Eagle Financial and Leasing Services (UK) Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

REGISTRATION NUMBER IN ENGLAND AND WALES: 2522321

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Eagle Financial and Leasing Services (UK) 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 Eagle Financial and Leasing Services (UK) Limited (the 'Company') for the year ended 31 December 2017.

Profit and dividends

During the year the Company made a profit for the year of £8,000 (2016: profit for the year £8,000). The Directors do not recommend the payment of a dividend (2016: 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	
S Pongs	
A Chapelle	(resigned on 30 June 2017)
C S White	(appointed on 19 February 2018)

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 Auditor's report set out on pages 4-5 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 6 to 23:

- 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 2017

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 Barclays 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 19-21

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

KPMG LLP has been appointed by the Company to hold office in accordance with s.487 of the Companies Act 2006.

Statement of disclosure of information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

For and On Behalf of the board

M F Beastall
Director
Date: 21 September 2018
Company number: 2522321

Strategic Report
For the year ended 31 December 2017
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 (2016: £8,000). The Company has total assets of £1,380,974,000 (2016: £1,497,960,000).

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 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 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 2017 Annual Report which does not form part of this report.

For and On Behalf of the Board

M F Beastall
Director
Date: 21 September 2018
Company number: 2522321

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAGLE FINANCIAL AND LEASING SERVICES (UK) LIMITED

Opinion

We have audited the financial statements of Eagle Financial and Leasing Services (UK) Limited ("the company") for the year ended 31 December 2017 which comprise the Income Statement, Balance Sheet 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 profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Auditor's responsibilities

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

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

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

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

Namrata Basker
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL
Date: 21/09/18

Income Statement
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Continuing operations:			
Interest income	5	**74,936**	**83,580**
Interest expense	6	**(74,936)**	**(83,580)**
Net interest income		**-**	-
Fees and commissions	7	**10**	10
Profit before taxation		**10**	10
Taxation charge	9	**(2)**	(2)
Profit for the financial year		**8**	8

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 10 to 23 form an integral part of the financial statements.

Balance Sheet
As at 31 December 2017

	Note	2017 £'000	2016 £'000
NON-CURRENT ASSETS			
Loans and other receivables	10	1,039,918	1,305,940
CURRENT ASSETS			
Cash and cash equivalents		151	162
Loans and other receivables	10	340,905	191,858
Total assets		**1,380,974**	**1,497,960**
NON-CURRENT LIABILITIES			
Lease obligations and other payables	11	1,039,838	1,305,870
CURRENT LIABILITIES			
Lease obligations and other payables	11	340,904	191,858
Current tax liabilities	12	2	10
Total liabilities		**1,380,744**	**1,497,738**
EQUITY			
Called up share capital	13	-	-
Retained earnings		230	222
Total equity		**230**	**222**
Total liabilities and equity		**1,380,974**	**1,497,960**

The accompanying notes from pages 10 to 23 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 21 September 2018 and were signed on its behalf by:

M F Beastall
Director
Date: 21 September 2018
Company number: 2522321

Statement of Changes in Equity
For the year ended 31 December 2017

YEAR ENDED 31 DECEMBER 2017	Called up Share[1] capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 January 2017	-	222	222
Profit for the financial year	-	8	8
Balance at 31 December 2017	-	230	230

YEAR ENDED 31 DECEMBER 2016	Called up Share 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

The accompanying notes from pages 10 to 23 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 2017

	2017	2016
	£'000	£'000
Continuing Operations		
Reconciliation of profit before tax to net cash flows from operating activities		
Profit before taxation	10	10
Adjustment for non-cash item		
Less: Interest income (Net of receipts)	(74.936)	(83,576)
Less: Fee and commissions	(10)	(10)
Add: Interest expense	74.936	83,580
Cash generated from operating activities	-	4
Tax paid during the year	(11)	-
Net cash generated from operating activities	(11)	4
Net decrease in cash and cash equivalents	(11)	4
Cash and cash equivalents at beginning of the year	162	158
Cash and cash equivalents at end of the year	151	162

The accompanying notes form pages 10 to 23 form an integral part of the financial statements.

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

Notes to the Financial Statements
For the year ended 31 December 2017

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 issued by the Interpretations Committee ('IFRS IC's), 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.

Notes to the Financial Statements
For the year ended 31 December 2017

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 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. 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 instruments at fair value through profit or loss

Assets (and liabilities in some cases) are so designated when they are held for trading, {or} 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.

The fair value option is used in the following circumstances;

(i) Financial assets backing insurance contracts and financial assets backing investment contracts are designated at fair value through profit or loss because the related liabilities have cash flows that are contractually based on the performance of the assets or the related liabilities are insurance contracts whose measurement incorporates current information. Fair valuing the assets through profit and loss significantly reduces the recognition inconsistencies that would arise if the financial assets were classified as available for sale.

(ii) Financial assets, loans to customers, financial liabilities and structured notes are designated at fair value through profit or loss where they contain substantive embedded derivatives or where doing so significantly reduces measurement inconsistencies that would arise if the related economic hedging derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost.

(iii) Financial assets and financial liabilities that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy to key management personnel are designated at fair value through profit and loss.

Notes to the Financial Statements
For the year ended 31 December 2017

4. Summary of significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

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 as 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 measured at fair value including direct and incremental transaction costs, and subsequently measured at amortised costs, 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.

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 with the exception of the accounting treatment of own credit on financial liabilities designated at FVPL under the fair value option. The Company has elected to early adopt the presentation of the Company's own credit gains and losses in other comprehensive income as allowed by IFRS 9 Financial Instruments, from 1 January 2017. This will have 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.

(h) Future accounting developments

There are expected to be a number of significant 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:

Notes to the Financial Statements
For the year ended 31 December 2017

4. Summary of Significant Accounting Policies (continued)

(h) Future accounting developments (continued)

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. The Company 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 cash flows 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.

The measurement of expected credit loss involves increased complexity and judgment, 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 an immaterial financial impact.

Key concepts and management judgments

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

The impairment requirements are complex and require management judgments', estimates and assumptions. Key concepts and management judgments 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.

Notes to the Financial Statements
For the year ended 31 December 2017

4. Summary of Significant Accounting Policies (continued)

(h) Future accounting developments (continued)

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.

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, 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 cash flows or for discounting.

Modeling 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 modeled output to account for situations where known or expected risk factors and information have not been considered in the modeling 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 modeled 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.

(h) Future accounting developments (continued)

Project governance and credit risk management

Barclays has a jointly accountable risk and finance implementation and governance programe 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:

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 de-recognition, 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 programe 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.

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.

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.

Notes to the Financial Statements
For the year ended 31 December 2017

5. Interest Income

	2017	2016
	£'000	£'000
Interest income from loans	74,936	83,580

6. Interest Expense

	2017	2016
	£'000	£'000
Interest expense from defeasance lease obligations	(74,936)	(83,580)

7. Fees and Commissions

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

8. Other Expenses

Auditor's remuneration for the year amounting to £9,416 (2016: £10,412) is borne by the parent, Barclays Bank PLC with no recharge to the Company.

There were no employees employed by the Company during the year (2016: nil).

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

Share Options Note: No Directors exercised share options in 2017. (One Director exercised share options in 2016.)

Notes to the Financial Statements
For the year ended 31 December 2017

9. Taxation Charge

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

	2017 £'000	2016 £'000
Current tax:		
UK taxation charge – Current year	2	2

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

	2017 £'000	2016 £'000
Profit before taxation	10	10
Tax charge at standard UK Corporation tax rate of 19.25 % (2016: 20%)	2	2
Overall tax charge	**2**	**2**
Effective rate %	19.25%	20%

The standard rate of corporation tax in the UK changed from 20% to 19.25% with effect from 1 April 2017. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 19.25% (2016: 20%).

10. Loans and Other Receivables

	2017 £'000	2016 £'000
Non-current assets:		
Loans	1,039,918	1,305,940
Prepaid interest	-	-
Total	**1,039,918**	**1,305,940**
Current assets:		
Loans	289,663	159,787
Prepaid interest	-	7,821
Accrued interest	51,242	24,250
Total	**340,905**	**191,858**

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 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. 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.

Notes to the Financial Statements
For the year ended 31 December 2017

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. (2016: The Company did not enter into new defeasance contracts and 2 contracts expired).

	2017	2016
	£'000	£'000
Non-current liabilities:		
Defeasance lease obligations	1,039,838	1,305,870
Prepaid interest on loan	-	-
Total	**1,039,838**	**1,305,870**
Current liabilities:		
Defeasance lease obligations	289,663	159,787
Prepaid interest on loan	-	7,821
Accrued interest	51,242	24,250
Total	**340,905**	**191,858**

The Directors consider that the carrying value of the Company's lease obligations and other payables approximates to their fair value (see note 14 for further detail).

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:
i. 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. 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:

	2017	2016
	£'000	£'000
UK corporation tax payable	2	10

13. Called up Share Capital

	2017	2016
	£	£
Allotted and fully paid:		
2 (2016: 2) ordinary shares of £1 each	**2**	**2**

At the year-end, the issued share capital of the Company is £2 (2016: £2), comprising of two (2016: two) ordinary shares of £1 each. All issued shares are fully paid.

Notes to the Financial Statements
For the year ended 31 December 2017

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:

(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 loan 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 2017 and 2016:

	2017	2016
	£'000	£'000
Loans and other receivables	1,380,823	1,497,798
Cash and cash equivalents	151	162
Total maximum exposure at 31 December	**1,380,974**	**1,497,960**

Credit risk concentrations by geographical sector

	2017		
	United Kingdom	Other EU	Total
	£'000	£'000	£'000
Loans and other receivables	1,380,823	-	1,380,823
Cash and cash equivalents	151	-	151
Total maximum exposure at 31 December	**1,380,974**	**-**	**1,380,974**

	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

Notes to the Financial Statements
For the year ended 31 December 2017

14. Financial Risks (continued)

(a) Credit risk (Continued)

Credit Risk concentration by industrial sector

	2017		
	Financial Services	Transport	Total
	£'000	£'000	£'000
Loans and other receivables	1,380,823	-	1,380,823
Cash and cash equivalents	151	-	151
Total maximum exposure at 31 December	**1,380,974**	**-**	**1,380,974**

	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**

(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.

Notes to the Financial Statements
For the year ended 31 December 2017

14. Financial Risks (continued)

(f) Fair value measurements

Fair value of financial assets and liabilities

As the terms of the defeasance lease obligations match those of the defeasance referenced loans, fair value movements on financial assets and liabilities materially offset with minimal impact to net profit or shareholder's equity. Therefore, financial assets and liabilities are stated at carrying value and no fair value equivalent disclosed.

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 prices – Level 1

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

Valuation technique using observable inputs - Level 2

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

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 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.

Notes to the Financial Statements
For the year ended 31 December 2017

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	Total £'000
Transactions:		
Interest income	19,954	19,954
Interest expense	(72,714)	(72,714)
Other income	10	10
Total	**(52,750)**	**(52,750)**
Balances outstanding as at 31 December 2017		
Assets:		
Loans and other receivables	243,926	243,926
Cash and cash equivalents	151	151
Total	**244,077**	**244,077**
Liabilities:		
Lease obligations and other payables	1,309,347	1,309,347
Total	**1,309,347**	**1,309,347**

	Parent Company £'000	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**

Notes to the Financial Statements
For the year ended 31 December 2017

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.