Registered number: 02493897

SOLUTION PERSONAL FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

SOLUTION PERSONAL FINANCE LIMITED

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

Results and dividends

During the year, the Company made a profit after tax of £2,131,000 (2020: loss after tax £885,000). The Directors do not recommend the payment of a dividend (2020: £nil).

Directors

The Directors of the Company, who served during the year and up to the date of signing the financial statements, are as shown below:

K Coulson (resigned 1 September 2021)
S J O'Donovan
A Lishman
S Lynch (appointed 17 September 2021)
M G Yucealpan (resigned 24 May 2022)

Going Concern

After reviewing the Company's financial position, performance projections (including, where relevant, the impact of the COVID-19 pandemic and current geopolitical tensions), the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations as they fall due and to continue in operational existence for at least the next 12 months from the date of signing these financial statements. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

Directors' responsibilities statement

The Directors are responsible for preparing 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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 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 the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adpoted international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 the 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.

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 2021 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, including qualifying third party indemnity provisions and qualifying indemnity provisions which may occur (or have occurred) in connection with their duties, powers or office.

Environment

The Barclays Group focuses on addressing environmental issues where it is felt that there is the greatest potential to make a difference. As the global effort to tackle climate change grows, the Barclays Group is moving rapidly to take a leading role in contributing to the transition to a low-carbon economy. In March 2020, Barclays Group set out its ambition to be a net zero bank by 2050.

To successfully fulfil against our Purpose, we must ensure that we address the needs of all our stakeholders.This includes our customers and clients, colleagues, investors and the societies in which we operate.

The longevity of our business can only be ensured if we help tackle the challenges of our time, such as social inequality and climate change, whilst minimising any unintended and adverse impacts of our operations and our business as a financial institution. To this end we seek to identify and understand the environmental, social and governance factors which impact our organisation and how we shape and impact the environment and society around us. We do this in the context of the financial services we provide, the geographies in which we operate and the needs of our customers and clients.

We will continue to identify new opportunities and strive to integrate our broader social and environmental impact into the way we run and govern our business and the work we do every day to help customers and clients, colleagues and society.

While we have managed ESG (Environmental, Social and Governance) issues for several years, our approach continues to evolve in response to a dynamic external environment, increasing investor and other stakeholder attention and continued innovation in our business and product offerings. We recognise that the focus on the societal impact of businesses and performance against wider ESG factors has increased in recent years, with growing interest from a range of stakeholders including investors, clients, policy makers and regulators.

Disclosure of global greenhouse gas emissions is done at a Barclays Group level with information available in the Barclays PLC Annual Report 2021 with fuller disclosure available on our website at home.barclays.com/citizenship.

Independent Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Disclosure of information to Auditor

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.

Small companies provision

This report has been prepared in accordance with the special provisions applicable to small companies set out in section 415A of the Companies Act. The Company has also taken advantage of the small companies exemption from the requirement to prepare a Strategic report.

FOR AND ON BEHALF OF THE BOARD

DocuSigned by:
Adam Lishman
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A Lishman
Director

Date: 11 July 2022

Company number: 02493897

INDEPENDENT AUDITORS' 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 2021 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and 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 the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adpoted international accounting standards; 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

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work: -

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and operational managers including inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of revenue is straightforward with no judgement involved in the calculation, and no pressures or incentives for management to manipulate revenue have been identified.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Barclays group-wide fraud risk management controls.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included high-risk journal entries and other adjustments made at the end of the reporting period.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and other management (as required by auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

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

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate.

We identified the following areas as those most likely to have such an effect: certain aspects of Company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOLUTION PERSONAL FINANCE LIMITED

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' report

The Directors are responsible for the Directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read 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 Directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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 and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOLUTION PERSONAL FINANCE LIMITED

Auditors' 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 auditors' 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.

M. McG

Michael McGarry (Senior Statutory Auditor)

for and on behalf of
KPMG LLP

Statutory Auditor
Chartered Accountant

15 Canada Square
LONDON
E14 5GL

11 July 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Interest income	5	4,418	6,071
Interest expense	5	(1,046)	(1,017)
Net interest income		3,372	5,054
Other income	6	207	250
Total income		3,579	5,304
Impairment (charge)/release	7	2,019	(5,191)
Net operating income		5,598	113
Administrative expenses	7	(128)	(64)
Litigation and conduct	7	(2,840)	(1,143)
Profit/(Loss) before tax		2,630	(1,094)
Tax (expense)/credit	9	(499)	209
Profit/(Loss) after tax		2,131	(885)

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

Profit or loss for the year is derived from continuing activities. All recognized income and expenses have been reported in the income statement, hence no statement of comprehensive income has been included in the financial statements.

SOLUTION PERSONAL FINANCE LIMITED
REGISTERED NUMBER: 02493897

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Deferred tax assets	9	5	5
Total non-current assets		5	5
Current assets			
Trade and other receivables	10	151	11,205
Funding to Barclays Bank UK PLC	10	16,002	18,145
Current tax assets	9	-	600
Cash and cash equivalents		13,868	9,427
Total current assets		30,021	39,377
Total assets		30,026	39,382
Liabilities			
Current liabilities			
Trade and other payables	11	-	8,964
Funding from Barclays Bank UK PLC	12	16,002	18,145
Current tax liabilities	9	499	-
Provisions	13	112	991
Total liabilities		16,613	28,100
Net assets		13,413	11,282
Issued capital and reserves			
Share capital	15	2	2
Share premium reserve		11,998	11,998
Retained earnings		1,413	(718)
TOTAL EQUITY		13,413	11,282

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

The financial statements were approved and authorised for issue by the Board of Directors on 11 July 2022 and were signed on its behalf by:

DocuSigned by:
Adam Lishman
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A Lishman
Director
Date: 11 July 2022
Company number: 02493897

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2021	2	11,998	(718)	11,282
Profit for the year	-	-	2,131	2,131
Total comprehensive income for the year	-	-	2,131	2,131
At 31 December 2021	2	11,998	1,413	13,413

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2020	2	11,998	167	12,167
Loss for the year	-	-	(885)	(885)
Total comprehensive income for the year	-	-	(885)	(885)
At 31 December 2020	2	11,998	(718)	11,282

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Profit/(loss) for the year	2,131	(885)
Adjustments for		
Income tax expense	499	(209)
	2,630	(1,094)
Changes in Operating assets and liabilities :		
(Increase) / decrease in funding to BBUK PLC	2,143	9,472
(Increase) / decrease in trade and other receivables	11,054	10,686
Increase / (decrease) in trade and other payables	(8,964)	2,788
Increase / (decrease) in provisions	(879)	(14,956)
Cash generated from operations	5,984	6,896
Income tax refund received	600	-
Net cash from operating activities	6,584	6,896
Cash flows from financing activities		
Repayment of funding from BBUK PLC	(2,143)	(9,472)
Net cash used in financing activities	(2,143)	(9,472)
Net decrease in cash and cash equivalents	4,441	(2,576)
Cash and cash equivalents at the beginning of year	9,427	12,003
Cash and cash equivalents at the end of the year	13,868	9,427

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Reporting entity

These financial statements are prepared for Solution Personal Finance Limited, which until 20 February 2015 was a joint venture between The Very Group Limited (formerly known as Shop Direct Finance Company Limited and prior to that Littlewoods Finance Company Limited) and Barclays Bank PLC ('BB PLC'). The financial statements are prepared for the Company in line with the UK Companies Act 2006. The Company is a wholly owned subsidiary of Barclays Bank UK PLC ('BBUK PLC') following Shop Direct Finance Company Limited selling all of its ownership interest in the Company to BB PLC on 20 February 2015 and then BB PLC transferring its entire ownership to BBUK PLC on 1 April 2018. Both the companies prepare consolidated financial statements in accordance with a) UK-adopted international accounting standards; and (b) International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), including interpretations issued by the IFRS Interpretations Committee in conformity with the requirements of the Companies Act 2006. The principal activity of the Company is the provision of financial services, primarily credit cards, to home shopping customers of The Very Group.The Company stopped actively recruiting new customers in March 2008.

BBUK PLC 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 BBUK PLC', which is fully funded by a facility provided by BBUK PLC to the Company. The income on 'Funding to BBUK PLC' is directly related to the interest income on the underlying customer receivables. Cash collected by BBUK PLC is used to reduce the 'Funding to BBUK PLC' as well as the 'Funding from BBUK PLC'.

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

2. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. 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.

2.1 Basis of measurement

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 IFRS 9 'Financial Instruments' as set out in the relevant accounting policies.

After reviewing the Company's financial position, performance projections (including, where relevant, the impact of the COVID-19 pandemic and current geopolitical tensions) and available banking facilities, the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations as they fall due and to continue in operational existence for at least the next 12 months from the date of signing these financial statements. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

2.2 Changes in accounting policies

(i) New standards, interpretations and amendments effective from 1 January 2021

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

(ii) New standards, interpretations and amendments not yet effective

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

3. Functional and presentation currency

The financial statements are presented in thousands of pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Accounting policies

4.1 Foreign currency translation

The Company applies IAS 21 The Effects of Changes in Foreign Exchange Rates. Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Foreign currency monetary balances are translated into Sterling at the period end exchange rates. Exchange gains and losses on such balances are taken to the income statement. Non-monetary foreign currency balances in relation to items measured in terms of historical cost are carried at historical transaction date exchange rates. Non-monetary foreign currency balances in relation to items measured at fair value are translated using the exchange rate at the date when the fair value was measured.

4.2 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.

4.3 Revenue

The Company applies IFRS 15 Revenue from Contracts with Customers. The standard establishes a five step model governing revenue recognition. The five-step model requires the Company to:

(i) identify the contract with the customer,
(ii) identify each of the performance obligations included in the contract,
(iii) determine the amount of consideration in the contract,
(iv) allocate the consideration to each of the identified performance obligations and
(v) recognise revenue as each performance obligation is satisfied.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

4. Accounting policies (continued)

4.4 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 to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Deferred tax liabilities are recognised for all taxable temporary differences except from the initial recognition of goodwill. Deferred tax is not recognised where the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities are only offset where there is both a legal right to set-off and an intention to settle on a net basis.

4.5 Financial assets and liabilities

The Company applies IFRS 9 Financial Instruments to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets.

Broadly the entity applies the same principals as followed by the parent in their consolidated financial statements. The below framework is to provide a high level overview of the same.

Recognition

The entity recognises financial assets and liabilities when it becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset.

4. Accounting policies (continued)

4.5 Financial assets and liabilities (continued)

Classification and measurement

Financial assets are classified on the basis of two criteria:
i) the business model within which financial assets are managed, and
ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

The entity assesses the business model criteria at a portfolio level. Information that is considered in determining the applicable business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent SPPI. In assessing whether contractual cash flows are SPPI compliant, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that it would not meet the condition for SPPI are considered, including: (i) contingent and leverage features, (ii) non-recourse arrangements and (iii) features that could modify the time value of money.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets and liabilities measured at amortised cost

Financial assets are 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 SPPI. Financial liabilities are held at amortised cost except for those held for trading or designated at fair value.

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean the Company is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows the Company will consider past sales and expectations about future sales.

For financial assets and liabilities which are held at amortised cost the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

Financial assets measured at fair value through other comprehensive income

Financial assets are 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 SPPI.

4. Accounting policies (continued)

4.5 Financial assets and liabilities (continued)

Financial assets measured at fair value through other comprehensive income (continued)

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.

Financial assets and liabilities at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income, as described above are measured at fair value through profit or loss (FVTPL).

A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Accounting for financial assets mandatorily at fair value through profit or loss

Financial assets are held at fair value through profit or loss if they do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, or if the financial asset is not held in a business model that is either (i) a business model to collect the contractual cash flows or (ii) a business model that is achieved by both collecting contractual cash flows and selling. Subsequent changes in fair value for these instruments are recognised in the income statement in net investment income, except if reporting it in trading income reduces an accounting mismatch.

Accounting for financial assets designated at fair value through profit or loss

Financial assets, other than those held for trading, are classified in this category if they are so irrevocably designated at inception and the use of the designation removes or significantly reduces an accounting mismatch.

Subsequent changes in fair value are recognised in the income statement in net investment income.

Derecognition

The entity derecognises a financial asset, or a portion of a financial asset, from its balance sheet where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms – generally a difference of 10% or more in the present value of the cash flows or a substantive qualitative amendment – is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Transactions in which the entity transfers assets and liabilities, portions of them, or financial risks associated with them can be complex and it may not be obvious whether substantially all of the risks and rewards have been transferred. It is often necessary to perform a quantitative analysis. Such an analysis compares the entity's exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

4. Accounting policies (continued)

4.5 Financial assets and liabilities (continued)

Derecognition (continued)

A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity, or prepayment rates.

Accounting for loans and advances and deposits held at amortised cost under IFRS 9

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

Financial assets that are held in a business model to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs.

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit making purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean the entity is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows the entity will consider past sales and expectations about future sales.

Impairment of financial assets

The Company is required to recognise expected credit losses (ECLs) based on unbiased forward-looking information for all financial assets at amortised cost. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope of IFRS 9 for ECL purposes.

At the reporting date, an allowance (or provision for loan commitments and financial guarantees) is required for the 12 month (Stage 1) ECLs. If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3), an allowance (or provision) should be recognised for the lifetime ECLs.

The measurement of ECL is calculated using three main components: (i) probability of default (PD) (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

The 12 month ECL is calculated by multiplying the 12 month PD, LGD and the EAD. The 12 month and lifetime PDs represent the PD occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected draw downs of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

4. Accounting policies (continued)

4.5 Financial assets and liabilities (continued)

Impairment of financial assets (continued)

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.

Any potential ECL from the consideration of observable data on a portfolio basis is recognised by the Company.

Financial liabilities

BBUK PLC 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 BBUK PLC', which is fully funded by a facility provided by BBUK PLC to the Company. The income on 'Funding to BBUK PLC' is directly related to the interest income on the underlying customer receivables. Cash collected by BBUK PLC is used to reduce the 'Funding to BBUK PLC' as well as the 'Funding from BBUK PLC'.

4.6 Issued equity securities

Equity instruments, including share capital, are initially recognised at net proceeds, after deducting transaction costs and any related income tax. Dividend and other payments to equity holders are deducted from equity, net of any related tax.

4.7 Provisions

The Company applies IAS 37 Provisions, Contingent Liabilities and Contingent Assets in accounting for non-financial liabilities.

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.

4.8 Cash and cash equivalents for the purpose of cash flow statement

For the purposes of the cash flow statement, cash comprises cash on hand, and cash equivalents.

4.9 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 consolidated and individual financial statements are highlighted under the relevant note. Critical accounting estimates and judgements are disclosed in:

- Credit impairment charges
- Fair value of financial instruments
- Provisions including conduct and legal

4. Accounting policies (continued)

4.10 Contingent liabilities

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 on the balance sheet but are disclosed unless the likelihood of an outflow of economic resources is remote.

5. Net interest income

	2021 £000	2020 £000
Interest income	4,418	6,071
Total interest income	4,418	6,071
Interest expense	(1,046)	(1,017)
Total interest expense	(1,046)	(1,017)
Net interest income	3,372	5,054

Interest income relates to income earned on the underlying credit card receivables held by BBUK PLC.

Interest expense is the funding cost associated with the funding from BBUK PLC.

6. Other income

	2021 £000	2020 £000
Account charges	66	109
Insurance commissions	24	22
Cash advance fees	40	45
Interchange fees	77	74
Total	207	250

7. Profit before tax

The following items have been charged in arriving at profit/ (loss) from operations:

	2021 £000	2020 £000
Impairment (credit)/charge	(2,019)	5,191
Administrative expenses:		
- Other Operating Expenses	128	64
Litigation and conduct:		
- PPI provision release	(576)	1,143
- PPI loss	3,416	-
Total	949	6,398

The 2021 year end audit fee of £66,000 (2020: £65,000) has been borne by the Company's parent, BBUK PLC and has not been recharged to the Company.The 2021 fees are not recognised as an expense in the financial statements of the Company.

There was a credit impairment net release of £2 million (2020: £5.2 million charge) driven by an improved macroeconomic outlook and lower unsecured lending balances due to customer repayments and lower delinquencies.

The Very Group Limited owed £9.7 million to Solution Personal Finance Limited for their share of payment protection insurance claims at the beginning of the year. In 2021, they made regular payment of £2 million and full and final payment of £4.3 million. As a result, Solution Personal Finance Limited incurred a loss of £3.4 million during the year.

8. Employees and key management, including Directors emoluments

Employee benefits

There were no employees employed by the Company in 2021 (2020: nil). Staff providing services to the Company are contracted by BBUK PLC and Barclays Execution Services Limited. All costs in this respect have been incurred by BBUK PLC and have not been recharged to the Company.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors of the Company listed on page 2, and the Financial Controller of the Company. 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 (2020: nil).

During the year, one of the Directors exercised share options (2020: nil) under the Barclays PLC Sharesave Scheme and Long Term Incentive Schemes.

9. Tax expense

9.1 Income tax recognised in profit or loss

	2021 £000	2020 £000
Current tax		
Current tax on profits/(losses) for the year	499	(208)
Total current tax	499	(208)
Deferred tax expense		
Current year	1	-
Rate change adjustment	(1)	(1)
Total deferred tax	-	(1)
	499	(209)
Total tax (credit)/expense	499	(209)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2021 £000	2020 £000
Profit/(Loss) after income tax	2,131	(885)
Income tax (credit)/expense (including income tax on associate, joint venture and discontinued operation)	499	(209)
Profit/(loss) before income taxes	2,630	(1,094)
Tax charge at average UK corporation tax rate of 19% (2020: 19%)	500	(208)
Rate change adjustment	(1)	(1)
Total tax (credit) / expense	499	(209)

Changes in tax rates and factors affecting the future tax charges

On 22 July 2020 the Finance Act 2020 received Royal Assent, resulting in the UK corporation tax rate remaining at 19% from 1 April 2020 onwards instead of reducing to 17%, the previously enacted rate. This 19% rate has therefore been used to calculate current tax balances for the year ended 31 December 2021.

9. Tax expense (continued)

9.2 Current tax assets and liabilities

	2021 £000	2020 £000
UK corporation tax	(499)	600
	(499)	600

UK corporation tax is settled with the parent company BBUK PLC.

9.3 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

	2021 £000	2020 £000
Deferred tax assets	5	5
	5	5

	Opening balance £000	Charge to income statement £000	Transitional adjustment £000	Closing balance £000
2021				
Fixed asset timing differences	5	-	-	5
Total	5	-	-	5

	Opening balance £000	Charge to income statement £000	Transitional adjustment £000	Closing balance £000
2020				
Fixed asset timing differences	5	-	-	5
Total	5	-	-	5

Legislation has been introduced to increase the main rate of corporation tax from 19% to 25%, effective from 1 April 2023, which was substantively enacted on 24 May 2021. This will have a consequential impact on the Company's future tax charge. Therefore, any deferred tax balances have been remeasured at the tax rate to be applied when temporary differences are expected to reverse.

10. Trade and other receivables

	2021 £000	2020 £000
Funding to BBUK PLC	16,002	18,145
	16,002	18,145
Other receivables	151	12,892
Less: Impairment	-	(1,687)
	151	11,205
Total financial assets other than cash and cash equivalents classified as loans and receivables at amortised cost	16,153	29,350
Less: current portion - net funding to BBUK PLC	(16,002)	(18,145)
Less: current portion - net other receivables	(151)	(11,205)
Total current portion	(16,153)	(29,350)
Total non-current portion	-	-

Funding to BBUK PLC represents the right to beneficial interest in the carrying value (net of impairment) of the underlying credit card receivables held by BBUK PLC.

The carrying value of other receivables approximates their fair value. Other receivables for previous year relate to balances due from The Very Group Limited.

The specific risks to which the Company is exposed in relation to these balances are discussed further in note 16, including analysis of impairment losses.

11. Trade and other payables

	2021 £000	2020 £000
Current		
Expenses settled by BBUK PLC on behalf of the Company	-	8,964
Total current trade and other payables	-	8,964

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

12. Funding from Barclays Bank UK PLC

	2021 £000	2020 £000
Current		
Funding from related parties	16,002	18,145
Total current loans and borrowings	16,002	18,145

Funding from related parties represents the funding provided by parent in respect of the beneficial interest held in the underlying credit card receivables on its books. Funding costs charged by the BBUK PLC are booked as interest expense.

13. Provisions

	2021 £000	2020 £000
At 1 January	991	15,947
Increase in provision	-	2,285
Utilisation	(303)	(17,241)
Release	(576)	-
At 31 December	112	991

Provisions (continued)

The PPI provision is a customer redress provision relating to historic PPI sales. The Company stopped selling PPI in 2008.

As at 31 December 2021, the Company has recognised a cumulative PPI provision totalling £111.3 million (2020: £111.9 million). Utilisation to date is £111.2 million (2020: £110.9 million), leaving a residual provision of c£0.1 million (2020: c£0.9 million).

The current provision reflects the estimated cost of PPI redress attributable to claims and information requests from customers and claims management companies. This represents Barclays best estimate, based on the information available at the balance sheet date. It is possible that the eventual cumulative provision will differ from the current estimate. Given that customer remediation and settlement is materially advanced sensitivity analysis is not deemed necessary.

14. Fair Value of Financial assets & 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 following tables summarise the fair value of financial assets and liabilities measured at amortised cost on the Company's balance sheet along with their carrying values:

	2021	2021	2020	2020
	£000	£000	£000	£000
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Funding to BBUK PLC	16,002	19,416	18,145	20,061
Trade and other receivables	151	151	11,205	11,205
Cash and cash equivalent	13,868	13,868	9,427	9,427
	30,021	33,435	38,777	40,693
Financial liabilities				
Funding from BBUK PLC	16,002	16,002	18,145	18,145
Trade and other payables	-	-	8,964	8,964
	16,002	16,002	27,109	27,109

Fair value measurement (continued)

The following table shows the Company's financial assets and liabilities by fair value hierarchy and balance sheet classification:

As at 31st December 2021	Fair value	Level 1	Level 2	Level 3
	£000	£000	£000	£000
Financial assets				
Funding to BBUK PLC	19,416	-	-	19,416
Financial assets-sub total	**19,416**	**-**	**-**	**19,416**

As at 31st December 2020	Fair value	Level 1	Level 2	Level 3
	£000	£000	£000	£000
Financial assets				
Funding to BBUK PLC	20,061	-	-	20,061
Financial assets-sub total	**20,061**	**-**	**-**	**20,061**

The fair value of loans and advances, for the purpose of the disclosure, is derived from a discounted cash flow. In other cases like in the case with short term Trade receivables, Trade and other payables & Cash and Cash equivalent, the carrying amount for all financial assets and liabilities is a reasonable approximation of fair value.

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.

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. Level 2 valuation techniques can also include unobservable inputs that are not significant of the fair value measurement in its entirety.

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. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

15. Share capital

Issued and fully paid

	2021 Number	2021 £000	2020 Number	2020 £000
Ordinary shares of £1.00 each				
At 1 January and 31 December	1,998	2	1,998	2

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 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 fulfil their contractual obligations to the Company.

The Company uses statistical modelling techniques in its credit rating system. These systems assist the Company in credit decisions on new commitments and in managing the portfolio of existing exposures. They enable the application of consistent risk measurement across all credit exposures. The key building blocks in the measurement system are the probability of customer default ('PD') (expressed through an internal risk rating), exposure at default ('EAD') and severity of loss-given-default ('LGD').

The Company assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties. Each internal rating corresponds to the statistical probability of a customer in that rating class defaulting within the next 12-month period. Exposure at default represents the expected level of utilisation of the credit facility when default occurs. At default the customer may not have drawn the loan/lease fully or may have already paid some of the principal, so that exposure is typically less than the approved loan limit. When a customer defaults, much of the outstanding loan/lease is usually recovered.

The part that is not recovered, the actual loss, is the LGD. The three components above, PD, EAD, and LGD, are used to calculate the expected loss. Credit exposures are actively managed; where weaknesses are detected action is taken to mitigate the risks. These include steps to reduce the amounts outstanding or the sale of assets. In addition, to mitigate the risk, security may be taken for funds advanced.

a) Credit risk (continued)

Maximum exposure to credit risk

The Company's maximum exposure to credit risk is disclosed in the table below. As the Company holds no collateral or credit enhancements, this is the same as the balance sheet exposure.

	2021	2020
	£000	£000
Funding to BBUK PLC	16,002	18,145
Cash and cash equivalents	13,868	9,427
Trade and other receivables	151	11,205
Total maximum exposure	30,021	38,777

The Company does not hold any collateral as security, nor are its borrowings secured on any assets of the Company. Funding to BBUK PLC and trade and other receivables comprise amounts owing from related parties (which are disclosed in note 17) and third parties. There were no other significant concentrations of credit risk.

SOLUTION PERSONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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a) Credit risk (continued)

Maximum exposure to credit risk (continued)

The table below presents a breakdown of loans and advances at amortised cost and the impairment allowance with stage allocation by asset classification:

As at 31 Dec 2021	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Funding to BBUK PLC	17,044	232	1,726	19,002
Trade and other receivables	151	-	-	151
Total	17,195	232	1,726	19,153
Impairment Allowance				
Funding to BBUK PLC	(1,471)	(283)	(1,246)	(3,000)
Trade and other receivables	-	-	-	-
Total	(1,471)	(283)	(1,246)	(3,000)
Net Exposure				
Funding to BBUK PLC	15,573	(51)	480	16,002
Trade and other receivables	151	-	-	151
Total	15,724	(51)	480	16,153

As at 31 Dec 2020	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Funding to BBUK PLC	21,365	395	2,313	24,073
Trade and other receivables	1,539	11,353	-	12,892
Total	22,904	11,748	2,313	36,965
Impairment Allowance				
Funding to BBUK PLC	(4,495)	(199)	(1,234)	(5,928)
Trade and other receivables	-	(1,687)	-	(1,687)
Total	(4,495)	(1,886)	(1,234)	(7,615)
Net Exposure				
Funding to BBUK PLC	16,870	196	1,079	18,145
Trade and other receivables	1,539	9,666	-	11,205
Total	18,409	9,862	1,079	29,350

a) Credit risk (continued)

The below table presents the movement in impairment allowance on funding to BBUK PLC and trade and other receivables:

2021	At 1 January	Amounts written off, net of recoveries	Amounts charged against profits	At 31 December
	£000	£000	£000	£000
Impairment allowance	(7,615)	2,596	2,019	(3,000)
Total	(7,615)	2,596	2,019	(3,000)

2020	At 1 January	Amounts written off, net of recoveries	Amounts charged against profits	At 31 December
	£000	£000	£000	£000
Impairment allowance	(3,938)	1,514	(5,191)	(7,615)
Total	(3938)	1514	(5191)	(7615)

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 sufficient cash balance to meet its day to day funding requirements. 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 as per the overall Liquidity risk management framework of the parent entity.

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.

b) Liquidity risk (continued)

As at 31st Dec 2021	**<=1 year**	**1-2 years**	**2-5 years**	**5-10 years**	**>10 years**	**Total**
	£000	£000	£000	£000	£000	£000
Funding from BBUK PLC	16,002	-	-	-	-	16,002
Total	16,002	-	-	-	-	16,002

As at 31st Dec 2020	**<=1 year**	**1-2 years**	**2-5 years**	**5-10 years**	**>10 years**	**Total**
	£000	£000	£000	£000	£000	£000
Funding from BBUK PLC	18,145	-	-	-	-	18,145
Trade and other payables	8,964	-	-	-	-	8,964
Total	27,109	-	-	-	-	27,109

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.*

d) 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 net interest rate risk arises from its borrowings & loans and receivables.

Interest rate sensitivity analysis

The sensitivity of the income statement is the effect of assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2021.

d) Interest rate risk (continued)

Impact on net interest income

The effect on interest of a 50 basis points change would be as follows:

	2021 £000 +50 basis points	2021 £000 -50 basis points
Funding to BBUK PLC		
Total interest income impact	89	(89)
As a percentage of interest income	2.02%	(2.02)%
Funding from BBUK PLC		
Total interest expense impact	(96)	96
As a percentage of interest expense	(9.17)%	9.17%
Net impact	(7)	7

	2020 £000 +50 basis points	2020 £000 -50 basis points
Funding to BBUK PLC		
Total interest income impact	119	(119)
As a percentage of interest income	1.96%	(1.96)%
Funding from BBUK PLC		
Total interest expense impact	(126)	126
As a percentage of interest expense	(12.4)%	12.4%
Net impact	(7)	7

e) Foreign currency risk

The Company is not exposed to foreign currency risk, all the transactions are reported using the functional currency, i.e. pounds sterling.

f) Price risk

Price risk is the risk that market prices for the Company's investment securities measured at fair value may fall.

The Company has no equity price risk exposure.

17. Related party transactions

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

The definition of related parties includes parent company, 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.

Other related party transactions

Other related party transactions are as follows:

Related party relationship	Type of transaction	Transaction amount 2021	Transaction amount 2020	Balance receivable/ (payable) 2021	Balance receivable/ (payable) 2020
		£000	£000	£000	£000
Parent Company	Interest Income	4,418	6,071	-	-
Parent Company	Other Income	207	250	-	-
Parent Company	Interest Expense	(1,046)	(1,017)	-	-
Parent Company	Operating Expense	(128)	(64)	-	-
Parent Company	Settlement of liabilities on behalf of the company	(303)	(17,241)	-	-
Parent Company	Impairment Charge	2,019	(5,191)	-	-
Parent Company	Cash at Bank	-	-	13,868	9,427
Parent Company	Funding to BBUK PLC	-	-	16,002	18,145
Parent Company	Trade and other receivables	-	-	151	1,539
Parent Company	Funding from BBUK PLC	-	-	(16,002)	(18,145)
Parent Company	Trade and other payables	-	-	-	(8,964)
Total		5,167	(17,192)	14,019	2,002

(a) The Company recognises a receivable from its parent company, BBUK PLC, representing the beneficial interest in cashflows arising from customer receivables for which the parent is the principal. The Company recognises interest income on these balances from BBUK PLC.

(b) An equal liability is also recognised representing the funding for these receivables from the parent.

(c) The Company also recognises payables and expenses towards BBUK PLC in relation to banking fees and other services, and holds deposits on which it earns no interest.

There are no transactions with key management personnel to disclose.

Audit fees are borne by the parent and not recharged to the Company.

18. 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 maintain sufficient capital to support asset growth;

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

The Company regards capital as its equity of £13.4 million (2020: £11.3 million), as shown in the Statement of Financial Position.

19. Parent undertaking and ultimate holding company

The Company is a subsidiary undertaking of BBUK PLC which is the immediate parent company incorporated in the United Kingdom.

The ultimate controlling entity and the largest group in which the results of the Company are consolidated is that headed by Barclays PLC, registered at 1 Churchill Place London E14 5HP.

The consolidated financial statements of these groups are available to the public and may be obtained from Barclays Corporate Secretariat, 1 Churchill Place London E14 5HP.