Registered number: 02493897

SOLUTION PERSONAL FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020.

Results and dividends

During the year, the Company made a loss after tax of £885 thousand (2019 - loss £1,668 thousand).

The Directors do not recommend the payment of a dividend (2019: £nil).

Post balance sheet events

In the 3rd of March 2021 UK Budget, it was announced that the UK rate of corporation tax will increase from 19% to 25% effective 1 April 2023. The change was not substantively enacted or enacted at the balance sheet date.

The UK Brexit transition period ended on the 31st December 2020. The company is not expecting any specific challenges to arise as a result of Brexit.

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:

S Jayne O'Donovan
K Coulson
M G Yucealpan
A Lishman

Going concern

After reviewing the Company's performance projections (including the implications from the COVID-19 outbreak and the Brexit withdrawal, including plausible downside scenarios), the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for 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 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 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 15.

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 2020 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.

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.

Disclosure of information to Auditor

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor are unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are 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: 26 May 2021

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 for the year ended 31 December 2020 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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.

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

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.
- Review of 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, 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 group-wide fraud risk management controls.

We identified journal entries to test based on high risk criteria as well as testing all material post-closing journals. We compared the identified entries to supporting documentation.

Identifying and responding to risks of material misstatement due to non-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 management (as required by auditing standards), and discussed with the directors and 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 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 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.

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

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

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.

Responsibilities of directors

As explained more fully in their statement set out on 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.

Auditors' responsibilities for the audit of the financial statements

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.

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

A fuller description of our responsibilities is provided on the Financial Reporting Council'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.

Michael McGarry (Senior Statutory Auditor)

for and on behalf of
KPMG LLP

Statutory Auditor
Chartered Accountant

15 Canada Square
LONDON
E14 5GL

26 May 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Interest income	4	6,071	7,547
Interest expense	4	(1,017)	(755)
Net interest income		5,054	6,792
Other income	5	250	547
Total income		5,304	7,339
Impairment charge	6	(5,191)	(1,350)
Net operating income		113	5,989
Administrative expenses	6	(64)	518
Litigation and conduct	6	(1,143)	(8,566)
Profit/(Loss) before tax		(1,094)	(2,059)
Tax credit	8	209	391
Profit/(loss) after tax		(885)	(1,668)

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

SOLUTION PERSONAL FINANCE LIMITED
REGISTERED NUMBER: 02493897

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Assets			
Non-current assets			
Trade and other receivables	9	-	10,034
Deferred tax assets	8	5	5
Total non-current assets		5	10,039
Current assets			
Trade and other receivables	9	11,205	11,856
Funding to Barclays Bank UK PLC	9	18,145	27,617
Current tax assets	8	600	392
Cash and cash equivalents		9,427	12,003
Total current assets		39,377	51,868
Total assets		39,382	61,907
Liabilities			
Current liabilities			
Trade and other payables	10	8,964	6,176
Funding from Barclays Bank UK PLC	11	18,145	27,617
Provisions	12	991	15,947
Total liabilities		28,100	49,740
Net assets		11,282	12,167
Issued capital and reserves			
Share capital	14	2	2
Share premium reserve		11,998	11,998
Retained earnings		(718)	167
TOTAL EQUITY		11,282	12,167

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 26 May 2021 and were signed on its behalf by:

DocuSigned by:
Adam Lishman
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A Lishman
Director
Date: 26 May 2021
Company number: 02493897

SOLUTION PERSONAL FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£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

	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 January 2019	2	11,998	1,835	13,835
Loss for the year	-	-	(1,668)	(1,668)
Total comprehensive income for the year	-	-	(1,668)	(1,668)
At 31 December 2019	2	11,998	167	12,167

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

SOLUTION PERSONAL FINANCE LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Loss for the year	(885)	(1,668)
Adjustments for		
Income tax expense	(209)	(391)
	(1,094)	(2,059)
Changes in Operating assets and liabilities :		
(Increase) / decrease in funding to BBUK PLC	9,472	4,297
(Increase) / decrease in trade and other receivables	10,686	(3,341)
Increase / (decrease) in trade and other payables	2,788	(1,781)
Increase / (decrease) in provisions	(14,956)	6,160
Tax paid / (credits)	-	(599)
Cash generated from operations	6,896	2,677
Net cash from operating activities	6,896	2,677
Cash flows from financing activities		
Repayment of funding from BBUK PLC	(9,472)	(4,297)
Net cash used in financing activities	(9,472)	(4,297)
Net decrease in cash and cash equivalents	(2,576)	(1,620)
Cash and cash equivalents at the beginning of year	12,003	13,623
Cash and cash equivalents at the end of the year	9,427	12,003

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 selling all of its ownership interest in the Company to Barclays Bank PLC on 20 February 2015 and then Barclays Bank PLC transferring its entire ownership to Barclays Bank UK PLC ('BBUKPLC') on 1 April 2018. Both the companies prepare consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC'), as published by the International Accounting Standards Board ('IASB'). The 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.

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 International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). They were authorised for issue by the Company's board of Directors on 26 May 2021.

Details of the Company's accounting policies, including changes during the year, are included in note 3.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. There are no critical estimates or judgements included.

After reviewing the Company's performance projections (including the implications from the ongoing COVID-19 outbreak and the Brexit withdrawal, including plausible downside scenarios), the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

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.

2.2 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.

2.3 Changes in accounting policies

(i) 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.

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

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Amendments relating to Interest Rate Benchmark Reform (Phase 2 amendments).

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were amended in August 2020, which are effective for periods beginning on or after 1 January 2021 with earlier adoption permitted. The Company has not elected to early adopt the amendments with effect from 1 January 2020. The amendments have been endorsed by the UK.

None of these standards are expected to have a material impact on the Company's accounting policies.

3. Accounting policies

3.1 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 main economy to which it is exposed.

The Barclays Bank Group 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.
As the entity is domiciled in the UK it only transacts in GBP. Therefore, there is no impact of currency translation on these financial statements.

3.2 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.

3. Accounting policies (continued)

3.3 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.

3.4 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 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 when they arise in the same tax reporting group and 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.

3. Accounting policies (continued)

3.5 Financial assets and liabilities

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.

The entity 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. The entity applies the requirements of IAS 39 Financial Instruments: Recognition and Measurement for hedge accounting purposes.

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.

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 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 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.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election on initial recognition 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 the impairment requirements of IFRS 9 do not apply.

The accounting policy for each type of financial asset or liability is included within the relevant note for the item. The entity's policies for determining the fair values of the assets and liabilities are set out in note 13.

3. Accounting policies (continued)

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.

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.

Accounting for the impairment of financial assets under IFRS 9

The entity is required to recognise expected credit losses (ECLs) based on unbiased forward-looking information for all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

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

3. Accounting policies (continued)

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 and lifetime ECLs are calculated by multiplying the respective 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 drawdowns 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.

Determining a significant increase in credit risk since initial recognition:
The entity assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. The credit risk of an exposure is considered to have significantly increased when:

(i) Quantitative test

The annualised lifetime PD has increased by more than an agreed threshold relative to the equivalent at origination.

PD deterioration thresholds are defined as percentage increases, and are set at an origination score band and segment level to ensure the test appropriately captures significant increases in credit risk at all risk levels. Generally, thresholds are inversely correlated to the origination PD, i.e. as the origination PD increases, the threshold value reduces.

The assessment of the point at which a PD increase is deemed 'significant', is based upon analysis of the portfolios' risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate. Application of quantitative PD floors does not represent the use of the low credit risk exemption as exposures can separately move into Stage 2 via the qualitative route described below.

Wholesale assets apply a 100% increase in PD and 0.2% PD floor to determine a significant increase in credit risk.

Retail assets apply bespoke relative increase and absolute PD thresholds based on product type and origination PD. Thresholds are subject to maximums defined by Group policy and typically apply minimum relative thresholds of 50-100% and a maximum relative threshold of 400%. For existing/historical exposures where origination point scores or data are no longer available or do not represent a comparable estimate of lifetime PD, a proxy origination score is defined, based upon:

back-population of the approved lifetime PD score either to origination date or, where this is not feasible, as far back as possible (subject to a data start point no later than 1 January 2015), or use of available historical account performance data and other customer information, to derive a comparable 'proxy' estimation of origination PD.

ii) Qualitative test

This is relevant for accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

High risk customers may not be in arrears but either through an event or an observed behaviour exhibit credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, such as industry and Group-wide customer level data, including but not limited to

3. Accounting policies (continued)

bureau scores and high consumer indebtedness index, wherever possible or relevant.

Whilst the high risk populations applied for IFRS 9 impairment purposes are aligned with risk management processes, they are also regularly reviewed and validated to ensure that they capture any incremental segments where there is evidence of credit deterioration.

iii) Backstop criteria

This is relevant for accounts that are more than 30 calendar days past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

The criteria for determining a significant increase in credit risk for assets with bullet repayments follows the same principle as all other assets, i.e. quantitative, qualitative and backstop tests are all applied.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that, at a minimum all payments must be up-to-date, the PD deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments.

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 Barclays Bank 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'.

3.6 Share capital and dividends

Share issue costs

Incremental costs directly attributable to the issue of new shares or options or the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

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

3. Accounting policies (continued)

3.7 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.8 Cash and cash equivalents

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

4. Net interest income

	2020 £000	2019 £000
Interest income	6,071	7,547
Total interest income	6,071	7,547
Interest expense	(1,017)	(755)
Total interest expense	(1,017)	(755)
Net interest income	5,054	6,792

Interest income relates to income earned on the underlying credit card receivables held on BBUK PLC's books.

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

5. Other income

	2020 £000	2019 £000
Account charges	109	322
Insurance commissions	22	27
Cash advance fees	45	112
Interchange fees	74	86
Total	250	547

6. Profit before tax

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

	2020 £000	2019 £000
Impairment Charge	5,191	1,350
Administrative expenses:		
- Other Operating Expenses	64	(518)
Litigation and conduct:		
- Provision for PPI redress	1,143	8,566
Total	6,398	9,398

The 2020 year end audit fee of £65 thousand has been borne by the Company's parent, Barclays Bank UK PLC and has not been recharged to the Company. The 2020 fees are not recognised as an expense in the financial statements of the Company.

7. Employee and key management, including Directors emoluments

Employee benefits

There were no employees employed by the Company in 2020 (2019: nil). Staff providing services to the Company are contracted by BBUK PLC and Barclays Execution Services Limited ("BSL"). All costs in this respect have been incurred by BBUK PLC and have not been recharged to the Company.

Directors' remuneration

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 (2019: nil).

During the year, none of the Directors exercised share options (2019:1) under the Barclays PLC Sharesave Scheme and Long Term Incentive schemes.

8. Tax expense

8.1 Income tax recognised in profit or loss

	2020 £000	2019 £000
Current tax		
Current tax on profits for the year	(208)	(392)
Total current tax	(208)	(392)
Deferred tax expense		
Current year	(1)	1
Total deferred tax	(1)	1
	(209)	(391)
Total tax expense		
Tax (credit)/expense	(209)	(391)
	(209)	(391)

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 losses for the year are as follows:

	2020 £000	2019 £000
Loss after income tax	(885)	(1,668)
Income tax (credit)/expense (including income tax on associate, joint venture and discontinued operation)	(209)	(391)
Loss before income taxes	(1,094)	(2,059)
Tax charge at average UK corporation tax rate of 19% (2019: 19%)	(208)	(391)
Rate change adjustment	(1)	-
Total tax (credit) / expense	(209)	(391)

Changes in tax rates and factors affecting the future tax charges

On 22 July 2020 the Finance Act 2020 received Royal Assent, enacting the UK corporation tax rate would remain at 19% from 1 April 2020 onwards instead of reducing to 17%, the previously enacted rate. This rate has therefore been used to calculate current and deferred taxes for the year ended 31 December 2020.

8. Tax expense (continued)

8.2 Current tax assets and liabilities

	2020 £000	2019 £000
Current tax assets		
UK corporation tax	600	392
	600	392

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

8.3 Deferred tax balances

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

	2020 £000	2019 £000
Deferred tax assets	5	5
	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

	Opening balance £000	Charge to income statement £000	Transitional adjustment £000	Closing balance £000
2019				
Fixed asset timing differences	6	(1)	-	5
Total	6	(1)	-	5

Legislation has been introduced to maintain the main rate for corporation tax at 19% from 1 April 2020 (cancelling the enacted reduction to 17%). As a result, relevant deferred tax balances have been re-measured. The closing deferred tax assets and liabilities have been measured at a rate of 19%.

In March 2021 UK Budget, it was announced that the UK rate of corporation tax will increase from 19% to 25% effective 1 April 2023. The change was not substantively enacted or enacted at the balance sheet date and this is not expected to have an impact on the rate at which the company's deferred tax balances will unwind.

Charge to income statement during the year for deferred tax is £507. This has been rounded off to "NIL" in order to present the closing balance correctly.

9. Trade and other receivables

	2020 £000	2019 £000
Funding to BBUK PLC	18,145	27,617
	18,145	27,617
Other receivables	12,892	22,281
Less: Impairment	(1,687)	(391)
	11,205	21,890
Total financial assets other than cash and cash equivalents classified as loans and receivables at amortised cost	29,350	49,507
Less: current portion - net funding to BBUK PLC	(18,145)	(27,617)
Less: current portion - net other receivables	(11,205)	(11,856)
Total current portion	(29,350)	(39,473)
Total non-current portion	-	10,034

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

The carrying value of loans and other receivables approximates their fair value. Other receivables relates 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 15, including analysis of impairment losses.

10. Trade and other payables

	2020 £000	2019 £000
Expenses funded by related parties	8,964	6,176
Total financial liabilities measured at amortised cost	8,964	6,176
Total trade and other payables	8,964	6,176
Less: current portion - trade payables	(8,964)	(6,176)
Total current portion	(8,964)	(6,176)
Total non-current position	-	-

Expenses funded by related parties majorly relates to PPI redressals made by BBUK PLC.

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

11. Funding from Barclays Bank UK PLC

	2020 £000	2019 £000
Funding from related parties	18,145	27,617
Total loans and borrowings, classified as financial liabilities	18,145	27,617
Total current portion	18,145	27,617

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.

12. Provisions

	2020 £000	2019 £000
At 1 January	15,947	9,787
Increase in provision	2,285	17,131
Utilisation	(17,241)	(10,971)
At 31 December	991	15,947

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

As at 31 December 2020, the Company has recognised a cumulative PPI provision totalling £111.9 million (2019: £109.6 million). Utilisation to date is £110.9 million (2019: £93.7 million), leaving a residual provision of £0.9 million (2019: £15.9 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.
The agreement covering the purchase of The Very Group Limited (formerly known as 'Shop Direct') former ownership interest in the Company by Barclays Bank PLC (the previous shareholder of the Company) included a clause stating that from and including 1 February 2015, if the aggregate PPI remediation paid to customers exceeds the PPI provision, The Very Group Limited (formerly known as 'Shop Direct') shall reimburse Barclays Bank PLC on a full indemnity basis for an amount equal to 50% of such excess.

The company does not hold any other provisions in its books except for the PPI provision.

13. Fair value measurement

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:

	2020	2020	2019	2019
	£000	£000	£000	£000
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Funding to BBUK PLC	18,145	20,061	27,617	32,256
Trade and other receivables	11,205	11,205	21,890	21,890
Cash and cash equivalent	9,427	9,427	12,003	12,003
	38,777	40,693	61,510	66,149
Financial liabilities				
Funding from BBUK PLC	18,145	18,145	27,617	27,617
Trade and other payables	8,964	8,964	6,176	6,176
	27,109	27,109	33,793	33,793

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

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**

As at 31st December 2019	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	£000	£000	£000	£000
Financial assets				
Funding to BBUK PLC	32,256	-	-	32,256
Financial assets-sub total	**32,256**	**-**	**-**	**32,256**

Funding to BBUK PLC represents the beneficial interest held in the underlying credit card receivables on its books. The fair value of these credit card receivables has been derived using a discounted cash flow approach.
Assumptions have been made in regards to the below outlined drivers in arriving at the fair values quoted:
• Interest earning and recovery book balances
• Interest yield
• Expected loss rates
• Recovery rate (for charged-off balances)
• Fair values are based on cashflows discounted using the pre-tax cost of equity of 13.64% (2019:13.61%)

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.

14. Share capital

Issued and fully paid

	2020 Number	2020 £000	2019 Number	2019 £000
Ordinary shares of £1.00 each				
At 1 January and 31 December	1,998	2	1,998	2

15. 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 that the Company's customers or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations in relation to the Company's financial assets.

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.

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.

	2020	2019
	£000	£000
Funding to BBUK PLC	18,145	27,617
Cash and cash equivalents	9,427	12,003
Trade and other receivables	11,205	21,890
	38,777	61,510

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 16) and third parties. There were no other significant concentrations of credit risk.

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 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

As at 31 Dec 2019	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Funding to BBUK PLC	21,810	6,636	2,718	31,164
Trade and Other Receivables	22,281	-	-	22,281
Total	44,091	6,636	2,718	53,445

Impairment Allowance				
Funding to BBUK PLC	(170)	(1,394)	(1,983)	(3,547)
Trade and Other Receivables	(391)	-	-	(391)
Total	(561)	(1,394)	(1,983)	(3,938)
Net Exposure				
Funding to BBUK PLC	21,640	5,242	735	27,617
Trade and Other Receivables	21,890	-	-	21,890
Total	43,530	5,242	735	49,507

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

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

2019	At 1 January	Amounts written off, net of recoveries	Amounts charged against profits	At 31 December
Impairment allowance	(4,450)	1,861	(1,349)	(3,938)
Total	(4,450)	1,861	(1,349)	(3,938)

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.

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**

As at 31st Dec 2019	<=1 year	1-2 years	2-5 years	5-10 years	>10 years	Total
	£000	£000	£000	£000	£000	£000
	'000	'000	'000	'000	'000	'000
Funding from BBUK PLC	27,617	-	-	-	-	27,617
Trade and other payables	6,176	-	-	-	-	6,176
Total	**33,793**	-	-	-	-	**33,793**

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 2020.

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

	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

	2019 £000 +50 basis points	2019 £000 -50 basis points
Funding to BBUK PLC		
Total interest income impact	146	(146)
As a percentage of interest income	1.93%	-1.93%
Funding from BBUK PLC		
Total interest expense impact	(155)	155
As a percentage of interest expense	-20.47%	20.47%
Net impact	(9)	9

The demand deposits held with BBUK PLC are immaterial for sensitivity analysis.

e) Foreign currency risk

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

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.

16. 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		Balance receivable/ (payable)	
		2020	2019	2020	2019
		£000	£000	£000	£000
BBUK PLC	Interest Income on Funding to BBUK PLC	6,071	7,547	-	-
BBUK PLC	Other Income	250	547	-	-
BBUK PLC	Interest Expense	(1,017)	(755)	-	-
BBUK PLC	Operating Expense	(64)	518	-	-
BBUK PLC	Provision Utilisation	(17,241)	(10,971)	-	-
BBUK PLC	Impairment Charge	(5,191)	(1,350)	-	-
BBUK PLC	Cash at Bank	-	-	9,427	12,003
BBUK PLC	Funding to BBUK PLC	-	-	18,145	27,617
BBUK PLC	Trade and Other Receivables	-	-	1,539	421
BBUK PLC	Funding from BBUK PLC	-	-	(18,145)	(27,617)
BBUK PLC	Trade and Other Payable	-	-	(8,964)	(6,176)
BBUK PLC	Deferred Tax	-	-	-	(1)
Total		(17,192)	(4,464)	2,002	6,247

(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 with which earn no interest.

There are no transactions with key management to disclose.

Auditor's fees are borne by the parent and not recharged to the Company.

17. 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 £11.3 million (2019: £12.2 million), as shown in the Statement of Financial Position.

18. Parent undertaking and ultimate holding company

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

19. Events after the Balance sheet date

In the 3rd of March 2021 UK Budget, it was announced that the UK rate of corporation tax will increase from 19% to 25% effective 1 April 2023. The change was not substantively enacted or enacted at the balance sheet date.

The UK Brexit transition period ended on the 31st December 2020. The company is not expecting any specific challenges to arise as a result of Brexit.