BARCLAYS BANK UK PLC (formerly Barclays UK and Europe PLC)

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

REGISTERED NUMBER IN ENGLAND AND WALES: 9740322

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BARCLAYS BANK UK PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their annual report together with the audited financial statements of Barclays Bank UK PLC ("BBUKPLC" or the "Company") for the year ended 31 December 2017.

The Company changed its name from Barclays UK and Europe PLC to Barclays Bank UK PLC on 15 June 2017.

Profit and Dividends

During the year, the Company made a profit after tax of £14,241,289 (2016: Nil). The Directors do not recommend the payment of a dividend for 2017 (2016: Nil).

Post balance sheet events

The following subsidiaries, joint operation, nominees and special purpose vehicles were transferred from Barclays Bank PLC ("BBPLC") to BBUKPLC:

Subsidiaries

- Barclays Investment Solutions Limited (Effective from 1 January 2018),
- Barclays Asset Management Limited (Effective from 1 January 2018),
- Barclays SAMS Limited (Effective from 1 April 2018),
- Woolwich Homes Limited (Effective from 1 April 2018),
- Solution Personal Finance Limited (Effective from 1 April 2018),
- First Plus Financial Group Limited (Effective from 1 April 2018).

Joint Operation

- Vaultex UK Limited. (Effective from 1 April 2018).

Nominees

- R.C. Greig Nominees Limited (Effective from 1 January 2018),
- Barclays Direct Investing Nominees Limited (Effective from 1 January 2018),
- Barclays Financial Planning Nominee Company Limited (Effective from 1 January 2018),
- Barclays Global Shareplans Nominee Limited (Effective from 1 January 2018),
- Barclays Singapore Global Shareplans Nominee Limited (Effective from 1 January 2018),
- Barclayshare Nominees Limited (Effective from 1 January 2018).

Special purpose vehicles

- Gracechurch Card (Holdings) Limited (Effective from 1 April 2018),
- Gracechurch Card Programme Funding PLC (Effective from 1 April 2018),
- Barclaycard Funding PLC (Effective from 1 April 2018),
- Gracechurch Mortgage Financing PLC (Effective from 1 April 2018),
- Gracechurch GMF Funding 1 Limited (Effective from 1 April 2018),
- Gracechurch GMF Funding 2 Limited (Effective from 1 April 2018),
- Gracechurch GMF Trustee Limited (Effective from 1 April 2018),
- Gracechurch GMF Holdings Limited (Effective from 1 April 2018),
- Barclays Covered Bond Funding LLP (Effective from 1 April 2018),
- Gracechurch Receivables Trustee Limited (Effective from 1 April 2018),
- Barclays Covered Bonds LLP (Effective from 1 April 2018).

As at 10 April 2018, BBUKPLC is the ring fenced bank of the Barclays Group of companies (the "Barclays Group"). BBUKPLC was granted a restricted banking licence on 6 April 2017 and as is common practice for newly authorised entities, BBUKPLC was operating under 'mobilisation restrictions' from April 2017 up to 28 March 2018. These were restrictions (imposed under Financial Services and Markets Act 2000 ("FSMA") by the Prudential Regulatory Authority ("PRA"), with the consent of the Financial Conduct Authority ("FCA")) on the scope of its activities. On 19 February 2018, the PRA notified Barclays that the PRA, with the consent of the FCA, had agreed to vary BBUKPLC's permission, so as to enable it to commence full operation as a bank, from the date of 28 March 2018.

On 1 April 2018, BBPLC transferred the assets and liabilities of Barclays UK division to the ring-fenced bank, BBUKPLC. Further to this, BBPLC's investment in BBUKPLC was transferred from BBPLC to Barclays PLC ("BPLC"). BBPLC and BBUKPLC will operate alongside, but independently from one another as part of the Barclays Group under BPLC. For an overview of the changes, resulting group structure and timeline please refer to page 204 of BPLC annual report 2017. We have also published illustrative, unaudited pro-forma financial statements for 2017 on a post ring-fencing view for both BBUKPLC and BBPLC. Please see home barclays.com/annualreport.

Directors

The Directors of the Company, who served during the year and up to the signing of the financial statements, together with their dates of appointment and resignation, where appropriate, are as shown below:

Anna Cross	
Sir Ian Cheshire	(appointed as Chairman & Director on 3 April 2017)
Julian Davies	(resigned 3 April 2017)
Carsten Egeriis	(resigned 3 April 2017)
Stephen Penketh	(resigned 3 April 2017)
Ashok Vaswani	(appointed 3 April 2017)

Since the year end, the following Directors were appointed as set out below:

Andrew Ratcliffe	(appointed 1 January 2018)
Avid Larizadeh Duggan	(appointed 1 January 2018)
Chris Pilling	(appointed 1 January 2018)
Michael Jary	(appointed 1 January 2018)
Sir John Timpson	(appointed 1 January 2018)
Kathryn Matthews	(appointed 19 February 2018)

Going Concern

After reviewing the Company's performance projections and the available banking facilities, 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.

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 interest rate and credit risk, and advice on the use of financial instruments to manage them. The main financial risks that the Company is exposed to are outlined in Note 16.

Directors' third party indemnity provisions

Qualifying third party indemnity provisions were in force 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 section 489 of the Companies Act 2006. In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as Auditor of the company is to be proposed at the forthcoming Annual General Meeting.

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

Director
A Cross
Name: Anna Cross
Date: 10 April 2018
Company Number: 9740322
Registered office: 1 Churchill Place, London, E14 5HP, England.

Review and principal activities

During the year, the principal activity of the Company was to act as holding company for its wholly owned subsidiary, Barclays Insurance Services Company Limited and to ready itself to act as the ring fenced bank for the Barclays Group.

Business performance

The results of the Company show profit for the financial year of £14,241,289 (2016: Nil). The Company had net assets of £159,269,000 as at 31 December 2017 (2016: £50,000).

Key performance indicators

The Directors of BPLC 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.

Principal risk and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Barclays Group and are not managed separately. Accordingly, the principal risks and uncertainties of BPLC, which include those of the Company, are discussed in the BPLC 2017 annual report which does not form part of this report.

Future outlook

From the perspective of the Company, the Company will act as the ring-fenced bank of the Barclays Group. The future outlook of the Company is integrated with the future outlook of the Barclays Group. Accordingly, the future outlooks of BPLC, which include those of the Company, are discussed in the BPLC 2017 annual report which does not form part of this report.

FOR AND ON BEHALF OF THE BOARD

Director Name: Anna Cross A Cross
Date: 10 April 2018
Company Number: 9740322
Registered office: 1 Churchill Place, London, E14 5HP, England.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

FOR AND ON BEHALF OF THE BOARD

Director A Cross
Name: Anna Cross
Date: 10 April 2018
Company Number: 9740322
Registered office: 1 Churchill Place, London, E14 5HP, England.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Barclays Bank UK PLC

1. Our opinion is unmodified

We have audited the financial statements of Barclays Bank UK PLC ("the Company") for the year ended 31 December 2017 which comprise the Statement of profit or loss, Statement of other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows, and the related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Board.

We were appointed as auditor by the directors on 21 March 2018. The period of total uninterrupted engagement is for the financial year ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Other matter – prior period financial statements

We note that the prior period financial statements were not audited. Our opinion is not modified in respect of this matter.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	The risk	Our response
Impairment of investment in subsidiary: Impairment of investment in subsidiary £12.4m (2016: £0). Refer to page 20 (accounting policy) and page 29 (financial disclosures). Risk vs 2016: ▲ The risk has increased compared to the prior year because the company acquired its interest in the subsidiary in 2017.	**Subjective estimate:** The company holds an investment in one subsidiary. The investment in subsidiary is held at cost less impairment. The assessment as to whether there is impairment and the determination of an appropriate impairment charge is an inherently judgemental area which is sensitive to the value of the underlying assets and liabilities of the subsidiary.	**Our response:** Our procedures included: • **Test of detail:** we inspected the impairment assessment performed by the company and challenged the key assumptions within it. We tested that an impairment charge had been recognised where the fair value of the subsidiary was below the carrying value at 31 December 2017. • **Assessing transparency:** We assessed the adequacy of the bank's disclosures about the investment in subsidiary and the impairment charge which has been recognised. **Our results:** We found the resulting impairment of investment in subsidiary to be appropriate.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £800,000, determined with reference to total assets. We agreed to report to the Board any corrected or uncorrected identified misstatements exceeding £40,000 in addition to other identified misstatements that warranted reporting on qualitative grounds. Our audit of the company was undertaken to the materiality level specified above and was all performed at the company's head office in London.

4. We have nothing to report on 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.

5. We have nothing to report on the strategic report and the 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 those reports;
- in our opinion the information given in the strategic report and the directors' report 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.

6. We have nothing to report on the other 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 by the Company, 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.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements including 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 other irregularities (see below), 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, other irregularities 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.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

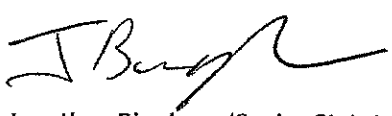
In addition we considered the impact of laws and regulations in the specific areas of regulatory capital and liquidity recognising the financial and regulated nature of the company's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. 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.



Jonathan Bingham (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
E14 5GL
10 April 2018

BARCLAYS BANK UK PLC
FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of profit or loss

For the year ended 31 December	Notes	2017 £'000	Unaudited 2016 £'000
Continuing operations			
Net Interest income	5	7	-
Net Investment Income	6	15,000	-
Net operating income		15,007	-
Administration and general expenses		(947)	-
Operating expenses	7	(947)	-
Profit before tax	8	14,060	-
Taxation	12	181	-
Profit after tax		14,241	-

Statement of other comprehensive income

For the year ended 31 December	Notes	2017 £'000	Unaudited 2016 £'000
Profit after tax		14,241	-
Available for sale reserve:			
Fair value loss on available for sale investments		(20)	-
Tax on available for sale investments	12	5	-
Total Comprehensive Income for the year		14,226	-

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

Statement of Financial Position

As at 31 December	Notes	2017 £'000	Unaudited 2016 £'000
Assets			
Amount due from immediate parent undertaking		33,457	50
Available for sale investments	10	5,038	-
Investments in subsidiaries	13	121,535	-
Current tax assets	12	181	-
Deferred tax assets	12	5	-
Total assets		160,216	50
Liabilities			
Other liabilities	11	947	-
Total liabilities		947	-
Equity			
Called up share capital and share premium	14	5,243	50
Available for sale reserve		(15)	-
Merger reserve		121,436	-
Retained earnings	15	32,605	-
Total equity		159,269	50
Total liabilities and equities		160,216	50

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

The financial statements were approved by the Board of Directors and authorised for issue on 10th April 2018 and were signed on its behalf by:

Director A Cross
Name: Anna Cross
Date: 10 April 2018
Company Number: 9740322
Registered office: 1 Churchill Place, London, E14 5HP, England.

BARCLAYS BANK UK PLC
FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of changes in equity

	Called up Share Capital and Share Premium Account £'000	Available for sale reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2017	50	-	-	-	50
Profit after tax	-	-	-	14,241	14,241
Available for sale investments	-	(15)	-	-	(15)
Total comprehensive income for the year	-	(15)	-	14,241	14,226
Issue of new ordinary shares	5,093	-	-	-	5,093
Capital contributions from immediate parent undertaking	-	-	-	6,000	6,000
Issue of shares in consideration of subsidiary	100	-	133,800	-	133,900
Release of merger reserve	-	-	(12,364)	12,364	-
Balance as at 31 December 2017	5,243	(15)	121,436	32,605	159,269
Balance at 1 January 2016	50	-	-	-	50
Profit after tax	-	-	-	-	-
Available for sale financial investments	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-
Balance as at 31 December 2016 (Unaudited)	50	-	-	-	50

Statement of cash flows

For the year ended 31 December	Notes	2017 £'000	Unaudited 2016 £'000
Continuing operations			
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax		14,060	-
Adjustment for non-cash items			
Net increase in other liabilities		947	-
Impairment of investment in subsidiary	6	12,364	-
Premium amortisation	5	66	-
Adjustment of non-operating item			
Interest income accrual	5	(73)	-
Dividend received	6	(27,364)	-
Net cash flow from operating activities		-	-
Interest received on Available for sale financial assets		43	-
Investment in subsidiary undertaking		-	-
Dividend received	6	27,364	-
Net cash flow from investing activities		27,407	-
Capital contributions from immediate parent undertaking		6,000	-
Net cash flow from financing activities		6,000	-
Net increase in cash and cash equivalent		33,407	-
Cash and cash equivalent at the beginning of the year		50	50
Cash and cash equivalent at the end of the year		33,457	50

Cash and cash equivalent comprise:			
Amount due from immediate parent undertaking		33,457	50

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

1. Reporting Entity

These financial statements are prepared for Barclays Bank UK PLC ("BBUKPLC" or the 'Company'), during the year the principal activity of which was to act as holding company for its wholly owned subsidiary, Barclays Insurance Services Company Limited and to ready itself to act as the ring fenced bank for the Barclays Group. The financial statements are prepared for the Company in line with the UK Companies Act 2006. The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC ("BBPLC") and the ultimate holding company and the parent undertaking of the largest group that presents group financial statements is Barclays PLC ("BPLC"), 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'). Accordingly consolidated financial statements have not been prepared based on the exemption provided under paragraph 4(a) of IFRS 10.

The Company is a public limited company, domiciled and incorporated in England and Wales. The address of the registered office 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), and as 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 thousands of Pounds Sterling (£'000), the currency of the country in which the Company is incorporated.

The financial statements for the year ended 31 December 2016 were not audited as the Company elected to utilise the exemption provided in section 480 of the Companies Act ("Dormant companies: conditions for exemption from audit").

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.

4. Summary of significant accounting policies (continued)

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 sterling using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement except for qualifying cash flow hedges or hedges of net investments.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Exchange differences on equities and similar non-monetary items held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on equities classified as available-for-sale financial assets and non-monetary items are included directly in equity.

b. Dividends from subsidiaries

Dividend income is recognised when the right to receive payment is established, which is when the dividends are received or the dividends are appropriately authorised by the subsidiary or associate. Dividends received from the subsidiary are treated as operating income.

c. Revenue recognition

Revenue is recognised in the income statement when it is probable that the economic benefits associated with the transaction will be received by the Company. Revenue is reported at the fair value of the consideration received or receivable.

d. Interest

Interest income or expense is recognised on all interest bearing financial instruments classified as held to maturity, available for sale or loans and receivables, and on interest bearing financial liabilities, using the effective interest method.

The effective interest rate is the rate that discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to determine 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)

e. Current and deferred income tax

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

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

Deferred tax assets are recognised on deductible temporary differences, unused tax losses and unused tax credits carried forward, 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.

f. Financial assets and liabilities

The Company recognises financial instruments from the trade date, and continues to recognise them until, in the case of assets, the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership, or in the case of liabilities, until the liability has been settled, extinguished or has expired.

Financial assets are initially recognised at fair value and then classified in the following categories and dealt with in the financial statements as follows:

Financial instruments at fair value through profit or loss

Assets (and liabilities in some cases) are so designated when they are held for trading, or when they are financial derivative contracts.

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. 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 it has lost control.

4. Summary of significant accounting policies (continued)

f. Financial assets and liabilities (continued)

Available for sale

Available for sale investments are non-derivative financial investments that have been designated as available for sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value, and gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. The assets are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially the risks and rewards of ownership.

Impairment losses, investment income, and translation differences on monetary items are recognised in the income statement.

Purchase and sales of available for sale financial instruments are recognised on trade date, being the date on which the Company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are derecognised when extinguished.

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.

Impairment of financial assets

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

f. Financial assets and liabilities (continued)

The impairment assessment includes estimating the expected future cash flows from the asset or the group of assets, which are then, discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

g. Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment, if any. Investments in subsidiaries are assessed for impairment when there are indicators of impairment or at least annually.

h. Common control predecessor book value accounting

Barclays' policy is to apply predecessor book value accounting to transfers of a business between members of the Barclays Group. The transfer of investment in subsidiary from BBPLC to the Company in 2017 was treated as a transfer of a business. Accordingly the investment in subsidiaries was originally recorded at its fair value on the date of transfer, which will be its deemed cost going forward. The difference between fair value and predecessor carrying value resulted in a merger reserve.

i. Share capital and dividends

Share capital classified as equity, provided that there is no present obligation to deliver cash or another financial asset to the holder, is shown in called up share capital, and the costs associated with the issuance of shares are recorded as a deduction from equity.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

j. Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash in hand, demand deposits, cash equivalents and overdrafts. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. Accordingly, balances received from group undertakings have been included in cash & cash equivalents.

4. Summary of significant accounting policies (continued)

k. Company financial statements

The Company has elected to utilise the exemption provided in paragraph 42 of the IAS 27 'Consolidated and Separate Financial Statements' and the exemption in section 400 of the Companies Act, 2006, and has not prepared Group financial statements. The financial statements of the Company are consolidated in the financial statements of BBPLC and BPLC. Both companies are registered in the United Kingdom.

l. Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements are highlighted under the relevant note.

a) New and amended standards

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 2017 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.

b) 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:

IFRS 9 Financial Instruments

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 and 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:

4. Summary of significant accounting policies (continued)

l. Critical accounting estimates (continued)

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

Determining a significant increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). Barclays will assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

Quantitative Test

The annualised cumulative weighted average lifetime probability of default (PD) has increased by more than the agreed threshold relative to the equivalent at origination.

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

Qualitative Test

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

Backstop Criteria

Accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

4. Summary of significant accounting policies (continued)

I. Critical accounting estimates (continued)

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

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

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

The definition of default for the purpose of determining expected credit losses has been aligned to the Regulatory Capital CRR Article 178 definition of default, which considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due or 180 days past due in the case of UK mortgages. When exposures are identified as credit impaired or purchased or originated as such, IFRS 9 requires separate disclosure and interest income is required to be calculated on the carrying value net of the impairment allowance.

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

Expected life

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period.

The expected life for these revolver facilities is expected to be behavioural life; the typical lifetime used for credit cards is 10 years. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default until they occur.

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 loan commitments, the EIR is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised. Issued financial guarantee contracts are discounted at the risk free rate. Lease receivables are discounted at the rate implicit in the lease as prescribed in IAS 17. For variable/floating rate financial assets, the spot rate at the reporting date is used and projections of changes in the variable rate over the expected life are not made to estimate future interest cashflows or for discounting.

4. Summary of significant accounting policies (continued)

I. Critical accounting estimates (continued)

Modelling techniques

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

Management adjustments will be made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events.

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

For the IFRS 9 impairment assessment, Barclays Risk Models are used to determine the probability of default (PD), loss given default (LGD) and exposure at default (EAD). For stages 2 and 3, Barclays applies lifetime PDs but uses 12 month PDs for stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Forbearance

Both performing and non-performing forbearance assets, as defined under European Banking Authority (EBA) supervisory reporting requirement, are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as stage 2. The minimum probationary period for non-performing forbearance is 12 months and that for performing forbearance, 24 months. Hence, a minimum of 36 months is required for non-performing forbearance to move out of a forborne state.

Classification and measurement:

IFRS 9 will require financial assets to be classified on the basis of two criteria:

1) The business model within which financial assets are managed; and

2) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the income statement.

4. Summary of significant accounting policies (continued)

I. Critical accounting estimates (continued)

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

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

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. As the Group expects the EU to endorse this amendment by 31 December 2018, the expected impact has been prepared on the basis of the amendment being endorsed.

Expected impact of IFRS9

The adoption of IFRS 9 on 1 January 2018 is not expected to have a material impact on opening retained earnings based on the initial assessment of classification and measurement and ECL analysis.

IFRS 15 – Revenue from Contracts with Customers

In 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which will replace IAS 18 Revenue and IAS 11 Construction Contracts. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model includes 1) identifying the contract with the customer, 2) identifying each of the performance obligations included in the contract, 3) determining the amount of consideration in the contract, 4) allocating the consideration to each of the identified performance obligations and 5) recognizing revenue as each performance obligation is satisfied. In April 2016, the IASB issued clarifying amendments to IFRS 15 which provide additional application guidance but did not change the underlying principles of the standard. The standard was endorsed by the EU in September 2016.

The Company will implement this standard on 1 January 2018. The Company has elected the cumulative effect transition method with a transition adjustment calculated as of 1 January 2018 and recognised in retained earnings without restating comparatives. IFRS 15 requires certain incremental 'costs to obtain a contract' and certain 'costs to fulfil a contract' to be capitalised on balance sheet and amortised on a systematic basis consistent with the transfer of goods / services to the customer. There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Company recognises its revenue.

4. Summary of significant accounting policies (continued)

I. Critical accounting estimates (continued)

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. IFRS 16 will apply to all leases with the exception of licenses of intellectual property, rights held by licensing agreement within the scope of IAS 38 Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41 Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources. IFRS 16 will not result in a significant change to lessor accounting; however for lessee accounting there will no longer be a distinction between operating and finance leases. Instead lessees will be required to recognize both a right of use asset and lease liability on balance sheet for all leases. As a result the Company will observe an increase in both assets and liabilities for transactions currently accounted for as operating leases as at 1 January 2019 (the effective date of IFRS 16). A scope exemption will apply to short term and low value leases. Current project implementation efforts are focused on preparing and sourcing information. The standard was endorsed by the EU in November 2017. The Company will implement this standard on 1 January 2019. The Group is currently assessing the expected impact of adopting this standard. Adoption of the amendments will not have a significant impact on BBUKPLC.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. Adoption of the amendments will not have a significant impact on BBUKPLC.

5. Net Interest Income

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Interest Income on Government Gilts	73	-
Premium amortisation of Government Gilts	(66)	-
Net interest income	7	-

6. Net Investment Income

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Dividend Income	27,364	-
Impairment on investment in Subsidiary	(12,364)	-
Net investment income	15,000	-

7. Operating expenses

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Chairman fees	300	-
Staff Cost	30	-
Recruitment cost	617	-
Total Operating expenses	947	-

All the operating expenses are incurred by immediate parent undertaking and recharged to the company. Hence corresponding payable is in other liabilities.

8. Profit before tax

During the year the Company made a profit before tax of £14,060,000 (2016: Nil). The audit fee of £18,000 (2016: Nil) is borne by BBPLC. This fee is not recognised as an expense in these financial statements.

9. Employee and key management, including Directors

(i) Staff costs comprising the following:

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Wages and salaries	30	-
Total	30	-

On 1 September 2017, BBPLC transferred the employment contracts of approximately 26,000 employees to the Company and simultaneously took back the employees on secondment. As BBPLC directly receives the services and pays all the employee costs BBPLC has reported these employees in its staff costs and employee numbers. The Company does not receive any services from these employees nor, on the basis that BBPLC has retained the obligation to pay for such costs, has any obligation to the pay for the employee costs and therefore has recognised no amounts related to these costs in these financial statements. The secondment arrangement will end on the effective date of the Ring Fencing Transfer Scheme (RFTS) on 1 April 2018, after which the employees under the secondment arrangement will become reported as employees and employee costs of the Company.

Approximately 16,000 of the transferred employees were members of the Barclays Bank UK Retirement Fund ("UKRF") which is a defined benefit plan that shares risks between entities under common control (IAS 19.40). To enable the continuity of pension provision to these employees on the effective date of the RFTS, the Company became a participating employer of that scheme which will require the Company to meet the future contributions. Per the secondment arrangement, the company did not have an obligation and has not recognised any amounts relating to contributions to the scheme in these financial statements. The company will recognise these costs from the date of the RFTS.

9. Employee and key management, including Directors (continued)

(ii) Remuneration of key management personnel, including Directors, was as follows:

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Chairman Fees	300	-
Total	300	-

10. Available for sale investments

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Government Gilts (coupon interest of 1.75%)	5,038	-
Total Available for sale investments	5,038	-

11. Other liabilities

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Payable to immediate parent undertaking	947	-
Total other liabilities	947	-

12. Taxation

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Current tax credit		
Current year	181	-
Overall tax credit in the income statement	181	-

An analysis of the tax credit on items charged directly to equity is as follows:

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Deferred tax credit	5	-
Total credit to equity	5	-

From 1st April 2017, the main rate of UK corporation tax was 19%, and prior to this date the main rate of corporation tax was 20%.

12. Taxation (continued)

Legislation has been introduced to reduce the main rate of UK corporation tax to 17% from 1 April 2020. A numerical reconciliation between the applicable tax rate and the effective tax rate is as follows:

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Profit before tax	14,060	-
Tax charge at average UK corporation tax rate of 19.25% (2016: 20%)	(2,707)	-
Effects of:		
Non-taxable income	2,888	-
Overall tax credit	181	-
Effective tax rate %	-1.29%	-

Current tax assets

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Group relief receivable	181	-

Deferred tax

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Provision at start of period	-	-
Deferred tax credit to equity for the period	5	-
Provision at end of period	5	-

In addition, from 1 January 2018, the company is expected to be subject to the new banking surcharge of 8%. Deferred tax has therefore been recognised at 25%.

13. Investment in subsidiaries

The investment in Barclays Insurance Services Company Limited is stated at cost less impairment.

Name of subsidiary	Registered office address	Name of immediate Parent	Total Proportion of nominal value held by immediate parent (%)	Financial year end
Barclays Insurance Services Company Limited	1 Churchill Place, London, E14 5HP, England	Barclays Bank UK PLC	100%	2017

13. Investment in subsidiaries (continued)

The Company acquired Barclays Insurance Services Company Limited from BBPLC at a fair value of £133,900,000 in August 2017 and issued 1 ordinary share of £0.01 to BBPLC. In accordance with section 611 of the Companies Act 2006, BBUKPLC obtained Group Reconstruction relief available to transactions between common control companies and credited only a minimum to share premium account of £99,999.99. This resulted in the creation of a Group Reconstruction Reserve of £133,800,000 as the carrying value of Barclays Insurance Services Company Limited in the transferor company (BBPLC's) accounting records was £100,000.

Following a dividend receipt of £12,364,000 from Barclays Insurance Services Company Limited in October 2017, an impairment assessment was performed and the investment in Barclays Insurance Services Company Limited was impaired to the extent of £12,364,000.

The Directors do not consider there to be any further impairment as at the end of the reporting period for the investment in Barclays Insurance Services Company Limited. In reviewing the carrying value of Barclays Insurance Services Company Limited at 31 December 2017, management has considered the profitability of that company going forward, the realisable value of net assets and the fair value of the that company as recently determined.

14. Called up share capital and share premium

	Number of shares	Ordinary shares	Share premium	Total Called up Share Capital and Share Premium Account
	'000	£'000	£'000	£'000
As at 1 January 2017	5,000	50	-	50
Issue of new ordinary shares	500,000	5,000	193	5,193
As at 31 December 2017	505,000	5,050	193	5,243
As at 1 January 2016	-	-	-	-
Issue of new ordinary shares	5,000	50	-	50
As at 31 December 2016 (Unaudited)	5,000	50	-	50

Called up share capital

Called up share capital comprises 505,000,001 (2016: 5,000) ordinary shares of £0.01 each.

15. Retained earnings

	2017 £'000	Unaudited 2016 £'000
As at 1 January 2017		
Profit after tax	14,241	-
Capital Contribution from immediate parent undertaking	6,000	-
Release of merger reserve	12,364	-
As at 31 December 2017	32,605	-

The company received two capital contributions in cash from BBPLC of £1,000,000 and £5,000,000 in February 2017 and May 2017 respectively.

16. Financial Risk

The Company's activities are exposed to risk which are identified and managed through the Barclays Group's Enterprise Risk Management Framework (ERMF). The ERMF specifies the Principal Risks of the Group and the approach to managing them.

The main financial risks that the Company is exposed to are outlined below.

a. Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers or market counterparties fail to fulfil their contractual obligations to 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. Third party financial instrument counterparties are required to be rated and the Company's exposure to them is subject to financial limits.

Maximum exposure to credit risk

The Company's maximum exposure to credit risk is detailed in the table below.

The analysis presented below shows the financial effects of these mitigates.

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Amount due from immediate parent undertaking	33,457	50
Available for sale investments	5,038	-
Total maximum exposure	38,495	50

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

16. Financial Risk (continued)

a. Credit risk (continued)

	Note	Amount due from immediate parent undertaking £'000	Available for sale investments £'000	Total £'000
As at 31 December 2017				
Neither past due nor individually impaired	(a)	33,457	5,038	38,495
Total carrying amount		33,457	5,038	38,495

	Note	Amount due from immediate parent undertaking £'000	Available for sale investments £'000	Total £'000
As at 31 December 2016 (Unaudited)				
Neither past due nor individually impaired	(a)	50	-	50
Total carrying amount		50	-	50

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

Financial assets subject to credit risk that are neither past due nor individually impaired can be analysed according to the credit ratings used by the Company when assessing customers and counterparties. The Company uses the following credit ratings system:

Strong: There is a very high likelihood of the asset being recovered in full.

Satisfactory: where there is a likelihood that the asset will be recovered and therefore, of no cause for concern to the Company, the asset may not be collateralised, or may relate to retail facilities, such as credit card balances and unsecured loans, which have been classified as satisfactory, regardless of the fact that the output of internal grading models may have indicated a higher classification. At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of deterioration, mortgages with a high loan to value, and unsecured retail loans operating outside normal product guidelines.

Higher risk: there is concern over the obligor's ability to make payments when due. However, these have not yet converted to actual delinquency. There may also be doubts over the value of collateral or security provided. However the borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

16. Financial Risk (continued)

a. Credit risk (continued)

The credit quality of financial assets subject to credit that were neither past due nor impaired, based on above credit ratings, was as follows:

As at 31 December 2017	Strong	Satisfactory	Higher risk	Total
	£'000	£'000	£'000	£'000
Amount due from immediate parent undertaking	33,457	-	-	33,457
Available for sale investments	5,038	-	-	5,038
Total	38,495	-	-	38,495

As at 31 December 2016 (Unaudited)	Strong	Satisfactory	Higher risk	Total
	£'000	£'000	£'000	£'000
Amount due from immediate parent undertaking	50	-	-	50
Total	50	-	-	50

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 has the financial support of the parent undertaking BBPLC; it also maintains banking facilities with BBPLC. These facilities are designed to ensure the Company has sufficient available funds for operations.

The monitoring and reporting of liquidity risk takes 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.

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), whereas the Company manages the inherent liquidity risk based on discounted expected cash inflows.

For the year ended 31 December	One year or less 2017 £'000	One year or less Unaudited 2016 £'000
Amount due to immediate parent undertaking	947	-
Total financial liabilities	947	-

16. Financial Risk (continued)

c. 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 such as interest rates, equity prices and foreign exchange rates.

Foreign currency risk

Foreign currency risk arises where the Company's assets are not matched by borrowings in the same currency.

The Company is not exposed to foreign currency risk as it does not have assets and borrowing in foreign currency.

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 has minimal interest rate risk.

The company does not have any variable rate borrowing hence is not exposed to interest rate mismatches.

Price risk

Government gilts held by the company are assessed for price risk sensitivity analysis. The fair value of these investments as at 31 December 2017 is £5,038,000. The below table shows the profit and loss impact if the price of government gilts fluctuates by +/-5%.

For the year ended 31 December 2017	+5% £'000	-5% £'000
Effected fair value of government gilts	5,290	4,786
Profit and loss impact	252	(252)

17. Fair values of financial assets and liabilities

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amount of all financial assets and liabilities is a reasonable approximate of fair value due to the short term nature of these financial assets.

Valuation

A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations based on unobservable inputs is described below.

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

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

Valuation technique using observable inputs- Level 2
Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

Valuation technique using significant unobservable inputs - Level 3
Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

Table below shows fair value of financial assets and liabilities held as on 31 December 2017.

As at year ended 31 December	2017		Unaudited 2016	
	Level 1 Quoted market price	Total	Level 1 Quoted market price	Total
	£'000	£'000	£'000	£'000
Financial assets				
Available for sale investments	5,038	5,038	-	-
Amount due from immediate parent undertaking	33,457	33,457	-	-
Total assets	38,495	38,495	-	-
Financial Liabilities				
Other liabilities	947	947	-	-
	947	947	-	-

18. Events after the balance sheet date

The following subsidiaries, joint operation, nominees and special purpose vehicles were transferred from BBPLC to BBUKPLC:

Subsidiaries
- Barclays Investment Solutions Limited (Effective from 1 January 2018),
- Barclays Asset Management Limited (Effective from 1 January 2018),
- Barclays SAMS Limited (Effective from 1 April 2018),
- Woolwich Homes Limited (Effective from 1 April 2018),
- Solution Personal Finance Limited (Effective from 1 April 2018),
- First Plus Financial Group Limited (Effective from 1 April 2018).

18. Events after the balance sheet date (continued)

Joint Operation

- Vaultex UK Limited (Effective from 1 April 2018).

Nominees

- R.C. Greig Nominees Limited (Effective from 1 January 2018),
- Barclays Direct Investing Nominees Limited (Effective from 1 January 2018),
- Barclays Financial Planning Nominee Company Limited (Effective from 1 January 2018),
- Barclays Global Shareplans Nominee Limited (Effective from 1 January 2018),
- Barclays Singapore Global Shareplans Nominee Limited (Effective from 1 January 2018),
- Barclayshare Nominees Limited (Effective from 1 January 2018).

Special purpose vehicles

- Gracechurch Card (Holdings) Limited (Effective from 1 April 2018),
- Gracechurch Card Programme Funding PLC (Effective from 1 April 2018),
- Barclaycard Funding PLC (Effective from 1 April 2018),
- Gracechurch Mortgage Financing PLC (Effective from 1 April 2018),
- Gracechurch GMF Funding 1 Limited (Effective from 1 April 2018),
- Gracechurch GMF Funding 2 Limited (Effective from 1 April 2018),
- Gracechurch GMF Trustee Limited (Effective from 1 April 2018),
- Gracechurch GMF Holdings Limited (Effective from 1 April 2018),
- Barclays Covered Bond Funding LLP (Effective from 1 April 2018),
- Gracechurch Receivables Trustee Limited (Effective from 1 April 2018),
- Barclays Covered Bonds LLP (Effective from 1 April 2018).

As at 10 April 2018, BBUKPLC is the ring fenced bank of the Barclays Group. BBUKPLC was granted a restricted banking licence on 6 April 2017 and as is common practice for newly authorised entities, BBUKPLC was operating under 'mobilisation restrictions' from April 2017 up to 28 March 2018. These were restrictions (imposed under Financial Services and Markets Act 2000 ("FSMA") by the Prudential Regulatory Authority ("PRA"), with the consent of the Financial Conduct Authority ("FCA")) on the scope of its activities. On 19 February 2018, the PRA notified Barclays that the PRA, with the consent of the FCA, had agreed to vary BBUKPLC's permission, so as to enable it to commence full operation as a bank, from the date of 28 March 2018.

On 1 April 2018, BBPLC transferred the assets and liabilities of Barclays UK division to the ring-fenced bank, BBUKPLC. Further to this, BBPLC's investment in BBUKPLC was transferred from BBPLC to BPLC. BBPLC and BBUKPLC will operate alongside, but independently from one another as part of the Barclays Group under BPLC. For an overview of the changes, resulting group structure and timeline please refer to page 204 of BPLC annual report 2017. Illustrative unaudited pro-forma financial statements for 2017 on a post ring-fencing view for both BBUKPLC and BBPLC have also been published. Please see home barclays.com/annualreport.

19. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions, or one other party controls both.

The definition of related parties includes parent company, ultimate parent company, subsidiary, associated and joint venture companies, as well as the Company's key management which includes its Directors.

19. Related party transactions (continued)

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

For the year ended 31 December 2017	Immediate Parent Company (Barclays Bank PLC) £'000	Company's Subsidiary (Barclays Insurance Services Company Limited) £'000	Key Management personnel £'000	Total £'000
Transactions:				
Dividend received	-	27,364	-	27,364
Administration and general expenses	947	-	-	947
Chairman Fees	-	-	300	300
Purchase of Government Gilts	5,093	-	-	5,093
Purchase of subsidiary	133,900	-	-	133,900
Capital contribution	6,000	-	-	6,000
Impairment charge for year	-	12,364		12,364
Balances outstanding at 31 December 2017:				
Investment in subsidiaries	-	121,535	-	121,535
Amount due from immediate parent undertaking	33,457	-	-	33,457
Net liabilities	947	-	-	947

During 2016 there have been no transactions with related parties.

All the transactions with related party were conducted at arm's length price.

20. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

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.

20. Capital Management (continued)

Total capital of the Company is as follows:

For the year ended 31 December	2017 £'000	Unaudited 2016 £'000
Called up Share Capital	5,050	50
Share Premium	193	-
Available for sale reserve	(15)	-
Merger Reserve	121,436	-
Retained earnings	32,605	-
Total available capital	159,269	50

21. Parent undertaking and ultimate holding company

The parent of the Company is BBPLC.

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