Eagle Financial and Leasing Services (UK) Limited

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




REGISTRATION NUMBER: 2522321

Eagle Financial and Leasing Services (UK) Limited


| | Pages |
|---|---|
| Directors' Report | 2-3 |
| Strategic Report | 4 |
| Independent Auditors' Report | 5-6 |
| Income Statement | 7 |
| Balance Sheet | 8 |
| Statement of Changes in Equity | 9 |
| Statement of Cash Flows | 10 |
| Notes to the Financial Statements | 11-22 |

# Directors' Report
## For the year ended 31 December 2016

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2016.

### Profit and dividends

During the year the Company made a profit for the year of £8,000 (2015: profit for the year £25,000). The Directors do not recommend the payment of a dividend (2015: nil).

### 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 resignation, where appropriate, are as shown below:

M Beniwal
M F Beastall (appointed 20/12/2016)
A Chapelle (appointed 20/12/2016)
A J Soar (resigned 01/01/2016)
S Pongs

### 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 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 22:

- the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments 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.

## Directors' Report (continued)
## For the year ended 31 December 2016

### 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 pages 17 - 20.

### 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

M F Beastall
Director
Date: 28/06/2017
Company number: 2522321

## Strategic Report
## For the year ended 31 December 2016

### Review and principal activities

The principal activity of the Company is the assumption of financial obligations in respect of leasing and hiring agreements.

### Business performance

The results of the Company show a profit for the year of £8,000 (2015: £25,000). The Company has total assets of £1,497,960,000 (2015: £1,656,626,000).

### Future outlook

The Company participates in leasing and hiring structures and this is expected to remain unchanged 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 Barclays PLC 2016 Annual Report which does not form part of this report.

### Key performance indicators

The Directors of Barclays PLC manage the group's operations on a business cluster basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Company, are discussed in the Barclays PLC 2016 Annual Report which does not form part of this report.

For and On Behalf of the board

M F Beastall
Director
Date: 28/06/2017
Company number: 2522321

# *Independent auditors' report to the members of Eagle Financial and Leasing Services (UK) Limited*

## Report on the financial statements

### Our opinion

In our opinion, Eagle Financial and Leasing Services (UK) 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 Statement of Cash Flows 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.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

## 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.

## 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 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

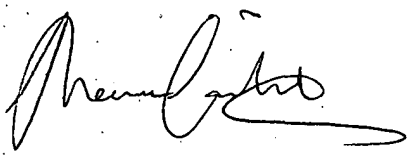
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Sheena Coutinho (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 June 2017

## Income Statement
## For the year ended 31 December 2016

| | Notes | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| **Continuing operations:** | | | |
| Interest income | 5 | 83,580 | 89,929 |
| Interest expense | 6 | (83,580) | (89,908) |
| **Net interest income** | | - | 21 |
| Fees and commissions | 7 | 10 | 10 |
| **Profit before taxation** | | 10 | 31 |
| Taxation charge | 9 | (2) | (6) |
| **Profit for the financial year** | | 8 | 25 |

Profit 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.

The accompanying notes from pages 11 to 22 form an integral part of the financial statements.

## Balance Sheet
## As at 31 December 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Loans and other receivables | 10 | 1,305,940 | 1,408,947 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 162 | 158 |
| Loans and other receivables | 10 | 191,858 | 247,521 |
| **Total assets** | | **1,497,960** | **1,656,626** |
| NON-CURRENT LIABILITIES | | | |
| Lease obligations and other payables | 11 | 1,305,870 | 1,408,887 |
| CURRENT LIABILITIES | | | |
| Lease obligations and other payables | 11 | 191,858 | 247,517 |
| Current tax liabilities | 12 | 10 | 8 |
| **Total liabilities** | | **1,497,738** | **1,656,412** |
| EQUITY | | | |
| Called up share capital | 13 | - | - |
| Retained earnings | | 222 | 214 |
| **Total equity** | | **222** | **214** |
| **Total liabilities and equity** | | **1,497,960** | **1,656,626** |

The accompanying notes from pages 11 to 22 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on ~~28/06/2017~~ 23/06/2017 and were signed on its behalf by:

M F Beastall
Director
Date: 28/06/2017
Company number: 2522321

## Statement of Changes in Equity
## For the year ended 31 December 2016

| YEAR ENDED 31 DECEMBER 2016 | Called up Share[1] capital | Retained earnings | Total equity |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Balance at 1 January 2016 | - | 214 | 214 |
| Profit for the financial year | - | 8 | 8 |
| Balance at 31 December 2016 | - | 222 | 222 |

| YEAR ENDED 31 DECEMBER 2015 | Called up Share capital | Retained earnings | Total equity |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Balance at 1 January 2015 | - | 189 | 189 |
| Profit for the financial year | - | 25 | 25 |
| Balance at 31 December 2015 | - | 214 | 214 |

The accompanying notes from pages 11 to 22 form an integral part of the financial statements.

[1]Called up Share capital disclosure is presented in Note 13.

## Statement of Cash Flows
## For the year ended 31 December 2016

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Continuing Operations | | |
| Reconciliation of profit before tax to net cash flows from operating activities | | |
| Profit before taxation | 10 | 31 |
| Adjustment for non-cash item | | |
| Less: Interest income (Net of receipts) | (83,576) | (89,906) |
| Less: Fee and commissions | (10) | (10) |
| Add: Interest expense | 83,580 | 89,908 |
| **Cash generated from operating activities** | 4 | 23 |
| Tax paid during the year | - | (5) |
| **Net cash generated from operating activities** | 4 | 18 |
| **Net increase in cash and cash equivalents** | 4 | 18 |
| Cash and cash equivalents at beginning of the year | 158 | 140 |
| **Cash and cash equivalents at end of the year** | 162 | 158 |

The accompanying notes form pages 11 to 22 form an integral part of the financial statements.

Movements in operating balances are not shown as these are non-cash items.

## 1. Reporting entity

These financial statements are prepared for Eagle Financial & Leasing Services (UK) Limited (the 'Company'), the principal activity of which is the assumption of financial obligations in respect of leasing and hiring agreements. 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 holdings company and the parent undertaking of the largest group that presents group financial statements is Barclays PLC, both of which prepare consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS'), and interpretations issued by the IFRS Interpretations Committee ('IFRS IC'), as published by the International Accounting Standards Board ('IASB').

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

## 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. 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

### (a) Foreign currency translation

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

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

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date the fair value was determined. Exchange differences on equities and similar non-monetary items that are held at fair value through income statement, are reported as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available for sale financials assets are recognised in other comprehensive income.

### (b) Interest

Interest is recognised in interest income and interest expense in the income statement for all interest bearing financial instruments classified as loans and receivables 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.

4. Summary of significant accounting policies (continued)

(c) Fees and commissions

Fees and commissions are recognised on an accrual basis when the service is provided.

(d) Current income tax

Income tax payable on taxable profits ('current tax'), is recognised as an expense in the period in which the profits arise. Current tax is measured using tax rates applicable for the year and tax laws that have been enacted or substantially enacted at the balance sheet date.

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.

(e) Financial assets and liabilities

The Company recognises financial instruments from the contract 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 and liabilities are initially recognised at fair value and then classified in the following categories and dealt with in the financial statements as follows:

Financial assets

Financial assets are classified as loans and other 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. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using 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. Company does not have any financial assets which is held to maturity, fair value through profit or loss and available for sale.

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 carried at amortised cost is impaired. The factors that the Company takes into account 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.

4. Summary of significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

Impairment of financial assets (continued)

The Company first assesses whether objective evidence of impairment exists for individually significant financial assets and then collectively assesses remaining financial assets that are not individually significant. In addition, portfolios of financial assets with similar credit risk characteristics are also collectively assessed. Impairment allowances are calculated based on the difference between the carrying amount of the asset and its estimated recoverable amount. The recoverable amount is calculated by reference to the expected cash flows discounted at the original effective interest rate for the asset.

Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities are derecognised when extinguished.

Leases

Assets leased to customers under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable.

Defeasance lease obligations arise from the assumption of financial obligations in respect of leasing and hiring agreements. The Company did not enter into new defeasance contracts during the year.

(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 3 months. Trading balances are not considered to be part of cash equivalents.

(g) New and amended standards adopted

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. There are no new amended standards that have had a material impact on the Company's accounting policies.

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 ("IFRS 9") 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 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 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. This contrasts to the IAS 39 impairment model which is not applicable to loan commitments and financial guarantee contracts (these were covered by IAS 37). In addition, the IAS 39 available for sale assets model is not fully aligned to the model for amortised cost assets. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope in the stand alone reporting entity accounts.

4. Summary of Significant Accounting Policies (continued)

(g) New and amended standards adopted (continued)

Future accounting developments (continued)

The measurement of expected loss will involve increased complexity and judgment including estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk. It is expected to have a material financial impact and impairment charges will tend to be more volatile. Impairment will also be recognised earlier and the amounts will be higher. Unsecured products with longer expected lives, such as revolving credit cards, are expected to be most impacted. It will not be practical to disclose reliable financial impact estimates until the implementation programme and validation and testing is further advanced, which will be no later than the Barclays PLC Annual Report 2017.
A joint accountable risk and finance implementation and governance programme was established by Barclays in 2014 to implement the requirements. During 2016, work continued on the design and builds of impairment models, systems, processes, governance, controls and data collection and continues to be refined during 2017. During 2017, there is a planned parallel run which includes continued model, process and output validation, testing, calibration and analysis.

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.

Barclays' Classification and Measurement implementation programme is in progress. The focus of the project during 2017 will be on finalising processes, governance and controls in preparation for initial application in 2018. IFRS 9 is applied retrospectively, although comparatives are not restated, with adjustments arising from classification and measurement changes recognised in opening retained earnings.

The Company is in the process of considering the financial impacts of the new standards.

Further, there is IFRS 15 Revenue from contracts with customers (applicable from 1 Jan 2018) and IFRS 16 Leases (applicable from 1 Jan 2019) which will not impact the entity as the entity has no contracts with customers and no lease agreements in place as of 31 December 2016

Other issues and amendments

During the year the IASB has amended IFRS 2 – "Share based payments", IAS 7- "Statement of Cash flows", IAS 12- "Income taxes" and IAS 40- "Investment properties". The IFRS committee also amended IFRIC 22 – "Foreign currency transactions and advance consideration". However, the Company does not expect any impact on the financial statements due to application of these amended standards and interpretations

Critical accounting estimates

The preparation of financial statements in accordance with IFRS as adopted by the European Union 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.

## 5. INTEREST INCOME

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| *Interest income from loans* | 83,580 | 89,929 |

## 6. INTEREST EXPENSE

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Interest expense from defeasance lease obligations | (83,580) | (89,908) |

## 7. FEES AND COMMISSIONS

Fees and commissions amount relates to participation fees received on defeasance leases.

## 8. OTHER EXPENSES

Auditors' remuneration for the year amounting to £10,142 (2015: £9,847) is borne by a fellow subsidiary of Barclays Bank PLC with no recharge to the Company.

There were no employees employed by the Company during the year (2015: nil).

The Directors did not receive any emoluments in respect of their services to the Company during the year (2015: nil). During the year 2016 one Director exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive Schemes (2015: nil).

## 9. TAXATION CHARGE

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

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| **Current tax:** | | |
| UK taxation charge – Current year | 2 | 6 |

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

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Profit before taxation | 10 | 31 |
| Tax charge at standard UK Corporation tax rate of 20 % (2015: 20.25%) | 2 | 6 |
| **Overall tax charge** | 2 | 6 |
| Effective rate % | 20.00% | 20.25% |

## 10. LOANS AND OTHER RECEIVABLES

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| **Non-current assets:** | | |
| Loans | 1,305,940 | *1,401,125 |
| Prepaid interest | - | 7,822 |
| **Total** | **1,305,940** | **1,408,947** |
| **Current assets:** | | |
| Loans | 159,787 | *193,692 |
| Prepaid interest | 7,821 | 30,677 |
| Accrued interest | 24,250 | *23,152 |
| **Total** | **191,858** | **247,521** |

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

Loans and other receivables, which are measured at amortised cost, are classified as Level 3 in the fair value hierarchy as their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

* During the year ended December 31, 2016, the Company has carried following reclassification from:
i. Current to Non-current loans balance based on repayment pattern of leases

* Previous year's figures in the financial statements, including the notes thereto, have been reclassified wherever required to conform to the current year's presentation/classification, from Current to Non-current assets, for an amount of £15,986,000. The above reclassification would not affect the previously reported net profit or equity. The above reclassification is carried in order to better reflect the substances of transactions.

## 11. LEASE OBLIGATIONS AND OTHER PAYABLES

Defeasance lease obligations arise from the assumption of financial obligations in respect of leasing and hiring agreements. During the year, the Company did not enter into new defeasance contracts and two contracts expired. (2015: The Company did not enter into new defeasance contracts and one contract expired).

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| **Non-current liabilities:** | | |
| Defeasance lease obligations | 1,305,870 | *1,401,065 |
| Prepaid interest on loan | - | 7,822 |
| **Total** | **1,305,870** | **1,408,887** |
| **Current liabilities:** | | |
| Defeasance lease obligations | 159,787 | *193,692 |
| Prepaid interest on loan | 7,821 | 30,677 |
| Accrued interest | 24,250 | *23,148 |
| **Total** | **191,858** | **247,517** |

## 11. LEASE OBLIGATIONS AND OTHER PAYABLES (Continued)

The Directors consider that the carrying value of the Company's lease obligations and other payables approximates to their fair value.

Lease obligations and other payables, which are measured at amortised cost, are classified as Level 3 in the fair value hierarchy as their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

* During the year ended December 31, 2016, the Company has carried following reclassification from:
ii. Current to Non-current defeasance lease obligation balance based on repayment pattern of leases

* Previous year's figures in the financial statements, including the notes thereto, have been reclassified wherever required to conform to the current year's presentation/classification, from Current to Non-current liabilities, for an amount of £15,986,000. The above reclassification would not affect the previously reported net profit or equity. The above reclassification is carried in order to better reflect the substances of transactions.

## 12. CURRENT TAX LIABILITIES

Current tax liabilities were as follows:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| UK corporation tax payable | 10 | 8 |

## 13. CALLED UP SHARE CAPITAL

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| **Allotted and fully paid:** | | |
| 2 (2015: 2) ordinary shares of £1 each | 2 | 2 |

At the year-end, the issued share capital of the Company is £2 (2015: £2), comprising of two (2015: two) ordinary shares of £1 each. All issued shares are fully paid.

## 14. 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 exchange risk and interest rate risk).

Consequently, the Company devotes considerable resources to maintaining effective controls to manage measure and mitigate each of these risks, and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of the business.

The Company is required to follow the requirements of the Barclays Group risk management policies, which includes 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 and its management policy with respect to those risks are as follows:

14. FINANCIAL RISKS (Continued)

(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 fulfill their contractual obligations to the Company or when a counterparty's credit rating is downgraded, leading to a fall in the value of investments held by the Company.

The Company assesses all counterparties, including its customers, for credit risk before contracting with them. Risk rating is the main method used to measure credit risk.

The Company's maximum exposure to credit risk (not taking into account the value of any collateral or security held) relates to trade receivables at their carrying amounts as reported in the Balance Sheet.

Where loan receivables are due from external counterparties, Barclays Bank PLC has issued letters of credit or entered into similar arrangements to secure the loan. The right to receive / benefit from those arrangements has been assigned to the Company. Whilst the Company's maximum exposure to credit risk is the carrying value of the loan receivables, the actual exposure is significantly lower due to the above which mitigates the Company's exposure.

The remaining loan receivables are due from parent company (Barclays Bank PLC) and the credit rating of Barclays Bank PLC is investment grade.

Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk as at 31 December 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Loans and other receivables | 1,497,798 | 1,656,468 |
| Cash and cash equivalents | 162 | 158 |
| **Total maximum exposure at 31 December** | **1,497,960** | **1,656,626** |

Credit risk concentrations by geographical sector

| | 2016 | | |
|---|---|---|---|
| | United Kingdom | Other EU | Total |
| | £'000 | £'000 | £'000 |
| Loans and other receivables | 1,497,798 | - | 1,497,798 |
| Cash and cash equivalents | 162 | - | 162 |
| **Total maximum exposure at 31 December** | **1,497,960** | **-** | **1,497,960** |

| | 2015 | | |
|---|---|---|---|
| | United Kingdom | Other EU | Total |
| | £'000 | £'000 | £'000 |
| Loans and other receivables | 1,656,465 | 3 | 1,656,468 |
| Cash and cash equivalents | 158 | - | 158 |
| Total maximum exposure at 31 December | 1,656,623 | 3 | 1,656,626 |

14. FINANCIAL RISKS (continued)

(a) Credit risk (Continued)

Credit Risk concentration by industrial sector

| | 2016 | | |
|---|---|---|---|
| | Financial Services | Transport | Total |
| | £'000 | £'000 | £'000 |
| Loans and other receivables | 1,497,798 | - | 1,497,798 |
| Cash and cash equivalents | 162 | - | 162 |
| **Total maximum exposure at 31 December** | 1,497,960 | - | 1,497,960 |

| | 2015 | | |
|---|---|---|---|
| | Financial Services | Transport | Total |
| | £'000 | £'000 | £'000 |
| Loans and other receivables | 1,656,465 | 3 | 1,656,468 |
| Cash and cash equivalents | 158 | - | 158 |
| Total maximum exposure at 31 December | 1,656,623 | 3 | 1,656,626 |

(b) 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 maintains a mixture of long term and short term committed facilities, including financial support from the parent, Barclays PLC, that are designed to ensure the Company has sufficient available funds for operations and planned expansion.

The monitoring and reporting of liquidity risk take the form of cash flow measurements and projections for the next day, week and month as these are key periods for liquidity management. Sources of liquidity are regularly reviewed. The Company is not exposed to significant liquidity risk as the repayment terms, interest rates and maturity dates of each defeasance lease obligation is matched by the defeasance lease referenced loan.

(c) Foreign exchange risk

Foreign exchange risk is the extent to which the Company's foreign currency assets are not matched by foreign exchange liabilities in the same currency.

The Company is not exposed to foreign exchange risk as each defeasance lease obligation is matched with a corresponding defeasance lease referenced loan in the same currency.

(d) Market Risk

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

(e) Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the Company's interest bearing financial assets and liabilities. The Company's interest rate risk arises from long term borrowings. The interest rate risk is managed by matching the interest rate of the assets and liabilities.

The Company is not exposed to significant interest rate risk as the repayment terms, interest rates and maturity dates of each defeasance lease obligation is matched by the defeasance lease referenced loan.

## 14. FINANCIAL RISKS (continued)

### (f) Fair value measurements

**Fair value of financial assets and liabilities**

There are no material differences between the carrying amount and the fair value of the Company's financial assets and liabilities.

Valuation

IFRS 13 – Fair Value Measurement requires an entity to classify its financial assets and liabilities held at fair value according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market process – 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.

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. Loans and other receivables, which are measured at amortised costs, are classified as Level 3 in the fair value hierarchy as their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

## 15. 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. Related parties comprise mainly of branches and subsidiaries of Barclays Bank PLC. The fellow subsidiary of the Company is MLC No.132 Limited.

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, refer note 17.

15. RELATED PARTY TRANSACTIONS (continued)

Particulars of transactions, and the balances outstanding at the year-end, are disclosed in the tables below.

| | Parent Company £'000 | Fellow Subsidiary £'000 | 2016 Total £'000 |
|---|---|---|---|
| Transactions: | | | |
| Interest income | 25,260 | - | 25,260 |
| Interest expense | (81,322) | - | (81,322) |
| Other income | 10 | - | 10 |
| Total | (56,052) | - | (56,052) |
| **Balances outstanding as at 31 December 2016** | | | |
| Assets: | | | |
| Loans and other receivables | 327,020 | - | 327,020 |
| Cash and cash equivalents | 162 | - | 162 |
| Total | 327,182 | - | 327,182 |
| Liabilities: | | | |
| Lease obligations and other payables | 1,442,555 | - | 1,442,555 |
| Total | 1,442,555 | - | 1,442,555 |

| | Parent Company £'000 | 2015 Fellow Subsidiary £'000 | Total £'000 |
|---|---|---|---|
| Transactions: | | | |
| Interest income | 27,712 | - | 27,712 |
| Interest expense | (86,934) | (986) | (87,920) |
| Other income | 10 | - | 10 |
| Total | (59,212) | (986) | (60,198) |
| **Balances outstanding as at 31 December 2015** | | | |
| Assets: | | | |
| Loans and other receivables | 378,221 | - | 378,221 |
| Cash and cash equivalents | 158 | - | 158 |
| Total | 378,379 | - | 378,379 |
| Liabilities: | | | |
| Lease obligations and other payables | 1,579,158 | - | 1,579,158 |
| Total | 1,579,158 | - | 1,579,158 |

## 16. CAPITAL MANAGEMENT

Barclays Group operates a centralised capital management model, considering both regulatory and economic capital. The capital management strategy is to continue to maximise shareholder value through optimising both the level and mix of capital resources. Decisions on the allocation of capital resources are conducted as part of the strategic planning review.

The Group's capital management objective relevant to the Company is to maintain an optimal capital structure in order to reduce the cost of capital and to maintain sufficient resources to support asset growth, as required.

The Board of Directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management.

The Company regards as capital its equity, as shown in the balance sheet The Company is not subject to any externally imposed capital requirement.

## 17. PARENT UNDERTAKING AND ULTIMATE PARENT COMPANY

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

## 18. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

As at the date of this report, the Board of Directors is not aware of any matters or circumstances that have arisen since the balance sheet date which have significantly affected or may significantly affect the Company's operations or results of those operations or the state of the Company's affairs in the future financial year.