SOLUTION PERSONAL FINANCE LIMITED

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

REGISTERED NUMBER: 2493897

Solution Personal Finance Limited
Directors' Report and Financial Statements
For the year ended 31 December 2017

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Solution Personal Finance Limited
Directors' Report
For the year ended 31 December 2017

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

As at the 31 December 2017 the Company was a wholly-owned subsidiary of Barclays Bank PLC, a bank incorporated in the United Kingdom. Shop Direct Finance Company Limited sold all of its ownership interest in the Company to Barclays Bank PLC on 20 February 2015. Previously, the Company was a joint venture between Shop Direct Finance Company Limited (formerly Littlewoods Finance Company Limited) ('Shop Direct') and Barclays Bank PLC ('BBPLC'). The agreement covering the sale of Shop Direct's former ownership interest included a clause relating to specifically to the treatment of conduct redress costs in relation to Payment Protection Insurance (PPI) (see also further below). The clause states that, from and including 1 February 2015, if the aggregate PPI redress costs paid to customers exceeds the PPI provision at 1 February 2015, Shop Direct shall reimburse Barclays Bank PLC on a full indemnity basis for an amount equal to 50% of such excess.

Profits and dividends

During the year the Company made a profit after tax of £0.5 million (2016: £3.1 million profit). No dividend was paid in 2017 (2016: £nil).

Post balance sheet events

On 1 April 2018 the parent of the Company became Barclays Bank UK PLC following a transfer of it's entire share capital. The ultimate holding company and the parent company of the largest group that presents group financial statements will remain Barclays Plc. Both companies are incorporated in the United Kingdom and registered in England.

Directors

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

S-J O'Donovan
D Kelly (resigned 3 August 2018)
J Knight (appointed 13 July 2017)
M L Jantzi (resigned 21 July 2017)
C J Evans (resigned 26 June 2018)

Since year end Craig Evans resigned as Director of the Company on 26 June 2018, David Kelly resigned as Director of the Company on 3 August 2018 and Jennie Knight resigned as Director of the Company on 10 August 2018. Muhterem Gokce Yucealpan and Kate Coulson were appointed as Director of the Company on 30 July 2018.

Going concern

After reviewing the Company's performance projections, the available banking facilities and taking into account the support available from BBPLC, the Directors are satisfied that the Company has adequate 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 should be read in conjunction with the Auditors' report set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the accounts.

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

Statement of Directors' responsibilities (continued)

The Directors consider that in preparing the financial statements on pages 8 to 11:

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

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

Financial risk management

The Company's activities are exposed to a variety of financial risks. The Company is required to follow the requirements of the Group risk management policies, which include specific guidelines on the management of foreign exchange, interest rate and credit risks, and advice on the use of financial instruments to manage them. The main financial risks that the Company is exposed to are outlined in note 16.

Directors third party indemnity provisions

Qualifying third party indemnity provisions were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 2017 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

Independent Auditors

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

S-J O'Donovan
Director
25 September 2018

REGISTERED NUMBER: 2493897

Review and principal activities

The principal activity of Solution Personal Finance Limited (the 'Company') is the provision of financial services, primarily credit cards, to home shopping customers of Shop Direct Home Shopping Limited. The Company stopped actively recruiting new customers in March 2008.

Barclays Bank PLC ('BBPLC'), the Company's parent undertaking as at 31 December 2017, in the capacity of a principal, originated customer receivables by entering into credit card agreements with customers and continues to service the customer receivables, including billing and collections. BBPLC assigned the beneficial interest in the cash flows arising from customer receivables and the burden of them to the Company under the 'Services Agreement relating to Littlewoods Personal Finance Limited' dated April 2006. The beneficial interest in the cash flows arising from the customer receivables is recognised by the Company as an asset 'Funding to Barclays Bank PLC', which is fully funded by an overdraft facility provided by BBPLC to the Company. Cash collected by BBPLC from customers is used to reduce the 'Funding to Barclays Bank PLC' as well as the overdraft balance. The income on 'Funding to Barclays Bank PLC' is directly related to the interest income on the underlying customer receivables.

The Company was authorised by the Financial Conduct Authority (FCA) as an insurance intermediary. On 12 January 2017, the FCA approved the Company's cancellation application. Full details can be found on the FCA website and the Firm Registered Number is 312197. The Company does not hold client money or assets and deals with retail and commercial customers.

Payment Protection Insurance

Payment Protection Insurance ('PPI') continues to be an area of focus for the business. During 2011 the judicial review proceedings brought by the British Bankers' Association in October 2010 against the FCA and the Financial Ombudsman Service regarding the assessment and redress of PPI complaints were dismissed. Barclays PLC ('Barclays'), BBPLC's ultimate parent, announced that it would not be participating in any application for permission to appeal against the High Court judgement and that Barclays had agreed with the FCA that it would process all on-hold and any new complaints from customers about PPI policies that they held. In addition to the provision of £5.3m raised in 2010 prior to the conclusion of the judicial review proceedings, the Company raised provisions against the cost of PPI redress and compliance handling costs totalling £83.7 million between 2011 and 2017, based on the FCA guidelines and historic industry experience in resolving similar claims. By 31 December 2017, £66.0 million of the total provision recognised had been utilised, leaving a provision of £23.0 million as at 31 December 2017.

The Directors of the Company work closely with BBPLC in relation to this complex judgemental area. They have made their best estimate of the PPI provision required as at 31 December 2017 based on available indicators of the likely future UK customer conduct redress payments payable by the Company. The assumptions made by Directors in estimating the provision remain subjective, in particular due to the uncertainty associated with future claims levels, which include complaints driven by Claims Management Company (CMC) activity. The current provision represents the Company's revised best estimate of all future expected costs of PPI redress based on the information available at year end. However, it is possible the eventual outcome may differ from the current estimate. We will continue to review the adequacy of provision level in respect of the ongoing level of complaints.

Business performance

The results of the Company for the year show total net income of £9.3 million (2016: £8.4 million), operating expenses of £0.8 million (2016: £0.8 million), PPI provision costs of £5.7 million (2016: £3.5 million) and a profit after tax of £0.5 million (2016: £3.1 million profit). Net assets as at 31 December 2017 were £10.9 million (2016: £10.4 million).

Future outlook

As the Company no longer recruits new customers, the Directors' primary intention is to preserve the existing customer base, and the Directors anticipate that income and operating cost levels will decrease over the foreseeable future. The Directors are satisfied that the current business model and strategy are appropriate for the Company. In line with expectations, it is likely that, although impairment levels appear to have stabilised in the short term, costs may be greater than income levels in the future. The Directors monitor the Company's business performance closely and are satisfied that the Company has adequate access to resources to enable it to meet its obligations for at least twelve months from the date of this report.

Principal risks and uncertainties

From the perspective of the Company, the Directors consider the principal risks to include interest rate risk, liquidity risk and credit risk (refer to note 16). These 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 Barclays, which include those of the Company, are discussed on pages 117 to 197 of Barclays PLC 2017 annual report, which does not form part of this report.

Key performance indicators

The Board of Directors monitors progress on the overall strategy by reference to the following key performance indicators which the Board considers to be appropriate for monitoring the Company's performance:

	2017	2016
KPIs	**£'000**	**£'000**
Average customer receivables outstanding	37,510	39,372
Customer Spend	37,576	35,989
Net interest income	7,326	6,660
Other operating income	1,937	1,761
Impairment Charge	(2,316)	(950)
PPI conduct redress payments	14,530	7,671

BY ORDER OF THE BOARD

S-J O'Donovan
Director
25 September 2018

REGISTERED NUMBER: 2493897

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLUTION PERSONAL FINANCE LIMITED

Opinion

We have audited the financial statements of Solution Personal Finance Limited ("the Company") for the year ended 31 December 2017 which comprise the Income Statement, the Balance Sheet and the Cashflow statement, the Statement of Changes in Equity and related notes, including the accounting policies in note 3.

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

Auditor's responsibilities

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

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

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

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

Alexander Snook
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
25 September 2018

Solution Personal Finance Limited
Income Statement
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Continuing operations:			
Interest income	4	8,212	7,852
Interest expense		(886)	(1,192)
Net interest income		**7,326**	**6,660**
Other operating income	5	1,937	1,761
Total net income		**9,263**	**8,421**
Impairment charge	11	(2,316)	(950)
Net income		**6,947**	**7,471**
Operating expenses	6	(772)	(807)
Provision for PPI redress	14	(5,658)	(3,542)
Profit before taxation		**517**	**3,122**
Taxation	8	(41)	(25)
Profit after taxation and total comprehensive income for the year attributable to the owners of the Company		**476**	**3,097**

The accompanying notes from pages 12 to 28 form an integral part of the financial statements.

Solution Personal Finance Limited
Balance Sheet
As at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Trade and other receivables	10	4,533	10,991
Deferred tax asset	8	7	9
Total non-current assets		**4,540**	**11,000**
Current assets			
Cash and cash equivalents		20,857	26,961
Funding to Barclays Bank PLC	12	34,799	35,289
Trade and other receivables	10	15,638	15,233
Current tax asset	8	1,178	1,217
Total current assets		**72,472**	**78,700**
Total assets		**77,012**	**89,700**
Liabilities			
Current liabilities			
Funding from Barclays Bank PLC	12	34,799	35,289
Trade and other payables	13	8,328	17,789
Provisions	14	13,939	14,847
Total current liabilities		**57,066**	**67,925**
Net current assets		**15,406**	**10,775**
Total assets less current liabilities		**19,946**	**21,775**
Non-current liabilities			
Provisions	14	9,066	11,371
Total non-current liabilities		**9,066**	**11,371**
Net assets		**10,880**	**10,404**
Equity			
Share capital	15	2	2
Share premium account		11,998	11,998
(Accumulated losses)		(1,120)	(1,596)
Total equity		**10,880**	**10,404**

The accompanying notes from pages 12 to 28 form an integral part of these financial statements.

The financial statements on pages 8 to 28 were approved by the Board of Directors on 25 September 2018 and signed on its behalf by:

S-J O'Donovan
Director
25 September 2018

Solution Personal Finance Limited
Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	(Accumulated losses) £'000	Total equity £'000
Balance at 1 January 2017	2	11,998	(1,596)	10,404
Total comprehensive income for the year	-	-	476	476
Balance at 31 December 2017	2	11,998	(1,120)	10,880
Balance at 1 January 2016	2	11,998	(4,693)	7,307
Total comprehensive income for the year	-	-	3,097	3,097
Balance at 31 December 2016	2	11,998	(1,596)	10,404

The accompanying notes from pages 12 to 28 form an integral part of these financial statements.

Solution Personal Finance Limited
Cashflow Statement
For the year ended 31 December 2017

Continuing operations	Note	2017 £'000	2016 £'000
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before taxation		517	3,122
Net decrease in funding to Barclays Bank PLC, including write-offs		490	645
Net decrease/(increase) in trade and other receivables	10	6,053	(10,661)
Net (decrease)/increase in trade and other payables		(9,461)	8,275
Net (decrease) in provisions	14	(3,213)	(588)
Net cash (used in)/from operations		(5,614)	793
Net cash (used in)/from operating activities		(5,614)	793
Cash flows used in financing activities			
Repayment of funding from Barclays Bank PLC		(490)	(645)
Net cash (used in) financing activities		**(490)**	**(645)**
Net (decrease)/increase in cash and cash equivalents		**(6,104)**	**148**
Cash and cash equivalents at beginning of year		26,961	26,813
Cash and cash equivalents at end of year		**20,857**	**26,961**
Cash and cash equivalents comprise:			
Demand deposits		20,857	26,961
Cash and cash equivalents at end of year		**20,857**	**26,961**

The accompanying notes from pages 12 to 28 form an integral part of these financial statements.

1. Reporting entity

These financial statements are prepared for Solution Personal Finance Limited (the 'Company'), which until 20 February 2015 was a joint venture between Shop Direct Finance Company Limited (formerly Littlewoods Finance Company Limited) ('Shop Direct') and Barclays Bank PLC ('BBPLC'). The Company is a wholly owned subsidiary of BBPLC following Shop Direct selling all of its ownership interest in the Company to BBPLC on 20 February 2015. The principal activity of the Company is the provision of financial services, primarily credit cards, to home shopping customers of Shop Direct.

BBPLC, in the capacity of a principal, originated customer receivables by entering into credit card agreements with customers and BBPLC continues to service the Company's customer receivables, including billing and collections. BBPLC assigned the beneficial interest in the cash flows arising from receivables and the burden of them to the Company under the 'Services Agreement relating to Littlewoods Personal Finance Limited' dated April 2006. No consideration was paid by the Company for this assignment. The beneficial interest in the cash flows arising from the customer receivables is recognised by the Company as an asset 'Funding to Barclays Bank PLC', which is fully funded by an overdraft facility provided by BBPLC to the Company. The income on 'Funding to Barclays Bank PLC' is directly related to the interest income on the underlying customer receivables. Cash collected by BBPLC is used to reduce the 'Funding to Barclays Bank PLC' as well as the 'Funding from Barclays Bank PLC'.

The Company is a private limited company, incorporated and domiciled in the United Kingdom. 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). 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.

3. Summary of significant accounting policies

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

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments, recognition, and measurement' as set out in the relevant accounting policies. They are presented in thousands of Pounds Sterling (£'000), the currency of the country in which the Company is incorporated.

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 Company operates.

3. Summary of significant accounting policies (continued)

(b) Interest

Interest income or expense is recognised on all interest bearing financial assets classified as loans and receivables and on interest bearing financial liabilities using the effective interest method.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

(c) Current and deferred income tax

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

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

Deferred tax assets are recognised on deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is regarded as probable that sufficient taxable profits will be available against which the deductible temporary difference, unused tax losses and unused tax credits can be utilised.

Deferred and current tax assets and liabilities are only offset where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously with the same tax authority.

(d) Financial assets and liabilities

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

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

Funding to Barclays Bank PLC

Funding to Barclays Bank PLC represents the beneficial interest in the cash flows from the underlying customer credit card receivables of the Company and 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. Customer receivables are held on the balance sheet of BBPLC as mentioned in note 1 above. The balance of funding to Barclays Bank PLC equates to the carrying value of the underlying credit card receivables on BBPLC's books as this represents the value of the right to cash flows assigned to the Company. In that regard, funding to Barclays Bank PLC is initially recognised at fair value of the assigned credit card receivables including direct and incremental transaction costs, and is subsequently measured at the amortised cost of the underlying credit card receivables, using the effective interest method, less an allowance for impairment on customer receivables.

Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, (see above) which are held at fair value through profit or loss. Financial liabilities are derecognised when extinguished. The Company's financial liabilities comprise trade and other payables and borrowings in the balance sheet.

3. Summary of significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

Determining fair value

Where the classification of a financial instrument requires it to be disclosed at fair value, fair value is determined by reference to the quoted bid value in an active market wherever possible. Where no such active market exists for the particular asset, the Company uses other valuation techniques 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.

Impairment of financial assets

The Company first assesses whether objective evidence of impairment exists individually for the loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan and receivable, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and recognised in the income statement. 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.

For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar risk characteristics, taking into account primarily past-due status. These groupings are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in each group of loans and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and statistical probabilities of historical loss and recovery experience for each group of assets. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Interest income continues to be recognised when an account is past due. Interest income on past due accounts is reduced by an appropriate amount of the impairment loss recognised on the account. Interest income is suspended when the accounts are charged-off and recognised within the provision for impairment.

Loans and advances are charged off when management deems the amount uncollectable and this is generally 180 days past due. After all procedures to collect the loans and advances have been exhausted, which occurs 3 months or 12 months past due depending on the collateral of the loan, the loans and advances are written off against the related allowance for impairment. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

3. Summary of significant accounting policies (continued)

(e) Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefits will be necessary to settle the obligation, and these can be reliably estimated.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

(f) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises demand deposits.

New and amended standards

IFRS 9 Financial Instruments

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

Impairment:

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

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

Key concepts and management judgements

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

Determining a significant increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3).

3. Summary of significant accounting policies (continued)

New and amended standards (continued)

IFRS 9 (continued)

Barclays will assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

Quantitative Test

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

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

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

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

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

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

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

Expected impact
The assessment of the impact of adopting IFRS 9 is still being determined by management.

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) recognising 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 fulfill 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.

3. Summary of significant accounting policies (continued)

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial statements.

4. Interest income

Interest income is analysed as follows:

	2017 £'000	2016 £'000
Interest income from funding to BBPLC	8,188	7,739
Bank interest income	24	113
Total interest income	**8,212**	**7,852**

5. Other operating income

Other operating income is analysed as follows:

	2017 £'000	2016 £'000
Account charges	743	920
Fraud Recoveries	493	205
Insurance commissions	444	397
Cash advance fees	137	135
Interchange fees	120	104
Total other operating income	**1,937**	**1,761**

6. Operating expenses

The following items have been charged in arriving at the Company's operating expenses:

	2017 £'000	2016 £'000
Operations costs recharged by BBPLC to the Company	454	432
Staff costs recharged by BBPLC to the Company (note 7)	174	174
Auditors' remuneration - audit services	144	104
Fraud losses	-	97
Total operating expenses	**772**	**807**

7. Employees and key management, including directors

(i) Employees

There were no employees employed by the Company in 2017 (2016: nil). Staff providing services to the Company are contracted by BBPLC. All costs have been incurred by BBPLC and recharged to the Company.

(ii) Directors' remuneration

All the Directors are employees of BBPLC and are remunerated by BBPLC. No emoluments were paid or are payable by the Company or others to the Directors or were otherwise earned by the Directors in respect of qualifying services provided to the Company during the year (2016: nil).

8. Taxation

(a) Income tax charge/(credit)

The charge for tax is based on a UK corporation tax rate of 19.25% (2016: 20%) and comprises:

	2017	2016
	£'000	£'000
Current tax:		
Current year	39	23
	39	23
Deferred tax:		
Current year	2	2
Total tax charge/(credit)	**41**	**25**

From 1 April 2015, the main rate of UK corporation tax is 20%. Legislation has been introduced to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020.

	2017	2016
	£'000	£'000
Profit before tax	517	3,122
Tax charge at standard UK corporation tax rate of 19.25% (2016: 20%)	99	625
Utilisation of previously unrecognised tax losses	(58)	(600)
Total tax charge	**41**	**25**
Effective tax rate	**8%**	**0.80%**

(b) Current tax (asset)/liability

The current tax (asset)/liability is as follows:

	2017	2016
	£'000	£'000
Current year corporation tax payable	40	23
(Payments) for Group relief receivable	(1,218)	(1,240)
Total	(1,178)	(1,217)

8. Taxation (continued)

(c) Recognised deferred tax asset

	2017 £'000	2016 £'000
Provision at start of period	9	11
Deferred tax charge to income statement for the period	(2)	(2)
Provision at end of period	**7**	**9**

	2017 £'000	2016 £'000
Fixed asset timing differences	7	9
Total	**7**	**9**

(d) Unrecognised deferred tax asset

	2017 £'000	2016 £'000
Tax losses	79	135
Total	**79**	**135**

Legislation has been introduced to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020. As a result relevant deferred tax balances have been re-measured. The closing deferred tax assets and liabilities have been measured at blended rates based on the rate when the deferred tax balances are expected to unwind.

9. Dividends

No dividend payment was made in respect of the financial year ended 31 December 2017 (2016: nil).

10. Trade and other receivables

Trade and other receivables are analysed as follows:

	2017 £'000 Current	2017 £'000 Non-current	2016 £'000 Current	2016 £'000 Non-current
Accrued income	32	-	47	-
Amount due from related parties	-	-	10,386	-
Reimbursement of PPI costs due from Shop Direct Finance Company Limited (see note 14)	15,606	4,533	4,800	10,991
Total	**15,638**	**4,533**	**15,233**	**10,991**

The fair value of the Company's financial instruments is set out in note 17.

11. Allowance for impairment

The impairment allowance on funding to Barclays Bank PLC is determined with reference to the impairment on the underlying credit card receivables recorded on the books of BBPLC.

The movement in the allowance for impairment is as follows:

	2017 £'000	2016 £'000
At 1 January	2,968	4,119
Impairment charge	2,316	950
Amounts written off, net of recoveries	(1,950)	(2,101)
At 31 December	**3,334**	**2,968**

12. Funding from / to Barclays Bank PLC

The funding provided by BBPLC of £34.8 million (2016: £35.3 million) is used to fund beneficial interest in credit card receivables. Interest on the funding is charged at BBPLC's Base Lending Rate. The funding from BBPLC is reduced as funding to BBPLC reduces, which reduces in turn as the underlying credit card receivables are repaid.

13. Trade and other payables

Trade and other payables are analysed as follows:

	2017 £'000 Current	2016 £'000 Current
Accrued expenses incurred by BBPLC being recharged to the Company	8,228	17,689
Accrued expenses	100	100
Total	8,328	17,789

14. Provisions

Movements on the Company's provisions in the year which related to PPI conduct redress were as follows:

	2017 £'000	2016 £'000
At 1 January	**26,218**	**26,806**
Increase in provision	11,317	7,083
Utilisation	(14,530)	(7,671)
At 31 December	**23,005**	**26,218**

Of the £11.3m provision increase in 2017, £5.7m is due to be reimbursed by Shop Direct Finance Company Limited. The net charge to the 2017 income statement was therefore £5.7m (2016: £3.5m).

An analysis of total provision between current and non-current is shown below:

	2017 Current £'000	2017 Non-current £'000	2016 Current £'000	2016 Non-current £'000
Provisions	13,939	9,066	14,847	11,371
At 31 December	**13,939**	**9,066**	**14,847**	**11,371**

Provisions consist of amounts related to PPI sales. The Company stopped selling PPI in 2008.

In addition to the provision of £5.3m raised in 2010 prior to the conclusion of the judicial review proceedings brought by the British Bankers' Association, the Company raised provisions for the cost of PPI redress and related compliance

14. Provisions (continued)

handling costs totalling £83.7 million between 2011 and 2017, based on the Barclays Group guidelines in resolving similar claims. By 31 December 2017, £66.0 million of the total provision recognised had been utilised, leaving a provision balance of £23.0 million as at 31 December 2017.

The Company has upheld on average 92% of all claims received to 31 December 2017 (2016: 78%). The average redress per valid claim to date is £1,700, comprising of, where applicable, the refund of premium, compound interest charged and penalty interest of 8%.

The current provision is calculated based on a number of key assumptions which continue to involve significant management judgment:

- Customer initiated claim volumes – claims received but not yet processed and an estimate of future claims initiated by customers where the volume is anticipated to decline over time.
- Proactive response rate – volume of claims in response to proactive mailing.
- Uphold rate – the percentage of claims that are upheld as being valid upon review.
- Average claim redress – the expected average payment to customers for upheld claims based on the type and age of the policy/policies.

These assumptions remain subjective; in particular the uncertainty associated with future claims levels. The resulting provision represents the Company's best estimate of all future expected costs of PPI redress. However, it is possible the eventual outcome may differ from the current estimate. The provision also includes those costs associated with claims that are subsequently referred to the Financial Ombudsman Service.

The agreement covering the purchase of Shop Direct's former ownership interest in the Company by BBPLC included a clause stating that from and including 1 February 2015, if the aggregate PPI remediation paid to customers exceeds the PPI provision, Shop Direct shall reimburse Barclays Bank PLC on a full indemnity basis for an amount equal to 50% of such excess.

15. Share capital

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

At 1 January 2017	Number of shares	Ordinary shares	Share premium	Total
		£	£	£
At 31 December 2017				
£1.00 Ordinary	1,998	1,998	11,998,002	12,000,000
Total	**1,998**	**1,998**	**11,998,002**	**12,000,000**

16. Financial risks

The Company's activities expose it to a variety of financial risks. These are credit risk, liquidity risk and market risk, (which includes foreign currency risk, interest rate risk and price risk). Consequently, the Company devotes considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks, and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of the business. The Company uses derivative financial instruments to hedge certain risk exposures.

The Board of Directors monitors the Company's financial risks and has responsibility for ensuring effective risk management and control.

(a) Credit risk

Credit risk is the risk of suffering financial loss should any of the Company's customers or market counterparties fail to fulfill their contractual obligations to the Company.

BBPLC, as originator of the financing, assessed all counterparties, including its customers, for credit risk before contracting with them. Although the customer receivables are held by BBPLC, any loss incurred reduces the amount of 'Funding to Barclays Bank PLC' and therefore the credit risk in relation to 'Funding to Barclays Bank PLC' is ultimately related to the credit risk exposure in the underlying customer receivables. Customers' counterparty risk is assessed through BBPLC's documented risk policies and procedures.

Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk:

	2017 £'000	2016 £'000
Cash and cash equivalents	20,857	26,961
Funding to Barclays Bank PLC	34,799	35,289
Trade and other receivables	20,171	26,224
Total maximum exposure at 31 December	**75,827**	**88,474**

The Company does not hold any collateral as security, nor are its borrowings secured on any assets of the Company. Cash and cash equivalents, funding to Barclays Bank PLC and trade and other receivables comprise amounts owing from related parties (which are disclosed in note 19) and third parties. There were no other significant concentrations of credit risk.

16. Financial risks (continued)

Financial assets subject to credit risk

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

2017	Notes	Cash and cash equivalents £'000	Funding to BBPLC £'000	Trade and other receivables £'000	Total £'000
Neither past due nor individually impaired	(i)	20,857	33,871	20,171	74,899
Past due but not individually impaired	(ii)	-	4,262	-	4,262
Total		**20,857**	**38,133**	**20,171**	**79,161**
Impairment allowance (note 11)		-	(3,334)	-	(3,334)
Total carrying amount		**20,857**	**34,799**	**20,171**	**75,827**
2016					
Neither past due nor individually impaired	(i)	26,961	32,291	26,224	85,476
Past due but not individually impaired	(ii)	-	5,966	-	5,966
Total		**26,961**	**38,257**	**26,224**	**91,442**
Impairment allowance		-	(2,968)	-	(2,968)
Total carrying amount		**26,961**	**35,289**	**26,224**	**88,474**

Funding to Barclays Bank PLC is impaired as a result of the shortfall in cash flows on the underlying customer receivables. For added transparency, amounts owing have been classified according to the payment status of the underlying credit card receivables status, and additional information on those receivables is presented below.

(i) **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.

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

16. Financial risks (continued)

(i) Financial assets subject to credit risk neither past due nor individually impaired (continued)

31 December 2017	Strong £'000	Total £'000
Cash and cash equivalents	20,857	20,857
Funding to BBPLC	33,871	33,871
Trade and other receivables	20,171	20,171
Total	**74,899**	**74,899**

31 December 2016	Strong £'000	Total £'000
Cash and cash equivalents	26,961	26,961
Funding to BBPLC	32,291	32,291
Trade and other receivables	26,224	26,224
Total	**85,476**	**85,476**

(ii) Customer receivables subject to credit risk past due but not individually impaired

The age analysis of the underlying customer receivables that are past due but not individually impaired is as follows:

	Past due up to 1 month £'000	Past due 1-2 months £'000	Past due 2-3 months £'000	Past due 3-6 months £'000	Past due 6 months and over £'000	Total £'000
2017	1,084	321	224	398	2,235	4,262
2016	3,202	399	228	522	1,615	5,966

The gross and net carrying values of financial assets past due but not individually impaired, all of which represent loans and receivables, are as follows:

	Gross carrying amount £'000	Impairment allowance £'000	Net carrying amount £'000
2017	38,133	3,334	34,799
2016	38,257	2,968	35,289

The impairment allowance on these loans and receivables has been assessed collectively.

(iii) Individually impaired financial assets

There were no individually impaired financial assets.

(b) Liquidity risk

Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient to meet its payment obligations as they fall due. The 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.

16. Financial risks (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Company 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, including principal and interest:

2017	On demand £'000	< 3 months £'000	Total £'000
Funding from Barclays Bank PLC	34,799	-	34,799
Trade and other payables	-	8,328	8,328
Total financial liabilities	**34,799**	**8,328**	**43,127**
2016			
Funding from Barclays Bank PLC	35,289	-	35,289
Trade and other payables	-	17,789	17,789
Total financial liabilities	**35,289**	**17,789**	**53,078**

(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 or prices such as interest rates, equity prices and foreign exchange rates. The Company is not exposed to equity price and foreign exchange risk.

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 short term borrowings (funding from Barclays Bank PLC), the underlying customer assets and the demand deposits held with Barclays Bank PLC. All of the Company's borrowings as at 31 December 2017 and 2016 are charged at variable interest rates.

Interest rate sensitivity analysis

The sensitivity of the statement of comprehensive income is the effect of assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and liabilities held at 31 December 2017 and 2016. The demand deposits held with Barclays Bank PLC are immaterial for sensitivity analysis.

Impact on net interest income

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

	2017		2016	
	+25 basis points £'000	-25 basis points £'000	+25 basis points £'000	-25 basis points £'000
Funding to Barclays Bank PLC				
Total interest income impact	88	(88)	113	(113)
As a percentage of interest income	1.07%	(1.07%)	1.44%	(1.44%)
Funding from Barclays Bank PLC				
Total interest expense impact	(88)	88	(113)	113
As a percentage of interest expense	(9.90%)	9.90%	(9.48%)	9.48%
Net impact	-	-	-	-

17. Fair value of financial instruments

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table summarises the carrying amounts of financial assets and financial liabilities presented on the Company's balance sheet and their fair values:

	2017		2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets:				
Funding to BBPLC	34,799	36,615	35,289	37,059
Trade and other receivables	20,171	20,171	26,224	26,224
Cash and cash equivalents	20,857	20,857	26,961	26,961
Financial liabilities:				
Funding from BBPLC	34,799	34,799	35,289	35,289
Trade and other payables	8,328	8,328	17,789	17,789

Valuation methodology

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

Valuations based on observable inputs

Quoted market prices - Level 1

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

Valuation technique using observable inputs - Level 2

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

Valuations based on unobservable inputs

Valuation technique using significant unobservable inputs - Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The following table shows the fair value of funding to BBPLC, comprising beneficial interest in customer receivables, measured at amortised cost analysed by fair value hierarchy:

	Fair Value £'000	Quoted Market Prices (Level 1) £'000	Observable Inputs (Level 2) £'000	Significant Unobservable Inputs (Level 3) £'000
Financial assets:				
Funding to Barclays Bank PLC	36,615	-	-	36,615

17. Fair values of financial instruments (continued)

The Company determined the fair value of the funding to Barclays Bank PLC balance using a discounted cash flow approach based on the underlying receivables. Assumptions within this model include a discount rate based on the market rate of return as at 31 December 2017 and expected loss rates based on internal assumptions.

The carrying value materially approximates the fair value for the other financial assets and liabilities because they are short term in duration or variable rate in nature.

18. Contingencies and commitments

There were no contingent liabilities, capital or lease commitments at 31 December 2017 (2016: nil).

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

	Note	BBPLC 2017 £'000	BBPLC 2016 £'000
Asset/(liability)			
Demand deposits	(a)	20,857	26,961
Receivables assigned by BBPLC	(b)	34,799	35,289
Amounts due from related parties		-	10,386
Amounts due to related parties	(c)	(8,228)	(17,689)
Funding in relation to loans & receivables	(d)	(34,799)	(35,289)
Group relief receivable	(e)	1,217	1,240
Income/(expense)			
Interest income	(a)	24	113
Interest income on funding to BBPLC	(b)	8,188	7,739
Banking fees, IT charges and PPI redress	(c)	(14,704)	(7,541)
Interest payable on funding from BBPLC	(d)	(886)	(1,192)

(a) The Company has deposits with BBPLC, which earned interest of £0.1 million in the year (2016: £0.1 million), and had a deposit balance of £20.9 million at 31 December 2017 (2016: £27.0 million).

(b) BBPLC, in the capacity of a principal, originated customer receivables by entering into credit card agreements with customers and continues to service the customer receivables, including billing and collections. BBPLC assigned the beneficial interest in the cash flows arising from the customer receivables and the burden of them to the Company under 'Services Agreement relating to Littlewoods Personal Finance Limited' dated April 2006. The interest income on the customer receivables is paid to the Company by BBPLC.

(c) The Company pays a banking fee to BBPLC for banking services provided, charge for certain IT services and PPI redress. The cost of these services was not capitalised.

(d) The funding is provided by BBPLC to fund customer receivables. The loans bear interest at BBPLC's Base Lending rate and are repayable on demand.

(e) Consortium tax of £1.2 million was receivable at 31 December 2017 (2016: £1.2 million receivable).

During the year, services were provided by the Directors of the Company who were Directors or employees of BBPLC for which no charge was incurred by the Company. No charge was made for Directors insurance provided to the Company's Directors.

19. Related party transactions (continued)

The Company has an arrangement with Norwich Union whereby an income of £0.1 million in relation to profit share on insurance sale business was earned in 2017 (2016: £0.1 million). This income is received by BBPLC and reimbursed to the Company. In addition to the disclosures made above, certain other tax advice and risk and administrative services are provided to the Company without charge by BBPLC.

Operations costs in relation to PPI redress are incurred by Barclays Bank PLC and not recharged to the Company.

20. Capital management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern.
- To maintain an optimal capital structure in order to reduce the cost of capital.
- To generate sufficient capital to support asset growth.

The Directors are responsible for capital management and have approved minimum control requirements for capital and liquidity risk management.

As set out in the Balance Sheet, the Company has total equity of £10.9 million at 31 December 2017 (2016: £10.4 million). The Company also expects to be able to maintain this position during 2017.

21. Parent undertaking and ultimate holding company

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

22. Post balance sheet event

On 1 April 2018 the parent of the Company became Barclays Bank UK PLC following a transfer of its entire share capital. The ultimate holding company and the parent company of the largest group that presents group financial statements will remain Barclays Plc. Both companies are incorporated in the United Kingdom and registered in England.