MENLO INVESTMENTS LIMITED

Directors' Report and Financial Statements
For the year ended 31 December 2018

REGISTERED NUMBER IN ENGLAND & WALES: 3479178

MENLO INVESTMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
Registered Number in England & Wales: 3479178

INDEX

	Page
Directors' report and financial statements	2
Strategic report	4
Independent auditor's report	5
Income statement	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash-flows	10
Notes to the financial statements	11

The directors present their annual report together with the audited financial statements of Menlo 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 £6 (2017: loss of £37,481,502). The directors do not recommend the payment of an interim dividend (2017: £187,840,370 In the prior year, the directors of the company decided to cease business activity and disposed of its assets. Consequently, the Company is left with residual net assets of £1,008 (2017: £1,002).

Directors

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

C Le Neve Foster
C Senior
V Shah
PB Voisey

Going concern

During 2017, the directors made the decision to cease the business of the Company and to place the Company into solvent liquidation. As a result, the Company no longer meets the definition of a going concern. The directors have made the decision to prepare the accounts under all of the measurement and disclosure requirements of IFRS, as the decision to liquidate the Company was not caused by financial distress, and there is no difference in the expected recoverable amount of the remaining assets from the carrying value as reported in the Company's balance sheet.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements (continued)

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 use of financial instruments to manage them. The main financial risks that the Company is exposed to are outlined in Note 16.

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.

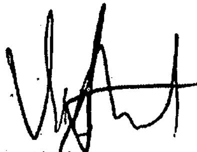
Independent Auditor

The company has appointed KPMG LLP to hold office in accordance with section 487 of the Companies Act 2006.

Statement of disclosure of information to the auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information

FOR AND ON BEHALF OF THE BOARD.



Name: V Shah
Director.
Date: 17 September 2019
Company number: 3479178

MENLO INVESTMENTS LIMITED
STRATEGIC REPORT
For the year ended 31 December 2018

Review and principal activities

In the prior year and up to 30 May 2017, the principal activities of the Company were to act as an investment company. On 30 May 2017, the Company ceased this activity and the directors intend to place the Company into solvent liquidation. No significant business activity was undertaken in the current year and there is none intended for the future.

Business performance

The results of the Company show a profit before tax of £7 (2017: loss of £26,319,592). As at 31 December 2018, the Company had net assets of £1,008 (2017: £1,002).

Future outlook

In the prior year, the Company terminated the loans and derivatives to which it was party and distributed its investments in subsidiary companies to its shareholder. The Company has a deposit, which is expected to yield positive return until the Company can be formally liquidated.

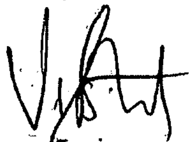
Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Barclays PLC group and are not managed separately. Accordingly, the principal risks and uncertainties of Barclays PLC, which include those of the Company, are discussed in the Barclays PLC 2018 annual report, which does not form part of this report.

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 in the Barclays PLC 2018 annual report which does not form part of this report.

FOR AND ON BEHALF OF THE BOARD



Name: V Shah
Director
Date: 17 September 2019
Company number: 3479178

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Menlo Investments Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and related notes, including the accounting policies in note 5.

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.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 2 and 3 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED (continued)

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 2 and 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.

Zaffarali Khakoo
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL
19 September 2019

MENLO INVESTMENTS LIMITED
INCOME STATEMENT
For the year ended 31 December 2018

	Note	2018 £	2017 £
Net investment income	7	-	(32,395,466)
Interest income	8	7	10,449,093
Interest expense	9	-	(4,373,219)
Profit/(loss) before tax	10	7	(26,319,592)
Tax	11	(1)	(11,161,910)
Profit/(loss) for the year		6	(37,481,502)

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

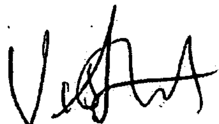
Profit /(loss) for the year is derived from continuing activities. All recognised income and expenses have been reported in the income statement, hence no statement of comprehensive income has been included in the financial statements.

MENLO INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
ASSETS			
Current assets			
Loans and advances at amortised cost	13	1,004	1,002
Cash and cash equivalents		5	-
Total current assets		1,009	1,002
TOTAL ASSETS		1,009	1,002
LIABILITIES			
Current liabilities			
Current tax liability		(1)	-
Total current liabilities		(1)	-
Net current assets		1,008	-
NET ASSETS		1,008	1,002
SHAREHOLDERS' EQUITY			
Called up share capital	14	1,000	1,000
Retained earnings		8	2
TOTAL SHAREHOLDERS' EQUITY		1,008	1,002

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 17 September 2019 and were signed on its behalf by:



Name of Director: V Shah
Company number: 3479178

MENLO INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 January 2018	1,000	2	1,002
Profit after tax	-	6	6
Balance at 31 December 2018	1,000	8	1,008

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 January 2017	100,000	225,222,874	225,322,874
Loss after tax	-	(37,481,502)	(37,481,502)
Capital Reduction	(99,000)	99,000	-
Dividends paid	-	(187,840,370)	(187,840,370)
Balance at 31 December 2017	1,000	2	1,002

MENLO INVESTMENTS LIMITED
STATEMENT OF CASH-FLOWS
For the year ended 31 December 2018

	Note	2018 £	2017 £
CASH FLOWS USED IN OPERATING ACTIVITIES	15	-	(15,903,513)
Interest received		5	19,924,036
Interest paid		-	(7,456,699)
Tax paid		-	(45,368,343)
Cash flows used in operating activities		5	(48,804,519)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans redeemed during the year		-	3,413,382,999
Settlements on derivatives investments		-	(193,694,902)
Net cash from investing activities		-	3,219,688,097
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of from borrowed funds		-	(2,984,799,877)
Dividends paid		-	(187,590,370)
Net cash used in financing activities		-	(3,172,390,247)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5	(1,506,669)
Cash and cash equivalents at 1 January		-	1,506,669
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		5	-
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash in hand		5	-
		5	-

The accompanying notes form an integral part of the financial statements

1. REPORTING ENTITY

These financial statements are prepared for Menlo Investments Limited (the 'Company'), the principal activity of which is to act as an investment company, in prior year the Company had ceased its activities and the Directors intend to place the Company in to a solvent liquidation. 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 incorporated and domiciled in the United Kingdom. The Company's 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 International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB), notwithstanding the fact that the Company is not being prepared under the Going Concern basis. 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 financial statements are set out below, and in the relevant notes to the financial statements. There has been no change to the accounting policies as a result of the directors' decision to place the Company in to solvent liquidation. There is no measurement impact on the Company's assets, as the recoverable amount of the assets is identical to the carrying value on the balance sheet. As a result, the financial statements continue to comply with the requirements of the International Financial Reporting Standards framework. These policies have been consistently applied.

3. BASIS OF PREPARATION

In 2017, the directors made the decision to cease the activity of the entity and to place the Company in to a solvent liquidation. As a result, the financial statements can no longer be prepared on a going concern basis. Given the circumstances of the liquidation, the directors have elected to prepare the accounts in compliance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB), and under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IFRS 9 'Financial Instruments' as set out in the relevant accounting policies. The directors consider that IFRS are still appropriate to the circumstances of the Company, and that there is no difference between the carrying value of the Company's residual assets and the recoverable amounts of those assets. They are presented in pounds sterling, the currency of the country in which the Company is incorporated and the primary economic environment of the Company.

4. NEW AND AMENDED STANDARDS

IFRS 9 Financial Instruments

The company has adopted IFRS9 for the first time the preparation of financial statements dated 31 December 2018. IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces key changes in the following areas:

• Classification and measurement – requiring asset classification and measurement based upon both business model and product characteristics.

• Impairment – introducing an expected credit loss model using forward looking information which replaces an incurred loss model. The expected credit loss model introduces a three-stage approach to impairment as follows:

Stage 1 – the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
Stage 2 – lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
Stage 3 – lifetime expected credit losses for financial instruments which are credit impaired.

Future accounting developments

The Company does not expect any significant changes to its financial reporting after 2018 as a result of amended or new accounting standards that have been or will be issued by the IASB.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year with the exception of the adoption of IFRS9.

Interest

Interest income or expense is recognised on all interest bearing financial assets classified as 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.

Foreign currency translation

Items included in the Company's financial statements are measured in pounds sterling, the functional currency and the currency of the primary economic environment in which the entity 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.. The policy on hedge accounting is shown later in this note.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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 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.

Current and deferred income tax

Income tax payable on taxable profits ('current tax'), is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current year or prior year taxable profits.

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

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

Deferred and current tax assets and liabilities are only offset where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously with the same tax authority.

Investments

Investments in subsidiaries are stated at cost less impairment, if any.

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.

Share capital and dividends

Equity instruments, including share capital, are initially recognised at net proceeds, after deducting transaction costs and any related income tax. Dividend and other payments to equity holders are deducted from equity, net of any related tax.

Dividends on ordinary shares

Dividend on ordinary shares are recognized in equity in the period in which they are paid or, if earlier, approved by the Company's shareholder, net of any related tax.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements

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 notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial statements. Accounting estimates and judgements have not been used in preparing these financial statements.

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.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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

Financial liabilities
Financial liabilities are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are derecognised when extinguished. The Company's financial liabilities comprise borrowings in the balance sheet.

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

Impairment of financial assets
The Company 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 (Stage 1). 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). 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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.

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 months 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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.

Forbearance
A financial asset is subject to forbearance when it is modified due to the credit distress of the borrower. A modification made to the terms of an asset due to forbearance will typically be assessed as a non-substantial modification that does not result in derecognition of the original loan, except in circumstances where debt is exchanged for equity. Both performing and non-performing forbearance assets are classified as Stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period for non-performing forbearance is 12 months and for performing forbearance, 24 months. Hence, a minimum of 36 months is required for non-performing forbearance to move out of a forborne state. No financial instrument in forbearance can transfer back to Stage 1 until all of the Stage 2 thresholds are no longer met and can only move out of Stage 3 when no longer credit impaired.

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 in all circumstances and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

Derivatives

Derivatives are measured at fair value on initial recognition and subsequently the resulting gains and losses are recognised in the income statement, except for derivatives held for cash flow hedging purposes or for hedges of net investment in foreign operations, neither of which are relevant for the Company. The fair value of derivatives is generally determined by reference to open market prices or by calculating the expected cash flows under the terms of each specific contract, discounted back to their present value using an appropriate market based pricing model.

Hedge accounting

The Company has previously used derivatives to reduce its exposure to movements in interest rates. Where the relationship between the hedge and the hedged item has been documented and is effective, hedge accounting is applied, depending on the risk being hedged. The Company has only had fair value hedges, so only the policy for fair value hedges is disclosed.

Fair value hedges

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement

6. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during 2018 or 2017. During the year, no directors (2017: no directors) exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive schemes.

7. NET INVESTMENT INCOME

	2018 £	2017 £
Fair value losses on interest rate swaps	-	(22,666,588)
Hedge accounting adjustments on hedged items designated in fair value hedges	-	(3,222,437)
Loss on termination of loans	-	(6,506,441)
	-	(32,395,466)

8. INTEREST INCOME

	2018 £	2017 £
Interest income from other group undertakings	-	9,730,752
Interest income from parent undertaking	7	718,341
	7	10,449,093

9. INTEREST EXPENSE

	2018 £	2017 £
Interest payable to other group undertakings	-	(4,321,428)
Interest payable to parent undertaking	-	(51,791)
	-	(4,373,219)

10. PROFIT BEFORE TAX

There were no employees employed by the Company during 2018 or 2017.

The audit fee is borne by another group entity. The fee that would otherwise have been charged to the Company amounts to £8,000 (2017: £4,111) for the year. This fee is not recognised as an expense in the financial statements.

Auditor's remuneration for the supply of other services is not disclosed because the financial statements of the Company's parent Barclays Bank PLC are required to disclose such fees in the consolidated financial statements.

11. TAX

The analysis of the charge for the year is as follows:

	2018	2017
	£	£
Current tax charge:		
Current year	(1)	(11,161,910)
Overall tax charge in the income statement	(1)	(11,161,910)

The main rate of UK corporation tax is 20% from 1 April 2015 to 31 March 2017. 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.

A numerical reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is as follows:

	2018	2017
	£	£
Profit/(loss) before tax	7	(26,319,592)
Tax charge at average UK corporation tax rate of 19% (2017: 19.25%)	(1)	5,066,522
Effects of:		
Effective yield on notional arising from premium on acquisition	-	(858,759)
Taxable gain on disposal of Loans	-	(15,369,673)
	(1)	(11,161,910)
Effective tax rate %	19.00%	(42.41)%

	2018	2017
	£	£
Current tax liabilities:		
UK corporation tax payable	1	-
	1	-

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 and liabilities have been measured at blended rates based on the rate when the deferred tax balances are expected to unwind.

12. DIVIDENDS ON ORDINARY SHARES

	2018 £	2017 £
Interim paid £nil (2017: £187,590.37) per share	-	(187,590,370)
Interim paid £nil (2017: £250.00) per share – settled by distribution in specie of the Company's holding in the ordinary shares of Pippin Island Investments Limited	-	(250,000)
	-	(187,840,370)

13. LOANS AND ADVANCES AT AMORTISED COST

	2018 £	2017 £
Loans and advances at amortised cost to parent undertaking	1,004	1,002
	1,004	1,002

Loans and advances at amortised cost are covered by a cash management mandate with BBPLC and are repayable on short notice. The expected credit losses associated with these facilities have been deemed to be immaterial.

14. CALLED UP SHARE CAPITAL

	2018 Number of shares	2017 Number of shares
Allotted and fully paid		
At 1 January 2017 and 1 January 2018	1,000	100,000
Capital reduction	-	(99,000)
At 31 December 2018	1,000	1,000

Dividends on ordinary shares are payable at the discretion of the Company's directors. Ordinary shares are entitled to a share of residual assets of the Company on liquidation. In 2017, the Company effected a capital reduction. The reserve created by the reduction of 99,000 shares of £1 each was transferred to retained earnings as realised profit, and was subsequently distributed as a dividend back to the Company's parent.

15. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO NET CASH USED IN OPERATING ACTIVITIES

	2018 £	2017 £
Profit/(loss) before taxation	7	(26,319,592)
Interest receivable	(7)	(10,449,093)
Interest payable	-	4,373,219
Hedge accounting adjustments on loans	-	3,222,437
Fair value change in derivative financial liabilities movement	-	6,763,075
Loss on disposal of loan investments	-	6,506,441
NET CASH USED IN OPERATING ACTIVITIES	-	(15,903,513)

16. FINANCIAL RISKS

The Company's activities previously exposed it to a variety of financial risks, being liquidity risk, credit risk and market risk (which includes interest rate risk, foreign currency risk and price risk). Previously, the Company devoted considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks, and regularly reviewed its risk management procedures and systems to ensure that they continue to meet the needs of the business. The Company used derivative financial instruments to hedge certain risk exposures.

During 2017, the Company exited the majority of its risk generating positions. The Board of Directors continues to monitor the Company's financial risks and has responsibility for ensuring effective risk management and control and to operate within the requirements of the Barclays Group risk management policies.

Liquidity risk

This is the risk that the Company's cash and committed facilities may be insufficient to meet its debts as they fall due. The Company no longer has any debts.

Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Company's counterparties fail to fulfil their contractual obligations to the Company. The Company assesses all counterparties for credit risk before contracting with them. The Company's counterparties comprise solely of its parent undertaking. The Company holds no collateral against its exposures and there are no significant concentrations of credit risk. None of the Companies assets are either past due or individually impaired and all of the Company's counterparties have been assessed with a Strong credit rating, i.e. there is a very high likelihood of the asset being recovered in full.

16. FINANCIAL RISKS (continued)

Maximum exposure to credit risk

The Company's maximum exposure to credit risk is disclosed below. As the Company holds no collateral or credit enhancements, this is the same as the balance sheet exposure.

As at 31 December 2018	Loans and receivables	Cash and cash equivalents	Total
	£	£	£
Carrying value	1,004	5	1,009

As at 31 December 2017	Loans and advances	Cash and cash equivalents	Total
	£	£	£
Carrying value	1,002	-	1,002

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. Of these, only interest rates are applicable to the Company.

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 The Company's interest rate risk arises from changes to net interest income on its floating rate interest bearing loans. As at 31 December 2018, the Company has £1,004 (2017: £1,002) floating rate interest bearing loans, the impact on interest income or equity due to changes in interest rate are immaterial.

17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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.

As the loans and advances to parent undertaking are repayable at short notice and have interest rates that reset regularly to market rates their fair value is also approximately equal to their carrying value. They are classified as Level 2.

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.

17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Quoted market prices - Level 1
Assets and liabilities 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
Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include assets and liabilities 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. Level 2 valuation techniques can also include unobservable inputs that are not significant of the fair value measurement in its entirety.

Valuation technique using significant unobservable inputs - Level 3
Assets and liabilities 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.

18. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions, or one other party controls both. The definition of related parties includes parent company, ultimate parent company, subsidiary, associated and joint venture companies, as well as the Company's key management which includes its directors. During the year there have been no other transactions with related parties other than transactions disclosed elsewhere in the notes to the financial statements.

19. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to manage the Company's residual position until the Company is placed in to formal liquidation. The board of directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management.

20. PARENT UNDERTAKING AND ULTIMATE HOLDING COMPANY

The parent of the Company is Barclays Bank PLC, which is also the parent undertaking of the smallest group that presents consolidated financial statements. 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.

21. TRANSITION DISCLOSURE OF IMPACT OF FIRST YEAR ADOPTION OF IFRS 9

The following voluntary changes in presentation have been made as a result of the review of accounting presentation following the adoption of IFRS 9. These presentational 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 presentational changes on transition is noted below:

	As at 31 December 2017		As at 31 December 2017
	IAS39 carrying amount as reported	Balance Sheet Presentation changes	Revised IAS 39 carrying amount
	£	£	£
Assets			
Current Assets:			
Loans and other receivables	1,002	(1,002)	-
Loans and advances at amortised cost	-	1,002	1,002
Total Assets	1,002	-	1,002
Equity			
Called up share capital	1,000	-	1,000
Retained earnings	2	-	2
Total Equity	1,002	-	1,002