Barclays Converted Investments Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

REGISTERED NUMBER: 4995752

INDEX

The Directors present their annual report together with the audited financial statements for Barclays Converted Investments Limited (the 'Company') for the year ended 31 December 2016.

Profit and dividends

During the year the Company made a profit after tax of £49,687,362 (2015: £75,466,964). An interim dividend of £50,000,000 was received from the Company's subsidiary, BCIL2 on 24th June 2016. An interim dividend of £50,000,000 was paid to the Company's immediate parent undertaking (Note 24) on 27th June 2016 (2015: £85,000,000).

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:

M F Beastall (resigned 13 January 2016)
A R Douglas
R J T Lyle (resigned 22 April 2016)
J N Marlow
D R Mudie (appointed 24 May 2016)
H Sanghrajka (appointed 23 March 2016)

Going concern

After reviewing the Company's performance projections, the available banking facilities and taking into account the support available from Barclays Bank PLC, the Directors are satisfied that the Company has adequate access to resources to enable it to meet 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 following statement, which should be read in conjunction with the Auditors' report set out on page 5 and 6 is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the accounts.

The Directors are required by the Companies Act 2006 to prepare accounts for each financial year. The Directors have prepared the accounts in accordance with International Financial Reporting Standards ('IFRS') to present fairly the financial position of the Company and the performance for that period. The Companies Act 2006 provides, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation.

The Directors consider that in preparing the financial statements on pages 7 to 27:

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

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial 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 pages 19 to 22.

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 2016 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

Independent auditors

PricewaterhouseCoopers LLP has held office in accordance with Section 487 of the Companies Act 2006 for the 2016 financial year. Following a rigorous tender process conducted by the Barclays PLC Audit Committee, KPMG LLP will assume the role as independent auditors for the Barclays PLC Group, of which the Company is a member, for the year-end 31 December 2017. Formal appointment as auditor to the Company will be completed after the approval of these financial statements.

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

H Sanghrajka

H Sanghrajka
Director
27 June 2017
Company number 4995752

Business review and principal activities

The principal activity of the Company is to invest in businesses and/or corporate turnarounds. The company made no new investments and one disposal in the year of 2016. (2015: no new investments and one disposal).

Business performance

The results of the Company show a profit before tax of £49,609,430 (2015: £75,362,497) for the year. The Company has £4,768,145 net assets (2015: £5,080,783). Net cash outflow from operating activities for 2016 was £465,658 (2015: £519,018).

Future outlook

The Company, which remains well funded, expects to expand its investment activity in the coming years via a renewed stream of investment opportunities which are consistent with the principal activity of the Company.

Principal risks and uncertainties

The Directors of the Company have established processes and controls to identify and manage the principal risks and uncertainties. These are primarily around: effective investment selection and structuring; documenting of investor protection rights; and on-going tracking of business performance within the investment portfolio. The above risks are managed by: bi-annual investment valuations process; regular portfolio reviews; and through the use of investor protection rights. The Company did not invoke the investor protection rights on any of its investments during the year.

Key performance indicators

The key performance indicators for the Company are primarily; the number of new investments made: None (2015: None); disposals of investments: One (2015: One); proceeds from investment disposals: £250,000 (2015: £56,260,026); the value of existing equity securities: nil (2015: nil); and the value of existing debt securities: nil (2015: £250,000).

FOR AND ON BEHALF OF THE BOARD

H Sanghrajka
Director
27 June 2017
Company number 4995752

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

Report on the financial statements

Our opinion

In our opinion, Barclays Converted Investments Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Income Statement for the year then ended;
- the Cash flow statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.
In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS CONVERTED INVESTMENTS LIMITED (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jeremy Foster

Jeremy Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 June 2017

Barclays Converted Investments Limited (Registration No: 4995752)
Income Statement
For the year ended 31 December 2016

	Notes	2016 £	2015 £
Continuing operations:			
Revenue	5	3,505	46,471,932
Gross profit		3,505	46,471,932
Administrative expenses		(413,899)	(632,928)
Operating (loss)/profit		**(410,394)**	**45,839,004**
Interest income and similar income	6	20,111	23,751
Interest expense and similar expense	6	(287)	(258)
Other income	7	50,000,000	29,500,000
Profit before tax	8	**49,609,430**	**75,362,497**
Tax credit	10	77,932	104,467
Profit after tax		**49,687,362**	**75,466,964**

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

Statement of comprehensive income

Profit after tax and total comprehensive income for the year ended 31 December 2016 was £49,687,362 (2015: £75,466,964). There were no items of other comprehensive income.

Barclays Converted Investments Limited (Registration No: 4995752)
Balance Sheet
As at 31 December 2016

	Notes	2016 £	2015 £
ASSETS			
Non-current assets			
Investments in subsidiaries	12	1,000	1,000
Deferred tax assets	17	92	117
Total non-current assets		1,092	1,117
Current assets			
Financial assets			
- Loans and other receivables	13	43,841	52,455
- Fair value through profit and loss account	14	-	250,000
Current tax assets	15	253,010	123,473
Cash and cash equivalents		4,576,387	4,772,221
Total current assets		4,873,238	5,198,149
Total assets		4,874,330	5,199,266
LIABILITIES			
Current liabilities			
Trade and other payables	16	(106,185)	(118,483)
Current tax liabilities		-	-
Total current liabilities		(106,185)	(118,483)
Net current assets		4,767,053	5,079,666
Net assets		4,768,145	5,080,783
SHAREHOLDERS' EQUITY			
Share capital	18	1,000	1,000
Distributable reserves		-	5,499,999
Accumulated gains/(losses)	19	4,767,145	(420,216)
Total shareholders' equity		4,768,145	5,080,783

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 June 2017 and were signed on its behalf by:

H Sanghrajka
Director
23 June 2017
Company number 4995752

Barclays Converted Investments Limited (Registration No: 4995752)
Statement of Changes in Equity
For the year ended 31 December 2016

	Notes	Share capital	Distributable Reserve	Accumulated gains/ (losses)	Total
		£	£	£	£
Balance at 1 January 2016		1,000	5,499,999	(420,216)	5,080,783
Profit after tax		-	-	49,687,362	49,687,362
Total comprehensive income for the year		-	-	49,687,362	49,687,362
Transfer from/to reserve		-	(5,499,999)	5,499,999	-
Dividends paid	11	-	-	(50,000,000)	(50,000,000)
Balance at 31 December 2016		1,000	-	4,767,145	4,768,145

	Notes	Share capital	Distributable Reserve	Accumulated gains/ (losses)	Total
		£	£	£	£
Balance at 1 January 2015		1,000	5,499,999	9,112,820	14,613,819
Profit after tax		-	-	75,466,964	75,466,964
Total comprehensive income for the year		-	-	75,466,964	75,466,964
Dividends paid	11	-	-	(85,000,000)	(85,000,000)
Balance at 31 December 2015		1,000	5,499,999	(420,216)	5,080,783

Barclays Converted Investments Limited (Registration No: 4995752)
Cash flow statement
For the year ended 31 December 2016

Continuing Operations	Notes	2016 £	2015 £
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax		49,609,430	75,362,497
Adjustment for non-cash items:			
Dividend received from subsidiary	7	(50,000,000)	(29,500,000)
Changes in operating assets and liabilities			
Net decrease in loans and other receivables	13	8,614	32,357
Net decrease in trade and other payables	16	(12,298)	(1,385)
Unrealised gain on financial assets held at fair value through profit and loss	21	-	9,871,211
Net profit on disposal of investments	21	-	(56,276,151)
Less net interest received	6	(19,824)	(23,493)
Cash used in operating activities		**(414,078)**	**(534,964)**
Tax (paid)/received		(51,580)	15,946
Net cash used in operating activities		**(465,658)**	**(519,018)**
Cash flows from investing activities			
Interest received	6	20,111	23,751
Dividend received from subsidiary	7	50,000,000	29,500,000
Proceeds from sale of investments	21	250,000	56,260,026
Net cash generating from investing activities		**50,270,111**	**85,783,777**
Cash flows from financing activities			
Dividend paid	11	(50,000,000)	(85,000,000)
Interest paid	6	(287)	(258)
Net cash generating from financing activities		**(50,000,287)**	**(85,000,258)**
Net (decrease)/increase in cash and cash equivalents		(195,834)	264,501
Cash and cash equivalents at beginning of the year		4,772,221	4,507,720
Cash and cash equivalents at end of year		**4,576,387**	**4,772,221**
Cash and cash equivalents comprise:			
Cash at bank		4,576,387	4,772,221
Cash and cash equivalents at end of year		**4,576,387**	**4,772,221**

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

1. Reporting entity

These financial statements are prepared for Barclays Converted Investments Limited (the 'Company'), the principal activity of which is to invest in businesses and/or corporate turnarounds. 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') and accordingly consolidated financial statements have not been prepared based on the exemption provided under paragraph 4(a) of IFRS 10.

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 International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (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' 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.

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.

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. Where necessary, certain comparative amounts may be restated to reflect reclassifications for reporting purposes.

(a) 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).

(b) 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.

(c) 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.

4. Summary of significant accounting policies (continued)

(c) Current and deferred income tax (continued)

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.

(d) Financial assets and liabilities

The Company recognises financial instruments from the contract date, and continues to recognise them until, in the case of assets, the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership, or in the case of liabilities, until the liability has been settled, extinguished or has expired. Financial assets are initially recognised at fair value and then classified in the following categories and dealt with in the financial statements as follows:

Financial instruments at fair value through profit or loss

Assets (and liabilities in some cases) are so designated when they are held for trading or at management's option (the fair value option) in certain circumstances. Once designated, the assets are held at fair value and gains and losses are recognised in the income statement.

The fair value option is used for investments where the Company has the ability to exercise significant influence over the operation and financial management policy decisions and are designated at fair value in accordance with the para 1 of IAS 28 Investment in Associates.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are stated at amortised cost using the effective interest method. (See above). They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, the fair values are determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices are used for quoted securities. Other techniques, such as Earnings Multiple method, are used to determine fair value for the remaining financial instruments which is in line with the International Private Equity and Venture Capital Valuation Guidelines developed by the British Venture Capital Association (BVCA) and European Private Equity and Venture Capital Association (EVCA).

Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets, including loans and receivables, is impaired. The factors that the Company uses include significant financial difficulties of the debtor or the issuer, a breach of contract or default in payments, the granting by the Company of a concession to the debtor because of a deterioration in its financial condition, the probability that the debtor will enter into bankruptcy or other financial reorganisation, or, in the disappearance of an active market for a security because of the issuer's financial difficulties.

The Company also considers observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, arising from adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults on assets in the portfolio.

For loans and receivables the Company first assesses whether objective evidence of impairment exists individually for individually significant loans and receivables, and then collectively assesses remaining loans and receivables that are not individually significant. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

4. Summary of significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

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.

Valuations based on observable inputs

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.

Valuations based on unobservable inputs

Valuation technique using significant unobservable inputs - Level 3

Financial instruments 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. Valuation uncertainty arises mainly from the long dated nature of the assets and the lack of active secondary market.

(e) 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.

(f) 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.

(g) 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 2016 have resulted in changes in accounting policy.

(h) Future accounting developments

There are expected to be a number of significant changes to the Company's financial reporting after 2016 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:

IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement and is effective for periods beginning on or after 1 January 2018 and was endorsed by the EU in November 2016. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments. The Company does not expect to restate comparatives on initial application of IFRS 9 on 1 January 2018 however will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7. The key changes relate to:

4. Summary of significant accounting policies (continued)

(h) Future accounting developments (continued)

Impairment: IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

Classification and measurement: IFRS 9 will require financial assets to be 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'). 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. 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. The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at fair value through profit and loss. Gains and losses on such financial liabilities arising from changes in Barclays' own credit risk will be presented in other comprehensive income rather than in profit and loss. There is no subsequent reclassification of realised gains or losses on own credit to profit and loss statement.

Revenue: In 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which will replace IAS 18 Revenue and IAS 11 Construction Contracts and is effective for periods beginning on or after 1 January 2018. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes will establish a more systematic approach for revenue measurement and recognition. In April 2016, the IASB issued clarifying amendments to IFRS 15 which provide additional application guidance but did not change the underlying principles of the standard. The standard was endorsed by the EU in September 2016. Adoption of the standard is not expected to have a significant impact. Barclays anticipates adopting IFRS 15 retrospectively with the cumulate effect of initially applying the Standard recognised as an adjustment to the opening balance of retained earnings as of January 2018

5. Revenue

An analysis of Revenue is as follows;

	Notes	2016 £	2015 £
Gains on financial instruments held at fair value through profit and loss		-	46,404,940
Other income from financial assets		3,505	66,992
Total income from financial assets		3,505	46,471,932

Other income from financial assets includes monitoring fee income.

6. Interest income and interest expense

Finance costs (net) comprises of the following:-

	Notes	2016 £	2015 £
Interest income			
Loans and other receivables		-	-
Bank interest received	22	20,111	23,751
Total interest income		20,111	23,751
Interest expense			
Bank interest paid	22	(287)	(258)
Total interest expense		(287)	(258)
Net finance income		19,824	23,493

7. Other Income

Other income income comprises of the following:-

		2016	2015
		£	£
Interest income			
Dividend received	11	50,000,000	29,500,000
Total other income		50,000,000	29,500,000

An interim dividend of £50,000,000 was received from the Company's subsidiary, Barclays Converted Investments (no. 2) Limited, on 24 June 2016.

8. Profit before tax

The following items have been charged/ (credited) in arriving at operating profit:

	Notes	2016	2015
		£	£
Staff costs	9	370,352	580,607
Auditors' Remuneration			
- Audit of the Company's annual financial statements		10,801	13,201
Gains on financial instruments held at fair value through profit or loss		-	(46,404,940)

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

9. Employees and key management, including Directors

Staff costs comprising the following:

	2016	2015
	£	£
Wages and salaries	298,846	467,458
Social security costs	71,506	113,149
Total	370,352	580,607

The Directors did not receive any emoluments in respect of their services to the Company during the year (2015: 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 2016 (2015: nil).

10. Tax

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

	Notes	2016	2015
		£	£
Current tax:			
Current year		78,136	104,502
Adjustments in respect of prior years		(180)	-
		77,957	104,502
Deferred tax:	17		
Current year		(22)	(28)
Effects of change in tax rate		(3)	(7)
		(25)	(35)
Total tax credit/(charge)		77,932	104,467

From 1 April 2015, the main rate of UK corporation tax is 20%. 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.

10. Tax (continued)

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

	2016 £	2015 £
Profit before tax	49,609,430	75,362,497
Tax (charge) at standard UK corporation tax rate of 20% (2015: 20.25%)	(9,921,886)	(15,260,906)
Effects of:		
Income not taxable	10,000,000	15,365,380
Adjustments for prior years	(180)	-
Amounts not recognised	-	-
Effect of change in tax rate	(3)	(7)
Overall tax credit/(charge)	77,932	104,467
Effective tax rate	-0.16%	-0.14%

11. Dividends on ordinary shares

An analysis of dividends paid is as follows:

	2016 £	2015 £
Interim dividend paid £50,000.00 per share (2015: £85,000.00)	50,000,000	85,000,000
Total	50,000,000	85,000,000

An interim dividend of £50,000,000 was paid during the year.

12. Related Undertakings

Investments in subsidiaries

The investment in Barclays Converted Investments (No.2) Limited is stated in the balance sheet at cost of £1,000 (2015: £1,000).

Name of Subsidiary	Registered Office Address	Class of Shares /Units	Name of Immediate parent	Total proportion of nominal value held by immediate parent (%)
Barclays Converted Investments (No.2) Limited	1 Churchill Place, London, E14 5HP, England	Ordinary/1000	Barclays Converted Investments Limited	100

13. Loans and other receivables

An analysis of loans and other receivables is as follows:

	Notes	2016 Current £	2015 Current £
Accounts receivable		0	5,948
Amounts due from group undertaking	22	43,841	46,507
Loans and other receivables net		43,841	52,455
Total		**43,841**	**52,455**

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

14. Financial assets designated at fair value through profit and loss

	2016 £	2015 £
Debt securities	-	250,000
Equity securities	-	-
Total	-	250,000

The above assets have been designated at fair value using the fair value option.

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.

15. Current tax assets

Current tax assets were as follows:

	2016 £	2015 £
Group relief receivable	253,010	123,473

16. Trade and other payables

An analysis of trade and other payables is as follows:

	Notes	2016 Current £	2015 Current £
Accrued expenses		73,316	87,602
Deferred income		8,458	11,471
Other payables		24,403	16,387
Amounts due to related parties	22	8	3,023
Total		106,185	118,483

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

17. Deferred tax

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

	1 January 2016	(Charged) to income statement	31 December 2016
	£	£	£
Assets			
Capital allowance	117	(25)	92
Net deferred tax (liability)/asset	117	(25)	92
Falling due in one year			-
Falling due after one year			92

	1 January 2015	(Charged) to income statement	31 December 2015
	£	£	£
Assets			
Capital allowance	152	(35)	117
Net deferred tax (liability)/asset	152	(35)	117
Falling due in one year			22
Falling due after one year			95

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.

18. Share capital

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

	Number of shares	Ordinary shares	Total
		£	£
At 1 January 2016	1,000	1,000	1,000
At 31 December 2016	1,000	1,000	**1,000**

	Number of shares	Ordinary shares	Total
		£	£
At 1 January 2015	1,000	1,000	1,000
At 31 December 2015	1,000	1,000	**1,000**

There are 1,000 (2015: 1000) ordinary shares of £1 each. All issued shares are fully paid.

19. Accumulated gains/(losses)

The Company paid an interim dividend of £ 50,000,000 on 27th June 2016 (Note 11).

	2016	2015
	£	£
As at 1 January	(420,216)	9,112,820
Profit after tax	49,687,362	75,466,964
Dividend paid	(50,000,000)	(85,000,000)
Transfer from distributable reserves	5,499,999	-
Balance as at 31 December	4,767,145	(420,216)

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 Company uses derivative financial instruments to hedge certain risk exposures.

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:

As at 31 December 2016	Total Exposure £
Cash and cash equivalents	4,576,386
Loans and other receivables	43,841
Financial assets at fair value through profit and loss:	
- Debt securities	-
Total maximum exposure at 31 December	4,620,227

As at 31 December 2015	Total Exposure £
Cash and cash equivalents	4,772,221
Loans and other receivables	52,455
Financial assets at fair value through profit and loss:	
- Debt securities	250,000
Total maximum exposure at 31 December	5,074,676

The Company does not hold any collateral as security.

20. Financial risks (continued)

(a) Credit risk (continued)

Financial assets subject to credit risk

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

31 December 2016	Note	Cash and cash equivalents £	Loans and other receivables £	At fair value through profit and loss £	Total £
As at 31 December					
Neither past due nor individually impaired	(i)	4,576,387	43,841	-	4,620,228
Total carrying amount		4,576,387	43,841	-	4,620,228

31 December 2015	Note	Cash and cash equivalents £	Loans and other receivables £	At fair value through profit and loss £	Total £
As at 31 December					
Neither past due nor individually impaired	(i)	4,772,221	52,455	250,000	5,074,676
Total carrying amount		4,772;221	52,455	250,000	5,074,676

i. **Financial assets subject to credit risk neither past due nor individually impaired**

The credit quality of financial assets subject to credit that were neither past due nor impaired was as follows:

31 December 2016	Strong £	Satisfactory £	Higher risk £	Total £
Cash and cash equivalents	4,576,387	-	-	4,576,387
Loans and other receivables	43,841	-	(0)	43,841
Financial assets at fair value through profit and loss:				
- Debt securities	-	-	-	-
Total	4,620,228	-	(0)	4,620,228

31 December 2015	Strong £	Satisfactory £	Higher risk £	Total £
Cash and cash equivalents	4,772,221	-	-	4,772,221
Loans and other receivables	46,507	-	5,948	52,455
Financial assets at fair value through profit and loss:				
- Debt securities	-	-	250,000	250,000
Total	4,818,728	-	255,948	5,074,676

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 Bank 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 assets of the business are medium to long term investments, and a proportion of accrued interest on loans and receivables. The cash holding is a transitory position as the Company looks to keep cash holdings to a minimum, but will occasionally find itself in cash pending investments being progressed.

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.

31 December 2016	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 £
Trade and other payables	106,185	-	-	-	-	106,185
Total financial liabilities	106,185	-	-	-	-	106,185

31 December 2015	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 £
Trade and other payables	118,483	-	-	-	-	118,483
Total financial liabilities	118,483	-	-	-	-	118,483

20. Financial risks (continued)

(c) Market risk

Refer to Barclays PLC annual report for more example disclosures and for sensitivity thresholds which does not form part of these financial statements.

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 2016.

Impact on net interest income and equity

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

	2016		2015	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
Total £	14,290	(14,290)	14,087	(14,087)
As a percentage of net interest income	72%	-72%	60%	-60%
As a percentage of equity	0.30%	-0.30%	0.28%	-0.28%

Foreign currency risk

The Company is not exposed to foreign currency risk from future foreign currency transactions, and recognised assets and liabilities, as all of its investments and associated returns are in UK sterling.

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.

The focus of investments is UK unquoted private companies and so the key to managing price risk is to ensure the Company does not over pay for its investments and can reasonably be expected to see value growth over the life of each investment. It is recognised that not all investment will be successful though the Company does seek to be successful in generating returns across its portfolio of investments.

21. **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.

The following table shows the Company's assets and liabilities that are held at fair value analysed by fair value hierarchy and balance sheet classification.

31 December 2016	Valuation technique using Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£	£	£	£
Financial assets:				
Financial assets at fair value through profit and loss	-	-	-	-
Total assets	-	-	-	-

31 December 2015	Valuation technique using Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£	£	£	£
Financial assets:				
Financial assets at fair value through profit and loss	-	-	250,000	250,000
Total assets	-	-	250,000	250,000

21. Fair values of financial assets and liabilities (continued)

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.

	As at 1 January 2016	Purchases	Sales	Other income	Total gains or losses recognised in OCI	As at 31 December 2016
	£	£	£	£	£	£
Financial assets designated at fair value	250,000	-	(250,000)	-	-	-
Total	**250,000**	**-**	**(250,000)**	**-**	**-**	**-**

	As at 1 January 2015	Purchases	Sales	Other income	Total gains or losses recognised in OCI	As at 31 December 2015
	£	£	£	£	£	£
Financial assets designated at fair value	10,121,211	-	(56,276,151)	-	46,404,940	250,000
Total	10,121,211	-	(56,276,151)	-	46,404,940	250,000

Unrealised gains and losses recognised during the period on Level 3 assets held at the end of the period

As at 31st December	2016			2015		
	Income statement		Total	Income statement		Total
	Trading income	Other income		Trading income	Other income	
	£	£	£	£	£	£
Financial assets designated at fair value	-	-	-	-	(9,871,209)	(9,871,209)
Total	**-**	**-**	**-**	**-**	**(9,871,209)**	**(9,871,209)**

Sensitivity analysis of Level 3 valuations using unobservable inputs

The investments re 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.

21. Fair values (continued)

Sensitivity analysis of Level 3 valuations using unobservable inputs (continued)

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

	Fair value	Favourable changes	Unfavourable changes
Product type	**Total assets**	**Income statement**	**Income Statement**
	£	**£**	**£**
As at 31 December 2016			
Equity securities			-
	-	-	
Total	-	-	-
As at 31 December 2015			
Equity securities			-
	-	-	
Total	-	-	-

Significant unobservable inputs

The Company uses 'Current Earnings Multiples' 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 International Private Equity and Venture Capital Valuation Guidelines (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. The Company uses 'Investor Case' methodology to determine best estimate of what a Market Participant would pay in these cases.

22. Related party transactions

Parties are considered to be related if one party has the ability to control the other party of 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:

For the year ended 31 December 2016	Parent Company	Subsidiaries	Fellow Subsidiaries	Total
	£	£	£	£
Transactions:				
Revenue				
Interest received	20,111	-	-	20,111
Dividend received from subsidiary	-	50,000,000	-	50,000,000
Direct expenses				
Interest paid	(287)	-	-	(287)
Dividend paid to parent company	(50,000,000)	-	-	(50,000,000)
Balances outstanding at 31 December 2016:				
Assets	43,841	-		43,841
Cash balances with Barclays Bank PLC	4,576,387	-		4,576,387
Liabilities	-	-	(8)	(8)

For the year ended 31 December 2015	Parent Company	Subsidiaries	Fellow Subsidiaries	Total
	£	£	£	£
Transactions:				
Revenue				
Interest received	23,751	-	-	23,751
Dividend received from subsidiary	-	29,500,000	-	29,500,000
Direct expenses				
Interest paid	(258)	-	-	(258)
Dividend paid to parent company	(85,000,000)	-	-	(85,000,000)
Balances outstanding at 31 December 2015:				
Assets	46,464	44	-	46,507
Cash balances with Barclays Bank PLC	4,772,221	-	-	4,772,221
Liabilities	(1)	-	(3,022)	(3,023)

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 and borrowings, as shown in the balance sheet.

Total capital is as follows:

	Notes	2016	2015
		£	£
Share capital	18	1,000	1,000
Distributable reserves		-	5,499,999
Accumulated gains/(losses)	19	4,767,145	(420,216)
Total capital resources		**4,768,145**	**5,080,783**

In order to maintain or adjust the capital structure, the company may issue new shares, sell assets to reduce debt or pay a dividend to shareholders.

The business is well funded through its parent company and any significant investments require approval by the investment committee.

As a result of the planned share capital reduction in 2014, a "Distributable Reserve Account" was created to appropriately disclose the transaction in the financial statements. In 2016, the directors have decided to combine this account into "Accumulated gains/(losses)".

24. Parent undertaking and ultimate holding company

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