

HERALDGLEN LIMITED

**Directors' Report and Financial Statements
For the year ended 31 December 2018**



REGISTERED NUMBER (ENGLAND AND WALES): 3261374

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

INDEX

	Page
Directors' report	2
Strategic report	4
Independent auditor's report to the members of Heraldglen Limited	5
Income statement	8
Balance sheet	9
Statement of changes in equity	10
Cash flow statement	11
Notes to the financial statements	12

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

DIRECTORS' REPORT

For the year ended 31 December 2018

The Directors present their annual report together with the audited financial statements for Heraldglen Limited (the "Company") for the year ended 31 December 2018.

Profit and Dividends

During the year, the Company has neither made any profits nor incurred any loss (2017: nil). The Directors do not recommend the payment of a dividend in relation to the current year (2017: £nil).

Directors

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

V Shah
C Senior
J Walthoe
P Voisey

Going Concern

After reviewing the company's performance projections, the available banking facilities and taking into account the support available from the Barclays Bank PLC, the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations; and to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

Statement of Directors' Responsibilities

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of 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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

DIRECTORS' REPORT (continued)

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

Statement of Directors' responsibilities (continued)

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 Barclays Group risk management policies, which include specific guidelines on the management of 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 12.

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 2018 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

Independent Auditors

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

Statement of disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors 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 Auditors are aware of that information.

FOR AND ON BEHALF OF THE BOARD



Director:

Name: Jonathan Wainwright

Date: 4 July 2019

Company number: 3261374

1 Churchill Place, London, E14 5HP, England

Registered Number in England & Wales: 3261374

For the year ended 31 December 2018

The principal activity of the Company was to act as a Corporate Member of Lloyd's and it participated solely on syndicates managed by Kingsmead Underwriting Agency Limited but there has been no activity since 2003. All open underwriting years of account on which the Company participated were closed on 30 September 2003 by way of reinsurance to close contracts with another Lloyd's Syndicate. The Company is currently evaluating opportunities for future. Although the Company does not currently have any activities, it has adequate resources to continue in operation for the foreseeable future, whilst it evaluates its future strategy. As a consequence, the directors consider that it remains appropriate to prepare the Company's financial statements on a going concern basis.

During the year, the Company has neither made any profits nor incurred any loss (2017: nil). The Company had total assets of £81,545 as at 31 December 2018 (as at 31 December 2017: £81,545).

The Directors consider the Company's balance sheet, cash flow position and future business outlook to be satisfactory. The Directors will continue to monitor the performance of the Company and take appropriate action as necessary.

Director

Name: J JANTHON WATMOO

Date: 4 July 2019

Company number: 3261374

1 Churchill Place, London, E14 5HP, England

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERALDGLEN LIMITED

Opinion

We have audited the financial statements of Heraldglen Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 5.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investment and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERALDGLEN LIMITED

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 2 and 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

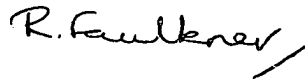
A fuller description of our responsibilities is provided on the FRC's website at <http://www.frc.org.uk/auditorsresponsibilities>.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERALDGLEN LIMITED

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.



Richard Faulkner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

4 July 2019

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Other expense		-	-
Profit before tax	6	-	-
Tax		-	-
Profit after tax		-	-

All recognised income and expenses have been reported in the income statement, hence no statement of comprehensive income has been included in the financial statements.

The accompanying notes in pages 12 to 20 form an integral part of these financial statements.

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

BALANCE SHEET**AS AT 31 DECEMBER 2018**

	Note	31 December 2018 £	31 December 2017 £
ASSETS			
Current assets			
Cash and cash equivalents	9	81,525	81,525
Current tax assets	10	20	20
Total current assets		81,545	81,545
TOTAL ASSETS		81,545	81,545
EQUITY			
Share capital	11	87,525,745	87,525,745
Share premium	11	6,687,279	6,687,279
Accumulated losses		(94,131,479)	(94,131,479)
TOTAL EQUITY		81,545	81,545

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

The financial statements and accompanying notes on pages 12 to 22 were approved by the Board of Directors and authorised for issue on 4 July 2019 and were signed on its behalf by



Director

Name: **TOM WATSON**

Date: 4 July 2019

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2018

	Share capital	Share Premium	Accumulated Losses	Total equity
	£	£	£	£
Balance at 1 January 2018	87,525,745	6,687,279	(94,131,479)	81,545
Profit after tax	-	-	-	-
Balance at 31 December 2018	87,525,745	6,687,279	(94,131,479)	81,545

	Share capital	Share Premium	Accumulated Losses	Total equity
	£	£	£	£
Balance at 1 January 2017	87,525,745	6,687,279	(94,131,479)	81,545
Profit after tax	-	-	-	-
Balance at 31 December 2017	87,525,745	6,687,279	(94,131,479)	81,545

The accompanying notes on pages 12 to 22 form an integral part of the financial statements.

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
CASH FROM OPERATING ACTIVITIES			
Profit / (Loss) before tax			
NET CASH FROM OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
NET CASH FROM INVESTING ACTIVITIES			
CASH FLOWS USED IN FINANCING ACTIVITIES			
NET CASH USED IN FINANCING ACTIVITIES			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at start of the year		81,525	81,525
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		81,525	81,525
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash with Group companies	9	81,525	81,525
		81,525	81,525

The accompanying notes on pages 12 to 22 form an integral part of the financial statements.

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

These financial statements are prepared for Heraldglen Limited (the "Company"), the principal activity of which was to act as a Corporate Member of Lloyd's and it participated solely on syndicates managed by Kingsmead Underwriting Agency Limited but there has been no activity since 2003. All open underwriting years of account on which the Company participated were closed on 30 September 2003 by way of reinsurance to close contracts with another Lloyd's Syndicate. The Company is currently evaluating opportunities for future. Although the Company does not currently have any activities, it has adequate resources to continue in operation for the foreseeable future, whilst it evaluates its future strategy.

The financial statements are prepared for the Company only, in line with the UK Companies Act 2006. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC and the ultimate holding company and the parent undertaking of the largest group that presents group financial statements is Barclays PLC, both of which prepare consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC'), as published by the International Accounting Standards Board ('IASB').

The Company is a private limited company domiciled and incorporated in England and Wales. The address of the registered office of the Company is:

1 Churchill Place
London
E14 5HP
England

2. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the Interpretations Committee (IFRICs), as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union. The principal accounting policies applied in the preparation of the individual financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

3. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments, recognition, and measurement' for hedges and IFRS 9, 'Financial Instruments' as set out in the relevant accounting policies. They are stated in Pounds Sterling, which is the Company's functional and presentation currency.

4. NEW AND AMENDED STANDARDS

The accounting policies adopted are consistent with those of the previous financial year. There are no new amended standards that have had a material impact on the Company's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES

Interest

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

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.

Current income tax

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

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

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

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

Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand, demand deposits, and cash equivalents. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

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.

Recognition

The Company 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 Company 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,

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (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.

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

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 measured at amortised cost

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

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

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 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 Barclays Group is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows Barclays Group will consider past sales and expectations about future sales.

Financial instruments at fair value through profit or loss

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.

Accounting for financial assets mandatorily at fair value

Financial assets that are held for trading are recognised at fair value through profit or loss. In addition, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for financial assets designated at fair value

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.

Determining fair value

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted market price in an active market wherever possible. Where no such active market exists for the particular asset, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

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, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. 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 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 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 Company assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to Stage 2 when:

Quantitative test

The annualised cumulative weighted average lifetime 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 materiality, i.e. at what point a PD increase is deemed 'significant', is based upon analysis of the portfolios' risk profile against a common set of principles and performance metrics

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate.

For existing/historic exposures where origination point scores/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 historic account performance data and other customer information, to derive a comparable 'proxy' estimation of origination PD.

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

Qualitative test

Accounts meeting the portfolio's 'high risk' criteria 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, including industry and Group wide customer level data 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.

Backstop criteria

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

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

The Company does not rely on the low credit risk exemption which would assume facilities of investment grade are not significantly deteriorated. Determining the PD at initial recognition requires management estimates.

Management overlays and other exceptions to model outputs are applied only if consistent with the objective of identifying significant increases in credit risk.

Expected life

Lifetime ECLs must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. The expected life for these revolver facilities is expected to be behavioural life. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or EAD until they occur.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Discounting

ECLs are discounted at the EIR at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is the rate that is expected to apply when the loan is drawn down and a financial asset is recognised. Issued financial guarantee contracts are discounted at the risk free rate. Lease receivables are discounted at the rate implicit in the lease. For variable/floating rate financial assets, the spot rate at the reporting date is used and projections of changes in the variable rate over the expected life are not made to estimate future interest cash flows or for discounting.

Modelling techniques

ECLs are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original EIR. The regulatory Basel Committee of Banking Supervisors (BCBS) ECL calculations are leveraged for IFRS 9 modelling but adjusted for key differences which include:

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

BCBS requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 months or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives.

IFRS 9 models do not include certain conservative BCBS model floors and downturn assessments and require discounting to the reporting date at the original EIR rather than using the cost of capital to the date of default;

Management adjustments are made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events; and ECL is measured at the individual financial instrument level, however a collective approach where financial instruments with similar risk characteristics are grouped together, with apportionment to individual financial instruments, is used where effects can only be seen at a collective level, for example for forward-looking information.

For the IFRS 9 impairment assessment, Barclays Group' risk models are used to determine the PD, LGD and EAD. For Stage 2 and 3, Barclays Group applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Forbearance

A financial asset is subject to forbearance when it is modified due to the credit distress of the borrower. A modification made to the terms of an asset due to forbearance will typically be assessed as a non-substantial modification that does not result in derecognition of the original loan, except in circumstances where debt is exchanged for equity.

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

No financial instrument in forbearance can transfer back to Stage 1 until all of the Stage 2 thresholds are no longer met and can only move out of Stage 3 when no longer credit impaired.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts in all circumstances and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

Share capital

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

Dividends on ordinary shares

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

6. PROFIT BEFORE TAX

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

The audit fee is borne by the Company's parent company, Barclays Bank PLC and is not recharged to the Company. Although the audit fee is borne by the Company's parent company, the fee that would have been charged to the Company amounts to £6,389 (2017: £4,111) for the year. This fee is not recognised as an expense in the financial statements.

7. DIRECTORS' EMOLUMENTS

The Directors did not receive any emoluments in respect of their services to the Company during the year (2017: nil).

During the year, no Directors (2017: nil) exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive schemes.

8. STAFF COSTS

There were no employees employed by the Company during 2018 or 2017.

9. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash with BBPLC	81,525	81,525
	<u>81,525</u>	<u>81,525</u>

10. CURRENT TAX ASSETS

	2018 £	2017 £
Group relief receivable	20	20
	<u>20</u>	<u>20</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. SHARE CAPITAL

	31 December 2018 £	31 December 2017 £
Authorised:		
Attributable to equity interests:		
222,781 (2017: 222,781) Ordinary Shares of £1 each	222,781	222,781
3,000,000 (2017: 3,000,000) 3% cumulative First Preference shares of £1 each	3,000,000	3,000,000
100,000,000 (2017: 100,000,000) 3% cumulative Second Preference shares of £1 each	100,000,000	100,000,000
	<u>103,222,781</u>	<u>103,222,781</u>

Allotted and fully paid:

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

Attributable to equity interests:

222,683 (2017: 222,683) Ordinary Shares of £1 each	222,683	222,683
2,303,062 (2017: 2,303,062) 3% cumulative First Preference shares of £1 each	2,303,062	2,303,062
85,000,000 (2017: 85,000,000) 3% cumulative Second Preference shares of £1 each	85,000,000	85,000,000
	<u>87,525,745</u>	<u>87,525,745</u>

The First and Second Preference shares have been classified as equity as they represent a residual interest in the Company. They may be redeemed by the Company on not less than five business days' notice. Holders of the First Preference Shares are entitled in priority over the Second Preference and ordinary share holder, to a distribution of capital in the winding up of the Company. The holders of the preference shares are entitled to a cumulative, non-compounding fixed rate distribution of 3% on the allotted and called up preference share capital when the Board resolves to make a distribution out of available profits.

The preference shares do not carry any voting rights.

12. FINANCIAL RISKS

The Company's activities expose it to a variety of financial risks. These are liquidity risk, credit risk and market risk (which includes price risk).

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. FINANCIAL RISKS (continued)

The Company assesses all counterparties on a portfolio basis to ensure the credit risk is maintained within Barclays Group risk management policy guidelines. The Company monitors its exposures and seeks to minimize its credit exposures by monitoring the credit rating of its counterparties in accordance with Barclays Group risk management policies. The Company's assets are neither past due or impaired. The Company's assets are of investment grades.

The Company's maximum exposure to credit risk is detailed in the table below. The exposure reported in the table represents the gross receivable amounts and not the fair value. The exposure is reported gross and does not include any collateral or other credit risk mitigants which reduce the Company's exposure.

	2018 £	2017 £
Cash and cash equivalents	81,525	81,525
	<u>81,525</u>	<u>81,525</u>

The Company does not hold any collateral as security. The table below describes the Company's credit exposure by industry type:

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

	2018	2017
	£	£
Financial institutions	81,525	81,525
Total	81,525	81,525

The Company has no outstanding financial liabilities as at 31 December 2018 (2017: nil)

Liquidity risk

This is the risk that the Company's cash and committed facilities may be insufficient to meet its debts as they fall due. The Company has the financial support of the parent undertaking Barclays Bank PLC. It also maintains banking facilities with Barclays Bank PLC. These facilities are designed to ensure the company has sufficient available funds for operations.

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.

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 2018, including the effect of hedging instruments. The Company does not have any floating rate non-trading financial assets (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. FINANCIAL RISKS (continued)

Foreign currency risk

The Company has no balance in foreign currencies and is not exposed to foreign currency risk.

13. 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.

During the year there have been no other transactions with related parties other than transactions disclosed in the notes to the financial statements.

14. CAPITAL MANAGEMENT

The Company is required to operate within the risk management policies of Barclays Bank PLC, its ultimate parent, which include guidelines covering capital management. The capital management objectives and policies for Barclays Bank PLC can be found in its financial statements.

The Company's objectives when managing capital are:

HERALDGLEN LIMITED

Registered Number in England & Wales: 3261374

- To safeguard the Company's ability to continue as a going concern; and
- To maintain an optimal capital structure in order to reduce the cost of capital.

The Board of Directors is responsible for capital management and ensures that the Company operates within the Barclays Group risk framework.

The total capital of the Company is as follows:

	2018 £	2017 £
Share capital	87,525,745	87,525,745
Share Premium	6,687,279	6,687,279
Retained earnings	(94,131,479)	(94,131,479)
Total capital resources	81,545	81,545

15. PARENT COMPANY AND ULTIMATE PARENT COMPANY

The immediate parent company is Foltus Investments Limited. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC. The ultimate holding company and the parent company of the largest group that presents group financial statements is Barclays PLC. Both Barclays PLC and Barclays Bank PLC are incorporated in the United Kingdom and registered in England. Their statutory financial statements are available from Barclays Corporate Secretariat, 1 Churchill Place London E14 5HP.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. TRANSITION NOTES

There is no impact due to the changes to balance sheet presentation and of the transition to IFRS 9 on the Company's balance sheet.