NAXOS INVESTMENTS LIMITED

Directors' Report and Financial Statements
For the year ended 31 December 2017

REGISTERED NUMBER (ENGLAND AND WALES): 5403971

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Registered Number in England & Wales 5403971

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NAXOS INVESTMENTS LIMITED
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DIRECTORS' REPORT
For the year ended 31 December 2017

The Directors present their annual report together with the audited financial statements of Naxos Investments Limited (the 'Company') for the year ended 31 December 2017.

Profit and dividends

During the year, the Company made a loss for the year of £308,386 (2016: profit of £808,738). During the year the Company did not pay a dividend (2016: nil). The Directors do not recommend the payment of a final dividend (2016: £nil).

Directors

The directors of the Company, who served during the year, together with their dates of appointment and resignation, where appropriate, are as shown below:

C Senior
V Shah
P Voisey
J Walthoe

Since the year end, no new Directors were appointed and no Directors resigned.

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' report set out on pages 5 and 6 is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the 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 30:

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates;

- that all the accounting standards which they consider to be applicable have been followed; and

- that the financial statements have been prepared on a going concern basis.

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.

Statement of directors' responsibilities (continued)

Going concern

After reviewing the Company's performance, the available banking facilities and taking into account the support from Barclays Bank PLC, the directors are satisfied that the Company has adequate access to resources to enable them 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.

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 2017 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

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 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 BEHALF OF THE BOARD

Name V. SHAH
Director
Date: 11/7/18
Company Number: 5403971

NAXOS INVESTMENTS LIMITED
Registered Number in England & Wales 5403971

STRATEGIC REPORT
For the year ended 31 December 2017

Review and principal activities

The principal activity of Naxos Investments Limited (the "Company") is to act as an investment company. No significant change in this activity is envisaged in the foreseeable future and the directors expect the Company's performance to be in line with the current year.

Business performance

During the year, the Company made a loss after tax of £308,386 (2016: profit of £808,738). The Company has net assets of £18,808,134 (2016: £19,116,520).

The directors have reviewed the Company's business and performance and consider it to be satisfactory for the year, although the Company made a small loss after tax this was driven by the revaluation of the deferred tax balance during the year.

Future outlook

No significant change in the Company's activity is envisaged in the foreseeable future.

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 2017 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 unit 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 2017 annual report which does not form part of this report.

FOR AND ON BEHALF OF THE BOARD

Name V. SHAH
Director
Date: 11 /7 /18
Company Number: 5403971

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF NAXOS INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Naxos Investments Limited ("the company") for the year ended 31 December 2017 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement and related notes.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss 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.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for the preparation of the financial statements. They are also responsible for being satisfied that financial statements 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.

Namrata Basker
for and on behalf of KPMG LLP, Statutory Auditor
KPMG LLP
15 Canada Square
London
E14 5GL
11 July 2018

NAXOS INVESTMENTS LIMITED
Registered Number in England & Wales 5403971

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
		£	£
Interest income	5	84,265	132,875
Total Interest income		84,265	132,875
Profit from assets and liabilities reported at fair value through profit and loss	6	18,425	90,790
Foreign exchange gains		48,836	237,749
Profit before taxation	7	151,526	461,414
Tax (charge)/credit	9	(459,912)	347,324
(Loss)/Profit for the year		(308,386)	808,738

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

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.

NAXOS INVESTMENTS LIMITED

Registered Number in England & Wales 5403971

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
ASSETS			
Non-current assets			
Financial assets at fair value through profit and loss	10	942,676,268	953,298,411
Derivative financial instruments	11	6,672,960	10,798,025
Total non-current assets		949,349,228	964,096,436
Current assets			
Financial assets at fair value through profit and loss	10	44,424,655	-
Derivative financial instruments	11	113,534	-
Loans and other receivables		2,258	-
Cash and Cash Equivalents		27,269,127	26,799,241
Total current assets		71,809,574	26,799,241
TOTAL ASSETS		1,021,158,802	990,895,677
LIABILITIES			
Current liabilities			
Current tax liability		4,221,637	84,797
Financial liabilities at fair value through profit and loss	12	34,731,661	-
Derivative financial instruments	11	9,804,304	-
Other liabilities		239,077	-
Total current liabilities		48,996,679	84,797
Net current assets		22,812,895	26,714,444
Non-current liabilities			
Financial Liabilities at fair value through profit and loss	12	706,402,698	725,370,556
Derivative financial instruments	11	242,532,085	238,227,670
Deferred taxation	13	4,419,206	8,096,134
Total non-current liabilities		953,353,989	971,694,360
TOTAL LIABILITIES		1,002,350,668	971,779,157
NET ASSETS		18,808,134	19,116,520
SHAREHOLDERS' EQUITY			
Called up share capital	14	100,001	100,001
Retained earnings		18,798,133	19,016,519
TOTAL SHAREHOLDERS' EQUITY		18,808,134	19,116,520

NAXOS INVESTMENTS LIMITED
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BALANCE SHEET
AS AT 31 DECEMBER 2017(continued)

The accompanying notes on pages 12 to 30 form an integral part of the financial statements. The financial statements were approved by Board of Directors and authorised for issue on 11 July 2018 and were signed on its behalf by:

....

Director
Name V.SHAH
Date 11/7/18
Company Number: 5403971

NAXOS INVESTMENTS LIMITED
Registered Number in England & Wales 5403971

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2017

	Share Capital £	Retained Earnings £	Total Equity £
Balance at 1 January 2017	100,001	19,016,519	19,116,520
Loss for the year and total comprehensive income	-	(308,386)	(308,386)
Balance at 31 December 2017	100,001	18,708,133	18,808,134

	Share Capital £	Retained Earnings £	Total Equity £
Balance at 1 January 2016	100,001	18,207,781	18,307,782
Profit for the year and total comprehensive income	-	808,738	808,738
Balance at 31 December 2016	100,001	19,016,519	19,116,520

NAXOS INVESTMENTS LIMITED

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	Restated 2016 £
CASH FLOWS FROM OPERATING ACTIVITIES	15	184,230	229,466
Tax paid		-	(1,018,080)
NET CASH GENERATED/(USED) IN OPERATING ACTIVITIES		184,230	(788,614)
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loans and advances		-	-
NET CASH GENERATED FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short term borrowing		236,819	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		236,819	-
Effect of exchange difference on cash and cash equivalents		48,837	237,748
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		469,886	(550,866)
Cash and cash equivalents at 1 January		26,799,241	27,350,107
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		27,269,127	26,799,241
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash in hand		1,095,857	734,728
Deposits placed with group undertaking		26,173,270	26,064,513
		27,269,127	26,799,241

In the prior year financial statements, interest received from group undertakings was presented on the face of the of the cash flow statement. In the year ended 31st December 2017, the prior year comparative has been restated to include interest received from group undertakings within cashflows from operating activities (note 15).

1. REPORTING ENTITY

These financial statements are prepared for Naxos Investments Limited (the 'Company'), the principal activity of which is to act as an investment company. The financial statements are separate financial statements prepared for the Company, in line with the UK Companies Act 2006. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC and the ultimate holding company and the parent undertaking of the largest group that presents group financial statements is Barclays PLC, both of which prepare consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC'), as published by the International Accounting Standards Board ('IASB').

The Company is a private limited company incorporated and domiciled in England and Wales. 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). 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. These policies have been consistently applied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

Basis of preparation

The financial statements have been prepared 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 and the primary economic environment of the Company.

Fair value gains and losses from assets and liabilities reported at fair value through profit and loss

Fair value gains and losses represent changes in the fair value of financial instruments. The balance includes fair value movements on derivatives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities

The Company recognises financial instruments from the trade 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, when they are financial derivative contracts, 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. These instruments are initially recognised at fair value and transaction costs are taken directly to the income statement. They are subsequently held at fair value and gains and losses arising from changes in fair value, together with interest arising from the position, are included directly in the income statement. The fair value option has been used by the Company in the following circumstances:

Debt securities held by the Company are designated as at fair value through profit and loss under the fair value option as they contain substantive embedded derivatives.

The Company has designated a portfolio of its borrowings at fair value through profit and loss in order to significantly reduce measurement inconsistencies that would arise if the positions were not held at fair value

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, or where the Company has not transferred nor retained substantially all the risks and rewards of ownership and where it has lost control.

Financial liabilities

Financial liabilities are initially recognised at fair value including direct and incremental transaction costs and are subsequently measured at amortised cost, except for trading liabilities and liabilities designated at fair value, (see above) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

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

The Company first assesses whether objective evidence of impairment exists individually for individually significant 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.

Netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, when 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, as described below. 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 shareholder(s).

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.

New and Amended standards

The accounting policies adopted are consistent with those of the previous financial year, as there are no new standards or amendments to IFRS effective as of 1 January 2017 that have had a material impact on the Company's accounting policies. The Company has applied the option in IFRS 9 to recognise changes in own credit in other comprehensive income from 1 January 2017. This had no effect on net assets, and any changes due to own credit in prior periods have not been restated. Any realised and unrealised amounts recognised in other comprehensive income will not be reclassified to the income statement in future periods

Future accounting developments

There are expected to be a number of changes to the Company's financial reporting after 2017 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

IFRS 9 Financial Instruments (IFRS 9) which will replace IAS 39 Financial Instruments: Recognition and Measurement 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. Barclays will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7. The key changes relate to:

Impairment
IFRS 9 introduces a revised impairment model which requires entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the IAS 39 incurred loss model which only recognised impairment if there is objective evidence that a loss has already been incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model is 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. This contrasts to the IAS 39 impairment model which was not applicable to loan commitments and financial guarantee contracts, which were covered by IAS 37. In addition, IAS 39 required the impairment of available for sale debt to be based on the fair value loss rather than estimated future cashflows as for amortised cost assets. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope under IFRS 9 in the stand-alone reporting entity accounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting developments (continued)

IFRS 9 Financial Instruments: Impairment (continued)

The measurement of expected credit loss involves increased complexity and judgement, including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, and estimation of exposures at default and assessing significant increases in credit risk. It is expected to have a material financial impact and impairment charges will tend to be more volatile. Unsecured products with longer expected lives, such as revolving credit cards, are the most impacted.

Key concepts and management judgements

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements include:

Determining a significant increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (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 significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). Barclays will assess 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 probability of default (PD) has increased by more than the agreed threshold relative to the equivalent at origination.

The relative thresholds are defined as percentage increases and set at an origination score band and segment level.

Qualitative Test

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

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.

Barclays will not rely on the low credit risk exemption which would assume facilities of investment grade are not significantly deteriorated.

Determining the probability of default at initial recognition is expected to require management estimates, in particular for exposures issued before the effective date of IFRS 9. For certain revolving facilities such as credit cards and overdrafts, this is expected to be when the facility was first entered into which could be a long time in the past.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting developments (continued)

IFRS 9 Financial Instruments: Impairment (continued)

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

The definition of default for the purpose of determining expected credit losses 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, IFRS 9 requires separate disclosure and interest income is required to be calculated on the carrying value net of the impairment allowance.

Credit impaired is expected to be when the exposure has defaulted which is also anticipated to align to when an exposure is identified as individually impaired under the incurred loss model of IAS 39. Write-off polices are not expected to change from IAS 39.

Expected life

Lifetime expected credit losses 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.

Discounting

Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition.

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 cashflows or for discounting.

Modelling techniques

Expected credit losses (ECL) are calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), discounted at the original effective interest rate.

Management adjustments will be 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.

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

For the IFRS 9 impairment assessment, Barclays Risk Models are used to determine the probability of default (PD), loss given default (LGD) and exposure at default (EAD). For stage 2 and 3, Barclays 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting developments (continued)

IFRS 9 Financial Instruments: Impairment (continued)

Project governance and credit risk management

Barclays has a jointly accountable risk and finance implementation and governance programme with representation from all impacted departments. The new impairment committee structures were initiated and tested from H1 2017, providing oversight for both IAS 39 and IFRS 9 impairment results. At the start of the impairment reporting process every quarter, the Senior Scenario Review Committee reviews and approves the scenario narratives and associated probability weightings, as well as the core set of macroeconomic variables and any scenario specific management overlays. The Senior Scenario Review Committee attest that the scenarios adequately account for the nonlinearity and asymmetry of the loss of distribution. Subsequently, there are two further layers of impairment committees. In addition to the existing Group Risk and Group Finance level committees, there are also Legal Entity committees for Barclays UK and Barclays International. Group Risk and Group Finance Committees are attended by the Chief Risk Officer (CRO) and Chief Finance Officer (CFO) respectively, with joint accountability by both CRO and CFO for signing off the results. Reported results and key messages are communicated to the Board Audit Committee and Risk Executive Committee, who have oversight roles and provide challenge of key assumptions, including the basis of the scenarios adopted.

Classification and measurement
IFRS 9 requires financial assets to be classified on the basis of two criteria:

1) the business model within which financial assets are managed, and
2) 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.

IFRS 9 is applied retrospectively, although comparatives are not restated, with adjustments arising from classification and measurement changes recognised in opening equity.

Barclays' Classification and Measurement implementation programme has progressed in 2017 and an assessment of potential changes to financial assets has been conducted, including an assessment of business models across various portfolios, and a review of contractual cash flow features for material financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting developments (continued)

IFRS 9 Financial Instruments: Classification and measurement (continued)

On 12 October 2017, the IASB published an amendment to IFRS 9, relating to prepayment features with negative compensation; this amendment is effective from 1 January 2018, however has yet to be endorsed by the EU. This amendment allows financial assets with such features to be measured at amortised cost or fair value through other comprehensive income provided the SPPI (solely payments of principal and interest) criteria in IFRS 9 are otherwise met. In addition the amendment to IFRS 9 clarifies that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract, and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. There is not expected to be a material impact on the Company's financial statements arising from this amendment.

Expected impact

The Company is assessing the potential impact on its financial statements and plan to adopt the new standard on the required effective date.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. The effective date is 1 January 2019. The Company is currently assessing the impact of IFRIC 23.

Other Standards

IFRS 15 – Revenue from Contracts with Customers, IFRS 16 – Leases, IFRS 17 – Insurance contracts and IFRS 2 – Classification and Measurement of Share-based Payment Transaction will not have an impact on the Company.

4. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during 2017 or 2016. During the year, no directors (2016: no directors) exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive schemes

5. INTEREST INCOME

	2017	2016
	£	£
Interest receivable from parent undertaking	84,265	132,875

6. PROFIT FROM ASSETS AND LIABILITIES REPORTED AT FAIR VALUE THROUGH PROFIT AND LOSS

	2017	2016
	£	£
Fair value profits and (losses) from assets and liabilities reported at fair value through profit and loss – parent undertakings	791	3,855
Fair value profits and (losses) from assets and liabilities reported at fair value through profit and loss – fellow group undertakings	17,634	86,935
	18,425	90,790

The balance includes the profits and losses arising on the instruments designated at fair value through the profit and loss account, together with the associated interest income and expense.

7. PROFIT BEFORE TAXATION

The audit fee is borne by another group company. Although the audit fee is borne by another group company, the fee that would have been charged to the Company amounts to £8,844 (2016: £9,550). This fee is not recognised as an expense in the financial statements.

8. STAFF COSTS

There were no employees employed by the Company during 2017 or 2016.

9. TAX (CHARGE)/CREDIT

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

	2017	2016
	£	£
Current tax charge	(4,136,840)	(7,925,722)
Deferred tax credit	3,676,928	8,273,046
Tax (charge)/credit	(459,912)	347,324

9. TAX (CHARGE)/CREDIT (continued)

The UK corporation tax charge is based on a blended UK tax rate of 19.25% (2016: blended rate of 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.

Deferred taxation is calculated on all temporary differences using the principal tax rate that is expected to apply when the temporary differences are expected to reverse. In 2016, this was 19%, but is now a blended rate of 17.23%, as positions will reverse when the tax rates are expected to be 19%, 17.5% and 17%. The deferred tax liability is attributable to temporary differences arising from the different accounting and tax treatments of certain debt securities and derivative contracts.

A numerical reconciliation of the tax (charge)/credit to the product of accounting profit and the applicable tax rate is as follows:

	2017	2016
Current tax:	£	£
Profit before taxation	151,526	461,414
Profit Multiplied by a blended rate of corporation tax in the UK of 19.25% (2016: 20%)	(29,164)	(92,283)
Effects of:		
Adjustments in respect of prior years	-	66
Changes In tax rate	(430,748)	439,541
	(459,912)	347,324

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS

	2017		2016	
	Current	Non-current	Current	Non-current
	£	£	£	£
Loans and advances to fellow group undertaking	44,424,655	889,317,122	-	901,768,018
Loans and advances to parent undertaking	-	53,359,146	-	51,530,393
Loans and advances at fair value through profit and loss	44,424,655	942,676,268	-	953,298,411

The above assets have been designated at fair value using the fair value option, in order to reduce measurement inconsistencies between the Company's issued notes and related derivatives, which are held at fair value.

An analysis of the fair value of these instruments and the valuation methodology applied are described in Note 16 together with information relating to financial risks.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 Nominal EUR	2017 Fair value £	2016 Nominal EUR	2016 Fair value £
Current Assets				
Interest rate derivatives:				
– fellow group undertakings	50,000,000	113,534	-	-
– parent undertakings	-	-	-	-
	50,000,000	113,534	-	-
Current Liabilities				
Currency derivatives				
– fellow group undertakings	50,000,000	9,804,304	-	-
– parent undertakings	-	-	-	-
	50,000,000	9,804,304	-	-

	2017 Nominal EUR	2017 Fair value £	2016 Nominal EUR	2016 Fair value £
Non-Current Assets				
Interest rate derivatives:				
– fellow group undertakings	1,000,000,000	6,233,718	1,050,000,000	10,317,334
– parent undertakings	60,000,000	439,242	60,000,000	480,691
	1,060,000,000	6,672,960	1,110,000,000	10,798,025
Non-Current Liabilities				
Currency derivatives				
– fellow group undertakings	1,000,000,000	(228,460,068)	1,050,000,000	(225,225,884)
– parent undertakings	60,000,000	(14,072,017)	60,000,000	(13,001,786)
	1,060,000,000	(242,532,085)	1,110,000,000	(238,227,670)

The Company has entered into a number of interest rate and currency derivatives with a fellow group undertaking and its parent undertaking. The interest rate derivatives are held to manage volatility on interest payable on the debt securities the Company has issued. The currency derivatives are held to manage volatility on an embedded option within the debt securities issued, which could result in foreign exchange risk if the underlying reference currency passes through a threshold embedded in the note.

A maturity analysis of the derivative positions are detailed in note 16 Financial Risks. The derivatives are not designated as hedging instruments.

12. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

	2017		2016	
	Current	Non-current	Current	Non-current
	£	£	£	£
Debt securities issued to group undertaking	34,731,661	666,692,364	-	686,381,908
Debt securities issued to parent undertaking	-	39,710,334	-	38,988,648
Financial Liabilities at fair value through profit and loss	34,731,661	706,402,698	-	725,370,556

The Company's debt securities are recognised at fair value under the fair value option, as the debt securities contain a substantive embedded foreign exchange derivative. The foreign exchange derivative results in the Company paying a reduced amount of capital back to the bond holder on maturity, if the underlying reference currency of the bond depreciates in comparison to the initial exchange rate.

An analysis of the fair value of these instruments and the valuation methodology applied, together with a maturity analysis and other information relating to financial risks is detailed in note 16.

13. DEFERRED TAXATION

	2017	2016
	£	£
Opening deferred taxation liability	(8,096,134)	(16,369,180)
Deferred tax credit for the current year	4,107,677	7,833,505
Change in Tax rate	(430,749)	439,541
Closing deferred taxation liability	(4,419,206)	(8,096,134)
The deferred tax provision relates to:		
Timing differences	(4,419,206)	(8,096,134)

Deferred taxation is calculated on all temporary differences using the principal tax rate that is expected to apply when the temporary differences are expected to reverse. In 2016, this was 19%, but is now a blended rate of 17.23%, as the rate of corporation tax will reduce to 17% from 1 April 2020. The deferred tax liability is attributable to temporary differences arising from the different accounting and tax treatments of certain debt securities and derivative contracts.

14. SHARE CAPITAL

	2017	2016
	£	£
Authorised:		
1,000,000 (2016: 1,000,000) Ordinary shares of £1 each	1,000,000	1,000,000
Allotted and fully paid:		
100,001 (2016:100,001) Ordinary shares of £1 each	100,001	100,001

15. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH FLOW USED IN OPERATING ACTIVITIES

	2017 £	Restated 2016 £
Profit before taxation	151,526	461,414
Increase/(decrease) in derivative instruments	18,120,249	97,884,869
Unrealised foreign exchange (gains)/losses	(48,836)	(237,749)
Increase In financial liabilities held at fair value	15,763,803	36,026,425
Decrease in deposits held at fair value	(33,802,512)	(133,905,495)
NET CASH GENERATED FROM OPERATING ACTIVITIES	184,230	229,466

16. FINANCIAL RISKS

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

The Company's directors are required to operate within the requirements of the Barclays Group risk management policies. These policies include specific guidelines on the management of foreign exchange, interest rate and credit risks, and advise on the use of financial instruments to manage them and comply with the requirements. The risks are managed on a portfolio basis and are identified on an exceptions basis.

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 has the financial support of the parent undertaking Barclays Bank PLC, with whom it also maintains banking facilities. These facilities are designed to ensure the Company has sufficient available funds for operations.

The Company seeks to match the cash flow profile of its assets and liabilities to ensure that it has sufficient funds to make payments when they fall due. The Company achieves this by hedging the receipts it generates on its deposits through a combination of interest rate swaps and currency options, to match the payments it makes on the debt securities it has issued.

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.

16. FINANCIAL RISKS (continued)

	2017
	Total
	£
Financial liabilities repayable/(receivable):	
- over three months but not more than one year	42,467,291
- over one year but not more than five years	506,066,056
- over five years	448,957,645
Total	997,490,992

	2016
	Total
	£
Financial liabilities repayable/(receivable):	
- over three months but not more than one year	(897,365)
- over one year but not more than five years	526,335,716
- over five years	436,291,092
Total	961,729,443

The instruments have been classified in accordance with the contractual maturity of the position.

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 on a portfolio basis to ensure the credit risk is maintained within Barclays Group risk management policy guidelines, and has contracted only with entities within the Barclays group. The Company monitors its exposures and seeks to minimize its credit exposures by monitoring the credit rating of its counterparties in accordance with Barclays Group risk management policies.

The Company's assets are with its parent undertaking or a fellow group undertaking and are considered to be of investment grade. The Company's assets are neither past due nor impaired, and Company's counterparties have been rated by the Company as strong. The Company holds no collateral.

The Company's maximum exposure to credit risk is detailed in the table below. The exposure reported in the table represents the gross receivable amounts and not the fair value. The exposure is reported gross and does not include any collateral or other credit risk mitigants.

16. FINANCIAL RISKS (continued)

31 December 2017	Financial assets held at fair value through profit and loss	Derivative instruments	Cash and Cash Equivalents	Loans and other receivables	Total
	£	£	£	£	£
Carrying value	987,100,923	6,786,494	27,269,127	2,258	1,021,158,802
31 December 2016					
	£	£	£	£	£
Carrying value	953,298,411	10,798,025	26,799,241	-	990,895,677

Market Risk

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

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 uses the floating rate revenue generated by its loans and advances to make the payments under the interest rate swaps. The Company receives income on the swaps that matches the payment profile of the debt securities in issue, mitigating its interest rate risk exposure.

As at the 31 December 2017, the Company's net exposure to interest rate risk consists of its short-term floating rate deposits it has with Barclays Bank PLC. Over a 12 month period, a 100 basis point reduction (or increase) would reduce (or increase) interest income in the Company by £261,513 (2016: £260,638). There is no interest rate sensitivity for the Company's interest bearing assets and liabilities that are carried at fair value through profit and loss as these are hedged through the derivatives.

16. FINANCIAL RISKS (continued)

Foreign currency risk

The company is exposed to foreign currency risk when its assets are not always matched by foreign currency borrowings in the same currency, creating a foreign exchange mismatch. The Company uses foreign exchange contracts and interest rate and currency derivatives to minimise its net foreign currency exposure.

At 31 December 2017, the Company had net Euro assets of €2,358,486 (2016: €2,147,855)

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

Effect on income

	At 31 December 2017				At 31 December 2016			
	Impact on l after tax if currency weakens 10% vs GBP		Impact on profit after tax if currency strengthens 10% vs GBP		Impact on profit after tax if currency weakens 10% vs GBP		Impact on profit after tax if currency strengthens 10% vs GBP	
	£	%	£	%	£	%	£	%
EUR	(154,260)	50%	188,540	(61)%	(135,119)	(17%)	165,146	20%

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 Company's only positions at amortised cost represent cash and cash equivalents and loans and other receivables. Accordingly, no further analysis has been provided. 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. A description of the valuation methodology is presented in Note 3.

16. FINANCIAL RISKS (continued)

	Level 2 – Valuations based on observable inputs £	31 December 2017 Total £
Financial assets:		
Financial assets at fair value through profit and loss	987,100,923	987,100,923
Derivative financial instruments	6,672,960	6,672,960
Total	949,349,228	949,349,228
Financial liabilities:		
Financial liabilities at fair value through profit and loss	741,134,359	741,134,359
Derivative financial instruments	252,336,389	252,336,389
Total	993,470,748	993,470,748

	Level 2 – Valuations based on observable inputs £	31 December 2016 Total £
Financial assets:		
Financial assets at fair value through profit and loss	953,298,411	953,298,411
Derivative financial instruments	10,798,025	10,798,025
Total	964,096,436	964,096,436
Financial liabilities:		
Financial liabilities at fair value through profit and loss	725,370,556	725,370,556
Derivative financial instruments	238,227,670	238,227,670
Total	963,598,226	963,598,226

17. 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 and ultimate parent company, as well as the Company's key management which includes its directors. Barclays Bank Plc is the parent undertaking and controlling party. The Company's cash balances disclosed on the balance sheet are with Barclays Bank Plc. During the year there have been no other transactions with related parties other than transactions disclosed in the notes to the financial statements.

18. ULTIMATE HOLDING COMPANY

The immediate 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.

19. CAPITAL MANAGEMENT

The Company is required to operate within the risk management policies of Barclays Bank PLC, its parent company, which include guidelines covering capital management. The capital management objectives and policies for Barclays Bank PLC can be found in its financial statements.

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.

The Board of Directors is responsible for capital management and ensure that the Company operates within the Barclays Group risk framework. The Company regards as capital its equity, as shown in the balance sheet, which is as follows.

	2017	2016
	£	£
Total capital is as follows:		
Called up Share capital	100,001	100,001
Retained earnings	18,707,394	19,016,519
Total	18,807,395	19,116,520