the entities operates.

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement except for qualifying cash flow hedges or hedges of net investments.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date the fair value was determined. *Exchange differences on equities and similar non-monetary items held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on equities classified as available-for-sale financial assets and non-monetary items are included directly in equity.*

(b) Revenue recognition

Included in the revenue are fair value movements (on financial assets held at fair value through the profit or loss), gains on disposals and other income from financial assets (monitoring fees).

4. Summary of significant accounting policies (continued)

(c) 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.

(d) 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 funds 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.

(e) Financial assets and liabilities

The Company applies IFRS 9 Financial Instruments to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets.

Recognition

The Company recognises financial assets and liabilities when it becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset.

Classification and measurement

Financial assets are classified on the basis of two criteria:

- i) the business model within which financial assets are managed; and
- ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

The Company assesses the business model criteria at a portfolio level. Information that is considered in determining the applicable business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent SPPI. In assessing whether contractual cash flows are SPPI compliant, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that it would not meet the condition for SPPI are considered, including: (i) contingent and leverage features, (ii) non-recourse arrangements and (iii) features that could modify the time value of money.

Financial assets will be measured at amortised cost

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

4. Summary of significant accounting policies (continued)

(e) Financial Assets and Liabilities (continued)

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

Financial assets that are held in a business model to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs.

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean Barclays Group is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows Barclays Group will consider past sales and expectations about future sales.

Financial instruments at fair value through profit or loss

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the income statement.

Accounting for financial assets mandatorily at fair value

Financial assets that are held for trading are recognised at fair value through profit or loss. In addition, financial assets are held at fair value through profit or loss if they do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, or if the financial asset is not held in a business model that is either (i) a business model to collect the contractual cash flows or (ii) a business model that is achieved by both collecting contractual cash flows and selling. Subsequent changes in fair value for these instruments are recognised in the income statement in net investment income, except if reporting it in trading income reduces an accounting mismatch.

Accounting for financial assets designated at fair value

Financial assets, other than those held for trading, are classified in this category if they are so irrevocably designated at inception and the use of the designation removes or significantly reduces an accounting mismatch.

Subsequent changes in fair value are recognised in the income statement in net investment income.

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted market price in an active market wherever possible. For unlisted investments, fund statements are used to determine fair value.

Impairment of financial assets

The Company is required to recognise expected credit losses (ECLs) based on unbiased forward-looking information for all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope of IFRS 9 for ECL purposes.

At the reporting date, an allowance (or provision for loan commitments and financial guarantees) is required for the 12 month ECLs. If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3) an allowance (or provision) should be recognised for the lifetime ECLs.

The measurement of ECL is calculated using three main components: (i) probability of default (PD) (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

4. Summary of significant accounting policies (continued)

(e) Financial Assets and Liabilities (continued)

The 12 month ECL is calculated by multiplying the 12 month PD, LGD and the EAD. The 12 month and lifetime PDs represent the PD occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

Determining a significant increase in credit risk since initial recognition:

The Company assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to Stage 2 when:

Quantitative test

The annualised cumulative weighted average lifetime PD has increased by more than an agreed threshold relative to the equivalent at origination.

PD deterioration thresholds are defined as percentage increases, and are set at an origination score band and segment level to ensure the test appropriately captures significant increases in credit risk at all risk levels. Generally, thresholds are inversely correlated to the origination PD, i.e. as the origination PD increases, the threshold value reduces.

The assessment of materiality, i.e. at what point a PD increase is deemed 'significant', is based upon analysis of the portfolios' risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate.

For existing/historic exposures where origination point scores/data are no longer available or do not represent a comparable estimate of lifetime PD, a proxy origination score is defined, based upon:

Back-population of the approved lifetime PD score either to origination date or, where this is not feasible, as far back as possible, (subject to a data start point no later than 1 January 2015); or

Use of available historic account performance data and other customer information, to derive a comparable 'proxy' estimation of origination PD.

Qualitative test

Accounts meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

High risk customers may not be in arrears but either through an event or an observed behaviour exhibit credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, including industry and Group wide customer level data wherever possible or relevant.

Whilst the high risk populations applied for IFRS 9 impairment purposes are aligned with risk management processes, they are also regularly reviewed and validated to ensure that they capture any incremental segments where there is evidence of credit deterioration.

Backstop criteria

Accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

The Company does not rely on the low credit risk exemption which would assume facilities of investment grade are not significantly deteriorated. Determining the PD at initial recognition requires management estimates.

Management overlays and other exceptions to model outputs are applied only if consistent with the objective of identifying significant increases in credit risk.

4. Summary of significant accounting policies (continued)

(e) Financial Assets and Liabilities (continued)

Forward-looking information

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate (EIR). ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. When there is a non-linear relationship between forward-looking economic scenarios and their associated credit losses, five forward-looking economic scenarios are considered to ensure a sufficient unbiased representative sample of the complete distribution is included in determining the expected loss. Stress testing methodologies are leveraged within forecasting economic scenarios.

The measurement of ECL involves increased complexity and judgement, including estimation of PDs, LGD, a range of unbiased future economic scenarios, estimation of expected lives, and estimation of EAD and assessing significant increases in credit risk. *Impairment charges will tend to be more volatile and will be recognised earlier.* Unsecured products with longer expected lives, such as revolving credit cards, are the most impacted.

The Company utilises an external consensus forecast as the baseline scenario. In addition, two adverse and two favourable scenarios are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also incorporating IFRS 9 specific sensitivities and non-linearity. The most adverse scenarios are benchmarked to the Bank of England's annual cyclical scenarios and to the most severe scenarios from Moody's inventory, but are not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include six core variables, (GDP, unemployment and House Price Index in both the UK & US markets), and expanded variables using statistical models based on historical correlations. The probability weights of the scenarios are estimated such that the baseline (reflecting current consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the baseline; the further from the baseline, the smaller the weight. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices and base rates, and credit cards and unsecured consumer loans are highly sensitive to unemployment.

Definition of default, credit impaired assets, write-offs, and interest income recognition

The definition of default for the purpose of determining ECLs has been aligned to the Regulatory Capital CRR Article 178 definition of default, which considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due or 180 days past due in the case of UK mortgages. When exposures are identified as credit impaired or purchased or originated as such interest income is calculated on the carrying value net of the impairment allowance.

Credit impaired is when the exposure has defaulted which is also anticipated to align to when an exposure is identified as individually impaired.

Uncollectible loans are written off against the related allowance for loan impairment on completion of the Barclays Group's internal processes and when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement.

Loan modifications and renegotiations that are not credit-impaired

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to credit risk of the borrower, an assessment must be performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile.

Where terms are substantially different, the existing loan will be derecognised and new loan recognised at fair value, with any difference in valuation recognised immediately within the income statement, subject to observability criteria.

Where terms are not substantially different, the loan carrying value will be adjusted to reflect the present value of modified cash flows discounted at the original EIR, with any resulting gain or loss recognised immediately within the income statement as a modification gain or loss.

4. Summary of significant accounting policies (continued)

(e) Financial Assets and Liabilities (continued)

Expected life

Lifetime ECLs must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. The expected life for these revolver facilities is expected to be behavioural life. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or EAD until they occur.

Discounting

ECLs are discounted at the EIR at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is the rate that is expected to apply when the loan is drawn down and a financial asset is recognised. Issued financial guarantee contracts are discounted at the risk free rate. Lease receivables are discounted at the rate implicit in the lease. For variable/floating rate financial assets, the spot rate at the reporting date is used and projections of changes in the variable rate over the expected life are not made to estimate future interest cash flows or for discounting.

Modelling techniques

ECLs are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original EIR. The regulatory Basel Committee of Banking Supervisors (BCBS) ECL calculations are leveraged for IFRS 9 modelling but adjusted for key differences which include:

BCBS requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 months or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives;

IFRS 9 models do not include certain conservative BCBS model floors and downturn assessments and require discounting to the reporting date at the original EIR rather than using the cost of capital to the date of default;

Management adjustments are made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events; and

ECL is measured at the individual financial instrument level, however a collective approach where financial instruments with similar risk characteristics are grouped together, with apportionment to individual financial instruments, is used where effects can only be seen at a collective level, for example for forward-looking information.

For the IFRS 9 impairment assessment, Barclays Group' risk models are used to determine the PD, LGD and EAD. For Stage 2 and 3, Barclays Group applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

(f) Share capital and dividends

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

(g) 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.

4. Summary of significant accounting policies (continued)

(h) Associates

An associate is an entity in which the Company has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Company holding in excess of 20%, but no more than 50%, of the voting rights.

Investments in associates are stated at cost, less impairment, if any. In assessing whether there is any indication that an investment in associate may be impaired, the Company considers whether the asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

Investments in associates are not accounted for using the equity method since the Company is a wholly-owned subsidiary with no publicly traded financial instruments in issue, is not filing financial statements with a regulatory body in connection with a public issue, and the ultimate parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

(i) Change of accounting estimates

The accounting policies adopted are consistent with those of the previous financial year, except where new standards and amendments to IFRS effective as of 1 January 2018 have resulted in changes in accounting policy.

(j) Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements are highlighted under the relevant note.

(k) Future accounting developments

There are expected to be a number of significant changes to the Company's financial reporting after 2018 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. The effective date is 1 January 2019. The Barclays Group has considered the guidance included within the interpretation and concluded that the prescribed approach under IFRIC 23 will not have a material impact on the Barclays Group's financial position.

IAS 12 – Income Taxes – Amendments to IAS 12

In December 2017, as part of the Annual Improvements to IFRS Standards 2015-2017 Cycle, the IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. From 1 January 2019 the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, will be included in, and will reduce, the income statement tax charge. The impact on the Barclays Group's effective tax rate ("ETR") of this change will be dependent on the size of the applicable payments made in each future period.

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5. Revenue

	2018	2017
	£	£
Net gains on financial instruments held at fair value through the income statement	15,526,965	12,090,422
Dividends from equity investments	3,063,473	956
Other income from financial assets	403,926	70,320
Total income from financial assets	18,994,364	12,161,698

6. Interest income and interest expense

	2018	2017
	£	£
Interest income		
Bank interest received	2,555,491	97,534
Total interest income	2,555,491	97,534
Interest expense		
Bank interest paid	(2,689,086)	(67,105)
Total interest expense	(2,689,086)	(67,105)
Net finance (expense) / income	(133,595)	30,429

7. Profit before tax

The Company's audit fee is borne by another Group company. Although the audit fee is borne by another Group company, the fee that would have been charged to the Company amounts to £16,000 (2017: £28,560).

There were no fees paid to the auditors in respect of non-audit services.

8. Employees and key management, including directors

Directors' remuneration

The Directors did not receive any emoluments in respect of their services to the Company during the year (2017: nil).

The company made no loans, guarantees or other such dealings to its directors and others during the year. No Directors exercised options under the Barclays PLC Sharesave scheme and Long Term Incentive Schemes during 2018 (2017: nil).

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9. Tax

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

	Notes	2018 £	2017 £
Current tax (charge)/ credit:			
Current year		20,810	(14,407)
Adjustment for prior years		-	9,943
		<u>20,810</u>	<u>(4,464)</u>
Deferred tax (charge):			
Current year		(127)	(157)
Rate Change Adjustment		9	-
	17	<u>(118)</u>	<u>(157)</u>
Overall tax credit / (charge)		<u>20,692</u>	<u>(4,621)</u>

The main rate of UK corporation tax is 20% from 1 April 2015 to 31 March 2017. Legislation was introduced to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020.

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

	2018 £	2017 £
Profit before tax	17,966,059	12,167,049
Tax charge at standard UK corporation tax rate of 19% (2017: 19.25%)	(3,413,551)	(2,341,740)
Effects of:		
Adjustment for prior years	-	9,943
Non-deductible expenses	(163,027)	-
Gains exempt under SSE or s171A	3,597,261	2,327,176
Rate change Adjustment	9	-
Overall tax credit	<u>20,692</u>	<u>(4,621)</u>
Effective tax rate %	<u>-0.12%</u>	<u>0.04%</u>

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10. Transition note

Balance sheet movement – impact of transition to IFRS 9

The table below presents the impact of the changes to balance sheet presentation and of the transition to IFRS 9 on the Company's balance sheet showing separately the changes arising from reclassification and any associated remeasurement.

	Published IAS 39 carrying amount	Balance sheet presentation changes	Revised IAS carrying amount	As at 31 December 2017 IFRS 9 classification and measurement	As at 1 January 2018 IFRS 9 carrying amount
	£	£	£	£	£
Assets					
Financial assets					
- Loans and other receivables	602,096	(602,096)	-	-	-
- Available for sale investments	16,616,988	(16,616,988)	-	-	-
- Financial assets at fair value through other comprehensive income	-	16,616,988	16,616,988	(16,616,988)	-
- Fair value through profit and loss account	5,986,931	(5,986,931)	-	-	-
- Fair value through the income statement	-	5,986,931	5,986,931	16,616,988	22,603,919
Other assets	-	602,096	602,096	-	602,096
Cash and cash equivalents	39,057,200	-	39,057,200	-	39,057,200
Deferred tax assets	656	-	656	-	656
Total assets	62,263,871	-	62,263,871	-	62,263,871
LIABILITIES					
Trade and other payables	(83,434)	-	(83,434)	-	(83,434)
Long term borrowings	(9,036,267)	-	(9,036,267)	-	(9,036,267)
Current tax liabilities	(4,464)	-	(4,464)	-	(4,464)
Total liabilities	(9,124,165)	-	(9,124,165)	-	(9,124,165)
Equity					
Called up share capital	1,000	-	1,000	-	1,000
Available for sale reserve	7,838,240	-	7,838,240	(7,838,240)	-
Accumulated gains	45,300,466	-	45,300,466	7,838,240	53,138,706
Total equity	53,139,706	-	53,139,706	-	53,139,706

Balance sheet and IFRS 9 presentation changes

The following voluntary changes in presentation have been made as a result of the review of the accounting presentation following the adoption of IFRS 9, and is expected to provide more relevant information to the users of the financial statements. These presentation changes have no effect on the measurement of these items and therefore had no impact on retained earnings or profit for any period. The effect of these presentation changes are noted below:

- 'Available for sale investment's are now reported in 'financial assets at fair value through other comprehensive income'
- 'Loans and other receivables' are now reported in 'other assets'

IFRS 9 classification and measurement

This column represents the change in the balance sheet from classification and measurement. Available for sale investments have been reclassified to fair value through the income statement and the available for sale reserve has been reclassified to retained earnings on transition.

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11. Financial assets fair value through the income statement

	2018	2017
	£	£
Equity securities	307,729,234	5,986,931
Other financial assets	14,343,034	-
Total	322,072,268	5,986,931

An analysis of the fair values of these securities and the valuation methodology applied are described in Note 21. Information relating to financial risks is included in Note 20.

12. Derivatives

	2018	2017
	£	£
Derivatives held under equity option	597,869	-
Derivative assets	597,869	-

13. Related Undertakings

Investments in associates

Movements in, and details of, the Company's long term investments in associates is as follows:

	2018	2017
	£	£
At 1 January	-	-
Additions	2,249,991	-
At 31 December	2,249,991	-
Impairment at 1 January	-	-
Charged	(434,904)	-
Impairment at 31 December	(434,904)	-
Net book value	1,815,087	-

The table below provides information in respect of the associate undertaking in which the Company has an interest at 31 December 2018 (the entity's entire financial position and results of operation are presented, not Barclays Unquoted Investments Limited's share).

Company name	Investment type	Registered Office Address	Class of Shares/Units Held	Proportion of Class of Shares Held	Aggregate capital and reserves £	Loss after tax £	Financial year end
Back Office Technology Limited	Associate	C/O Blick Rothenberg Limited 1st Floor 7-10 Chandos Street London England W1G 9DQ	256,410 Series A Shares	9.830%	2,673,607	(1,562,261)	31-Mar-18

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14. Deposits

An analysis of the Company's deposits is as follows:

	Notes	2018	2017
		£	£
Short term deposits - due to related parties	22	22,892,246	-
Long term deposits - due to related parties	22	14,621,391	-
Total		37,513,637	-

The Directors consider that the carrying amount of deposits approximates their fair value.
 The deposits above are stage 1 as at the 31 December 2018 and the Expected Credit Losses (ECL) are immaterial.

15. Current tax assets / (liabilities)

Current tax assets / (liabilities) were as follows.

	2018	2017
	£	£
UK corporation tax receivable / (payable)	16,346	(4,464)

16. Trade and other payables

An analysis of trade and other payables is as follows:

	Notes	2018	2017
		Current	Current
		£	£
Trade payables		132,107	49,794
Accrued expenses		60,865	33,639
Deferred income		-	1
Amounts due to related parties	22	12,847,614	-
Total		13,040,586	83,434

The Directors consider that the carrying amount of trade payables approximates their fair value.

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17. Deferred tax assets

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

	1 January 2018	Credited to income statement	31 December 2018
	£	£	£
Assets			
Capital allowances	656	(127)	529
Impact of change in tax rate	-	9	9
Total assets	656	(118)	538
Net deferred tax asset	656	(118)	538
Falling due in one year	127	(23)	104
Falling due after one year	529	(95)	434

	1 January 2017	Credited to income statement	31 December 2017
	£	£	£
Assets			
Capital allowances	813	(157)	656
Total assets	813	(157)	656
Net deferred tax asset	813	(157)	656
Falling due in one year	157	(30)	127
Falling due after one year	656	(127)	529

Legislation has been introduced to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020. As a result relevant deferred tax balances have been re-measured. The closing deferred tax assets have been measured at blended rates based on the rate when the deferred tax balances are expected to unwind.

18. Borrowings

	Notes	2018	2017
		£	£
Short term borrowings - due to related parties	22	337,235,187	-
Long term borrowings - due to related parties	22	11,512,684	9,036,267
Total		348,747,871	9,036,267

The Directors consider that the carrying value of the Company's borrowings approximates to their fair value.

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19. Share capital

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

	Number of shares	Ordinary shares £	Total £
At 1 January 2018	1,000	1,000	1,000
At 31 December 2018	1,000	1,000	1,000

	Number of shares	Ordinary shares £	Total £
At 1 January 2017	1,000	1,000	1,000
At 31 December 2017	1,000	1,000	1,000

The issued share capital of Barclays Unquoted Investments Limited is £1,000 comprising 1,000 ordinary shares of £1 each (see note 23 for details).

20. Financial risks

The Company's activities expose it to a variety of financial risks. These are credit risk, liquidity risk and market risk, (which includes foreign currency risk, interest rate risk and price 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.

(a) Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company.

The Company assesses all investments before proceeding and there is a formal approval process via an Investment Committee, who also track the performance of all investments throughout the life of each investment. This Investment Committee would also agree any material changes in investment terms and the management thereof. The Company does not hold collateral in respect of its investments, per the nature of its activity.

Maximum exposure to credit risk

The Company's maximum exposure to credit risk is the carrying value of the assets. This analysis and subject analyses of credit risk include only financial assets subject to credit risk. They exclude other financial assets, mainly equity securities held in the trading portfolio or as available for sale assets, as well as non-financial assets.

The following table shows the maximum exposure to credit risk:

	2018 £	2017 £
Cash and cash equivalents	70,019,090	39,057,200
Financial assets at fair value through the income statement		
Other financial assets	14,343,034	-
Other assets	880,079	602,096
Total maximum exposure at 31 December	85,242,203	39,659,296

The Company does not hold any collateral as security.

20. Financial risks (continued)

(b) 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 the parent undertaking Barclays PLC; it also maintains banking facilities with Barclays Bank PLC. These facilities are designed to ensure the Company has sufficient available funds for operations.

The medium to long term nature of the assets are funded by share capital and loans from the parent and, therefore, the only liquidity risk is likely to be short term in relation to drawing of capital to meet investment objectives. The Company seeks to settle payables positions as soon as possible.

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the company under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), whereas the Company manages the inherent liquidity risk based on discounted expected cash inflows.

	One year or less	Over 1 year but not more than 2 years	Over 2 years but not more than 5 years	Over 5 years but not more than 10 years	Over 10 years	Total
31 December 2018	£	£	£	£	£	£
Trade and other payables	13,040,586	-	-	-	-	13,040,586
Short-term borrowings	337,235,187	-	-	-	-	337,235,187
Long-term borrowings	-	-	11,512,684	-	-	11,512,684
Total financial liabilities	350,275,773	-	11,512,684	-	-	361,788,457

	One year or less	Over 1 year but not more than 2 years	Over 2 years but not more than 5 years	Over 5 years but not more than 10 years	Over 10 years	Total
31 December 2017	£	£	£	£	£	£
Trade and other payables	83,434	-	-	-	-	83,434
Long-term borrowings	-	9,036,267	-	-	-	9,036,267
Total financial liabilities	83,434	9,036,267	-	-	-	9,119,701

(c) Market risk

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

Interest rate risk

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

Interest rate sensitivity analysis

The sensitivity of the income statement is 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 liabilities held at 31 December 2018.

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20. Financial risks (continued)

(c) Market risk (continued)

Impact on net interest income and equity

The effect on interest of a 25 basis points change would be as follows:

	2018		2017	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
Total £	11,761	(11,761)	10,409	(7,491)
As a percentage of net interest income	-9%	9%	34%	-25%

Foreign currency risk

Items included in the financial statements of the Company are measured using their functional currency.

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Exchange differences on equities and similar non-monetary items held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on equities classified as available for sale financial assets and non-monetary items are included directly in equity.

The following sensitivity table demonstrates the effects of a 10% rise or fall in foreign exchange rates for each of the major foreign currency exposures of the Company:

Effect on income

	2018				2017			
	Impact on profit after tax if currency weakens -10% vs GBP		Impact on profit after tax if currency strengthens 10% vs GBP		Impact on profit after tax if currency weakens -10% vs GBP		Impact on profit after tax if currency strengthens 10% vs GBP	
	£	%	£	%	£	%	£	%
US Dollar	(56,541)	(0.3%)	69,106	0.4%	-	-	-	-
EUR	(215,700)	(1.2%)	263,634	1.5%	(557,864)	(4.6%)	681,833	5.6%
HKD	(154,505)	(0.9%)	188,839	1.1%	-	-	-	-

Effect on equity

	2018				2017			
	Impact on profit after tax if currency weakens -10% vs GBP		Impact on profit after tax if currency strengthens 10% vs GBP		Impact on profit after tax if currency weakens -10% vs GBP		Impact on profit after tax if currency strengthens 10% vs GBP	
	£	%	£	%	£	%	£	%
US Dollar	-	-	-	-	-	-	-	-
EUR	-	-	-	-	(511,102)	(1.0%)	624,680	1.2%
HKD	-	-	-	-	-	-	-	-

20. Financial risks (continued)

(c) Market risk (continued)

Price risk

Price risk is the risk that market prices for the Company's investment securities measured at fair value may fall. The Company is exposed to equity securities price risk because of investments held at fair value through profit or loss. The Company is not exposed to commodity price movements.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio and ensures all investments are pre-approved by its Investment Committee. Price risk is tracked via half yearly Valuations Committee and fair values applied as a result of this and any Directors over-rides at the reporting date.

Investments are predominantly in unquoted-private companies therefore, successful price risk management is achieved by ensuring that the Company pays an appropriate price at purchase and also that each investment will achieve value growth prior to disposal.

The fair value of the investments can be affected by the volatility in the markets in which they operate, impacting upon comparable price/earnings ratio (PE), an observable measure which can be used to value these investments.

The investments are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. This requires the use of a number of individual pricing benchmarks such as the prices of recent transactions in the same or similar entities, discounted cash flow analysis, and comparison with the earnings multiples of listed comparative companies. Full valuations are generally performed at least bi-annually, with the positions reviewed periodically for material events that might impact upon fair value. The valuation of unquoted equity instruments is subjective by nature. However, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time.

The relevant valuation models are each sensitive to a number of key assumptions, such as equity prices for equity put options, projected future earnings, comparator multiples, discount rates for marketability, size and liquidity. Valuation sensitivity is estimated by flexing such assumptions on the discount factor to reasonable alternative levels and determining the impact in the resulting valuation.

Sensitivity analysis of valuations using unobservable inputs

Product type	Fair value	Favourable changes		Unfavourable changes	
	Total assets £	Income statement £	Equity £	Income Statement £	Equity £
As at 31 December 2018					
Fair value through income statement	322,670,138	31,656,295	-	(24,858,573)	-
Total	322,670,138	31,656,295	-	(24,858,573)	-
As at 31 December 2017					
Fair value through income statement	5,986,931	598,693	-	(598,693)	-
Fair value through other comprehensive income	16,616,988	-	1,661,699	-	(1,661,699)
Total	22,603,919	598,693	1,661,699	(598,693)	(1,661,699)

Significant unobservable inputs

The Company uses 'Current Earnings Multiples' and 'Net Asset Value' approach to value its investments. This methodology involves the application of an 'earnings multiple' to the best estimate of 'maintainable earnings' of the business to determine the Enterprise Value of the business which is then allocated to the various interests – which includes the Company's investments. This means making a judgement over the outlook for the current underlying trend in trading to determine what is reasonably maintainable earnings.

In the difficult situations involving rescue financing or a turnaround of the business, where it is not unusual for such businesses to be loss making at the point of investment it is not representative to use a current earnings approach. The IPEV guidance is that fair value in most of these cases should be possible to estimate on the amount a market participant would pay for the investment in question.

21. Fair values of financial assets

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Assets held at fair value	31 December 2018			
	Valuation technique using			Total
	Quoted market prices	Observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
£	£	£	£	
Financial assets:				
Financial assets at fair value through the income statement				
- Equity securities	-	-	307,729,234	307,729,234
- Other securities	-	-	14,343,034	14,343,034
Derivative financial assets	-	-	597,869	597,869
Deposits	-	37,513,637	-	37,513,637
Total assets	-	37,513,637	322,670,137	360,183,774
Financial liabilities:				
Borrowings	-	(348,747,871)	-	(348,747,871)
Total assets	-	(348,747,871)	-	(348,747,871)

	31 December 2017			
	Valuation technique using			Total
	Quoted market prices	Observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
£	£	£	£	
Financial assets:				
Financial assets at fair value through the income statement				
- Equity securities	-	-	5,986,931	5,986,931
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	16,616,988	16,616,988
Total assets	-	-	22,603,919	22,603,919
Financial liabilities:				
Borrowings	-	(9,036,267)	-	(9,036,267)
Total assets	-	(9,036,267)	-	(9,036,267)

Valuation methodology

A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations based on unobservable inputs is described below.

Quoted market prices - Level 1

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs - Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include financial instruments such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

21. Fair values of financial assets (continued)

Valuation technique using significant unobservable inputs – Level 3

Assets are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

Methods of valuation used for the Level 3 assets are earnings multiple, net asset value, transaction and equity option. These are used in isolation per investment or a blended combination. These methods contain a number of unobservable data inputs which have been listed below.

- Earnings Multiples includes multiples (3.5x – 14.4x) and discounts (0%-50%).
- Net Asset Value being our equity percentage of the net asset value based on the management accounts of the investment companies.
- Transaction based on recent third party arm's length transactions within the investment company. These transactions are within a year of the valuation date.
- Equity put option, the value of the put option is dependent on the strike price of an unlisted equity investment, which is valued using an earnings multiple. This is currently 1.5x above the share price.

Movements in Level 3 assets

The following table summarises the movements in the Level 3 balance during the year. The table shows gains and losses and includes amounts for all assets and liabilities transferred to and from Level 3 during the year. Transfers have been reflected as if they had taken place at the beginning of the year.

Analysis of movement in Level 3 assets						
	As at 1 January 2018	Purchases	Sales	Total gains and losses in the year recognised in the income statement	Total gains or losses recognised in OCI	As at 31 December 2018
	£	£	£	£	£	£
Financial assets designated at fair value	22,603,919	283,636,910	(12,044,420)	27,875,859	-	322,072,268
Derivative financial assets	-	861,073	-	(263,204)	-	597,869
Total	22,603,919	284,497,983	(12,044,420)	27,612,655	-	322,670,137

	As at 1 January 2017	Purchases	Sales	Total gains and losses in the year recognised in the income statement	Total gains or losses recognised in OCI	As at 31 December 2017
	£	£	£	£	£	£
Financial assets designated at fair value	5,221,971	35,525	(10,887,888)	11,617,323	-	5,986,931
Financial assets at fair value through other comprehensive income	13,400,583	-	-	-	3,216,405	16,616,988
Total	18,622,554	35,525	(10,887,888)	11,617,323	3,216,405	22,603,919

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21. Fair values of financial assets (continued)

Unrealised gains and losses on Level 3 financial assets

The following table discloses the unrealised gains and losses recognised during the year on Level 3 assets held at year end.

As at 31st December	2018			2017		
	Income statement	Other comprehensive income	Total	Income statement	Other comprehensive income	Total
	£	£	£	£	£	£
Financial assets designated at fair value	23,636,692	-	23,636,692	5,950,945	-	5,950,945
Derivative financial assets	(264,178)	-	(264,178)	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	3,216,405	3,216,405
Total	23,372,514	-	23,372,514	5,950,945	3,216,405	9,167,350

22. 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 year end, are disclosed in the tables below:

Transaction balances

For the year ended 31 December 2018	Parent Company	Fellow subsidiaries	Total
	£	£	£
Transactions:			
Revenue			
Direct expenses			
Interest paid	-	(2,689,086)	(2,689,086)
Interest received	-	2,555,491	2,555,491
Balances outstanding at 31 December 2018:			
Assets	-	38,095,672	38,095,672
Cash balances with Barclays Bank PLC	-	70,019,090	70,019,090
Liabilities	(197,902,114)	(150,845,757)	(348,747,871)
For the year ended 31 December 2017			
	Parent Company	Fellow subsidiaries	Total
	£	£	£
Transactions:			
Revenue			
Direct expenses			
Interest paid	(67,105)	-	(67,105)
Interest received	97,534	-	97,534
Balances outstanding at 31 December 2016:			
Assets	131,736	9,491	141,227
Cash balances with Barclays Bank PLC	39,057,200	-	39,057,200
Liabilities	(9,036,267)	-	(9,036,267)

23. Capital management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern.
- To maintain an optimal capital structure in order to reduce the cost of capital.
- To generate sufficient capital to support asset growth.

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:

	2018	2017
	£	£
Called up share capital	1,000	1,000
Available for sale reserve	-	7,838,240
Accumulated gains	71,125,457	45,300,466
Total capital resources	71,126,457	53,139,706

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The business is well funded through its parent company and any significant investments require approval by the Investment Committee.

24. Parent undertaking and ultimate holding company

The immediate parent of the Company is Barclays Equity Holdings Limited. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays 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 Barclays Corporate Secretariat, 1 Churchill Place London E14 5HP.