

MENLO INVESTMENTS LIMITED

**Directors' Report and Financial Statements
For the year ended 31 December 2017**



REGISTERED NUMBER IN ENGLAND & WALES: 3479178

MENLO INVESTMENTS LIMITED
Registered Number in England & Wales: 3479178

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MENLO INVESTMENTS LIMITED

Registered Number in England & Wales: 3479178

DIRECTORS' REPORT

For the year ended 31 December 2017

The directors present their annual report together with the audited financial statements of Menlo Investments Limited (the 'Company') for the year ended 31 December 2017.

Profit and dividends

During the year the Company made a loss after tax of £37,481,502 (2016: profit of £51,090,342). The directors do not recommend the payment of a dividend (2016: £nil). During the year, directors made the decision to cease the activity of the entity and to place the Company in to a solvent liquidation. They disposed of the Company's assets and business and paid interim dividends of £187,590,370 and £250,000 (2016: £nil) on 18th May 2017 and 30th May 2017 respectively to return the residual assets to the Company's shareholders. The Company is left with net assets of £1,002 (2016: £225,322,874).

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:

C Le Neve Foster
C Senior
V Shah
PB Voisey

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.

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.

MENLO INVESTMENTS LIMITED

Registered Number in England & Wales: 3479178

DIRECTORS' REPORT (continued)

For the year ended 31 December 2017

Statement of directors' responsibilities (continued)

Going Concern

In previous years, the financial statements have been prepared on a going concern basis. During the year, the directors made the decision to cease the business of the Company and to place the Company into solvent liquidation. As a result, the entity no longer meets the definition of a going concern. The directors have made the decision to prepare the accounts under all of the measurement and disclosure requirements of IFRS, as the decision to liquidate the Company has not been forced by financial distress, and there is no difference in the expected recoverable amount of the remaining assets from the carrying value as reported in the Company's balance sheet.

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 18.

Directors' third party indemnity provisions

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

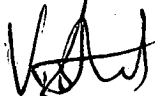
Independent Auditor

The company has appointed KPMG LLP to hold office in accordance with section 487 of the Companies Act 2006.

Statement of disclosure of information to the Auditor

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

FOR AND ON BEHALF OF THE BOARD



Name: VISHAL SHAH

Director

Date: 30/7/18

Company number: 3479178

1 Churchill Place, London, E14 5HP

MENLO INVESTMENTS LIMITED

Registered Number in England & Wales: 3479178

STRATEGIC REPORT

For the year ended 31 December 2017

Review and principal activities

In the prior year and for the current year until 30 May 2017, the principal activities of the Company were to act as an investment company. On 30 May 2017, the Company ceased this activity and the directors have made the decision to place the Company into solvent liquidation. No further activity is intended in the Company.

Business performance

The results of the Company show a loss before tax for 2017 of £26,319,592 (2016: profit of £66,543,797). As at 31 December 2017, the Company had net assets of £1,002 (2016: £225,322,874).

Future outlook

The directors have reviewed the Company's business and performance and consider it to be satisfactory for the year. The directors have made the decision to cease the activity of the entity and to place the Company into solvent liquidation. During the year, the Company terminated the loans and derivatives to which it was party and distributed its investments in subsidiary companies to its shareholder. The Company has a small deposit, which is expected to deliver small positive returns in the coming period until the Company can be placed in to formal liquidation.

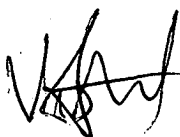
Principal risks and uncertainties

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

Key performance indicators

The directors of Barclays PLC manage the group's operations on a business cluster basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Company is discussed in the Barclays PLC 2017 annual report which does not form part of this report.

FOR AND ON BEHALF OF THE BOARD



Name: VISHAL SHAH

Director

Date: 30/1/18

Company number: 3479178

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Menlo Investments Limited ("the company") for the year ended 31 December 2017 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss 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.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 3 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED(continued)

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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



Namrata Basker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
Date: 30/7/18

MENLO INVESTMENTS LIMITED
Registered Number in England & Wales: 3479178
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Interest income	5	10,449,093	33,389,174
Interest expense	6	(4,373,219)	(18,238,774)
Fair value gains on settlement of loans	7	-	313,275
Fair value gains and losses	8	(32,395,466)	51,080,122
(Loss)/Profit before tax	9	(26,319,592)	66,543,797
Tax	10	(11,161,910)	(15,453,455)
(Loss)/Profit for the year		(37,481,502)	51,090,342

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

Loss for the year is derived from continuing activities. 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.

MENLO INVESTMENTS LIMITED

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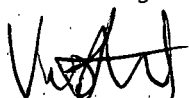
BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	31 December 2017 £	31 December 2016 £
ASSETS			
Non-current assets			
Investments in subsidiaries	12	-	250,000
Total non-current assets		-	250,000
Current assets			
Loans and other receivables	13	1,002	3,432,587,822
Cash and cash equivalents		-	1,506,669
Total current assets		1,002	3,434,094,491
TOTAL ASSETS		1,002	3,434,344,491
LIABILITIES			
Current liabilities			
Current tax liability		-	(34,206,433)
Amounts owed to group undertakings	14	-	(2,987,883,357)
Derivative financial instruments	15	-	(186,931,827)
Total current liabilities		-	(3,209,021,617)
Net current assets		1,002	225,072,874
NET ASSETS		1,002	225,322,874
SHAREHOLDER'S EQUITY			
Called up share capital	16	1,000	100,000
Retained earnings		2	225,222,874
TOTAL SHAREHOLDERS' EQUITY		1,002	225,322,874

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

The financial statements were approved by the Board of Directors and authorised for issue on 30th July 2018 and were signed on its behalf by:



Name: **VISHAL SHAH**
 Director
 Company number: 3479178

MENLO INVESTMENTS LIMITED

Registered Number in England & Wales: 3479178

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2017	100,000	225,222,874	225,322,874
Loss after tax	-	(37,481,502)	(37,481,502)
Capital Reduction	(99,000)	99,000	-
Dividends paid	-	(187,840,370)	(187,840,370)
Balance at 31 December 2017	1,000	2	1,002
	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	100,000	174,132,532	174,232,532
Profit for the year	-	51,090,342	51,090,342
Balance at 31 December 2016	100,000	225,222,874	225,322,874

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

MENLO INVESTMENTS LIMITED

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CASH FLOW STATEMENT**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
CASH FLOWS USED IN OPERATING ACTIVITIES	17	(15,903,513)	(35,585,509)
Interest and settlement gains received		19,924,036	58,131,415
Interest paid		(7,456,699)	(19,549,925)
Tax paid		(45,368,343)	(5,856,251)
Cash flows used in operating activities		(48,804,519)	(2,860,270)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans redeemed /(extended) during the year		3,413,382,999	(201,069,103)
(Settlements on)/Proceeds from derivatives investments		(193,694,902)	196,451,051
Net cash from/(used in) investing activities		3,219,688,097	(4,618,052)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of)/proceeds from borrowed funds		(2,984,799,877)	8,308,614
Dividends paid		(187,590,370)	-
Net cash (used in)/from financing activities		(3,172,390,247)	8,308,614
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,506,669)	830,292
Cash and cash equivalents at 1 January		1,506,669	676,377
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		-	1,506,669
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash in hand		-	1,506,669
		-	1,506,669

The accompanying notes form an integral part of the financial statements

MENLO INVESTMENTS LIMITED

Registered Number in England & Wales: 3479178

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

These financial statements are prepared for Menlo Investments Limited (the 'Company'), the principal activity of which is to act as an investment company. The financial statements are separate financial statements prepared for the Company only, in line with the UK Companies Act 2006. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC 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'), and accordingly consolidated financial statements have not been prepared based on the exemption provided under paragraph 4(a) of IFRS 10.

The Company is a private limited company incorporated and domiciled in the United Kingdom. The Company's registered office is:

1 Churchill Place
London
E14 5HP

2. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB), notwithstanding the fact that the Company is not being prepared under the Going Concern basis. They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union. The principal accounting policies applied in the preparation of the financial statements are set out below, and in the relevant notes to the financial statements. There has been no change to the accounting policies as a result of the directors' decision to place the Company in to solvent liquidation. There is no measurement impact on the Company's assets, as the recoverable amount of the assets is identical to the carrying value on the balance sheet. As a result, the financial statements continue to comply with the requirements of the International Financial Reporting Standards framework. These policies have been consistently applied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

During the year, the directors made the decision to cease the activity of the entity and to place the Company in to a solvent liquidation. As a result, the financial statements can no longer be prepared on a going concern basis. Given the circumstances of the liquidation, the directors have elected to prepare the accounts in compliance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB), and under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments, recognition, and measurement' as set out in the relevant accounting policies.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The directors consider that IFRS are still appropriate to the circumstances of the Company, and that there is no difference between the carrying value of the Company's residual assets and the recoverable amounts of those assets. They are presented in pounds sterling, the currency of the country in which the Company is incorporated and the primary economic environment of the Company.

Fair value gains and losses from assets and liabilities reported at fair value through profit and loss

Fair value gains and losses represent changes in the fair value of financial instruments. The balance includes fair value movements on derivatives and hedge accounting adjustments on hedged items designated in a fair value hedge. Please see the hedge accounting policy for further information.

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.

Foreign currency translation

Items included in the Company's financial statements are measured in pounds sterling, the functional currency and the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement except for qualifying cash flow hedges or hedges of net investments. The policy on hedge accounting is shown later in this note.

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

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.

MENLO INVESTMENTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred income tax (continued)

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.

Investments

Investments in subsidiaries are stated at cost less impairment, if any.

Financial assets and liabilities

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

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

Financial instruments at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are stated at amortised cost using the effective interest method (see above). They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership, or where the Company has not transferred nor retained substantially all the risks and rewards of ownership and where it has lost control.

MENLO INVESTMENTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial liabilities

Financial liabilities are initially recognised at fair value including direct and incremental transaction costs and are subsequently measured at amortised cost, except for trading liabilities and liabilities designated at fair value, (see above) which are held at fair value through profit or loss. Financial liabilities are derecognised when extinguished. The Company's financial liabilities comprise borrowings in the balance sheet.

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted market price in an active market wherever possible. 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 assesses at each balance sheet date whether there is objective evidence that loans and receivables are impaired. The factors that the Company uses include significant financial difficulty of the debtor or the issuer, a breach of contract or default in payments, the granting by the Company of a concession to the debtor because of a deterioration in its financial condition, the probability that the debtor will enter into bankruptcy or other financial reorganisation, or, in the disappearance of an active market for a security because of the issuer's financial difficulties.

The Company also considers observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, arising from adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults on assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists individually for individually significant loans and receivables, and then collectively assesses remaining loans and receivables that are not individually significant. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, when 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.

MENLO INVESTMENTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivatives

Derivatives are measured at fair value on initial recognition and subsequently the resulting gains and losses are recognised in the income statement, except for derivatives held for cash flow hedging purposes or for hedges of net investment in foreign operations, as described below. The fair value of derivatives is generally determined by reference to open market prices or by calculating the expected cash flows under the terms of each specific contract, discounted back to their present value using an appropriate market based pricing model.

Hedge accounting

The Company uses derivatives to reduce its exposure to movements in interest rates. Where the relationship between the hedge and the hedged item has been documented and is effective, hedge accounting is applied, depending on the risk being hedged, as follows. The Company only has fair value hedges, so only the policy for fair value hedges is disclosed.

Fair value hedges

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the fair value hedging adjustment cumulatively made to the carrying value of the hedged item is, for items carried at amortised cost, amortised over the period to maturity of the previously designated hedge relationship using the effective interest method. For available for sale items this fair value hedging adjustment remains in equity until the hedged item affects profit or loss.

If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement

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. Trading balances are not considered to be part of cash equivalents.

Share capital and dividends

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

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.

MENLO INVESTMENTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements

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

New and Amended standards

The accounting policies adopted are consistent with those of the previous financial year, as there are no new standards or amendments to IFRS effective as of 1 January 2017 that have had a material impact on the Company's accounting policies.

Future accounting developments

There are expected to be a number of changes to the Company's financial reporting after 2017 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

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

Impairment:

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

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

MENLO INVESTMENTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting developments (continued)

IFRS 9 *Financial Instruments: Impairment* (continued):

Key concepts and Management Judgements

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

Determining a significant increase in credit risk since initial recognition

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

Quantitative Test

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

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

Qualitative Test

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

Backstop Criteria

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting developments

IFRS 9 Financial Instruments: Impairment (continued):

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

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

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

Expected life

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolving 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.

Discounting

Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition. For variable/floating rate financial assets, the spot rate at the reporting date is used and projections of changes in the variable rate over the expected life are not made to estimate future interest cashflows or for discounting.

Modelling techniques

Expected credit losses (ECL) are calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), discounted at the original effective interest rate. Management adjustments will be made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events.

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

For the IFRS 9 impairment assessment, risk models are used to determine the PD, LGD and EAD. For stage 2 and 3, the Company 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

Project governance and credit risk management

The Barclays group, of which the Company is a subsidiary, has a jointly accountable risk and finance implementation and governance programme with representation from all impacted departments. The new impairment committee structures were initiated and tested from H1 2017, providing oversight for both IAS 39 and IFRS 9 impairment results. At the start of the impairment reporting process every quarter, the Senior Scenario Review Committee reviews and approves the scenario narratives and associated probability weightings, as well as the core set of macroeconomic variables and any scenario specific management overlays. The Senior Scenario Review Committee attest that the scenarios adequately account for the nonlinearity and asymmetry of the loss of distribution. Subsequently, there are two further layers of impairment committees. In addition to the existing Group Risk and Group Finance level committees, there are also Legal Entity committees for Barclays UK and Barclays International. Group Risk and Group Finance Committees are attended by the Chief Risk Officer (CRO) and Chief Finance Officer (CFO) respectively, with joint accountability by both CRO and CFO for signing off the results. Reported results and key messages are communicated to the Board Audit Committee and Risk Executive Committee, who have oversight roles and provide challenge of key assumptions, including the basis of the scenarios adopted.

Classification and measurement:

IFRS 9 will require financial assets to be 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').

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments: Classification and measurement (continued)

On 12 October 2017, the IASB published an amendment to IFRS 9, relating to prepayment features with negative compensation; this amendment is effective from 1 January 2018, however has yet to be endorsed by the EU. This amendment allows financial assets with such features to be measured at amortised cost or fair value through other comprehensive income provided the SPPI (solely payments of principal and interest) criteria in IFRS 9 are otherwise met. In addition the amendment to IFRS 9 clarifies that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract, and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. There is no material impact on the Company's financial statements arising from this amendment.

Hedge accounting:

IFRS 9 contains revised requirements on hedge accounting, adoption of which is optional. In addition certain aspects of IAS 39, being the portfolio fair value hedge for interest rate risk, continues to be available for entities (while applying IFRS 9 to the remainder of the entity's hedge accounting relationships) until the IASB completes its accounting for dynamic risk management project. The Company will continue to apply IAS 39 hedge accounting and will implement the amended IFRS 7 hedge accounting disclosure requirements should this become relevant.

Expected impact

On adoption of IFRS 9 on 1 January 2018, there is not expected to be a significant change in the Company's retained earnings position arising from the implementation of IFRS 9.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. The effective date is 1 January 2019. The Company is currently assessing the impact of IFRIC 23.

4. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to the Company during 2017 or 2016. During the year, no directors (2016: no directors) exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive schemes.

5. INTEREST INCOME

	2017	2016
	£	£
Interest income from other group undertakings	9,730,752	30,167,739
Interest income from parent undertakings	718,341	3,221,435
	<u>10,449,093</u>	<u>33,389,174</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)**6. INTEREST EXPENSE**

	2017	2016
	£	£
Interest payable to other group undertakings	(4,321,428)	(18,028,187)
Interest payable to parent undertakings	(51,791)	(210,587)
	<u>(4,373,219)</u>	<u>(18,238,774)</u>

7. FAIR VALUE GAINS ON SETTLEMENT OF LOANS

	2017	2016
	£	£
Fair value gains on settlement of loans	-	313,275
	<u>-</u>	<u>313,275</u>

8. FAIR VALUE GAINS AND LOSSES

	2017	2016
	£	£
Fair value losses on interest rate swaps	(22,666,588)	(26,066,283)
Hedge accounting adjustments on hedged items designated in fair value hedges	(3,222,437)	77,146,405
Loss on termination of loans	(6,506,441)	-
	<u>(32,395,466)</u>	<u>51,080,122</u>

9. PROFIT BEFORE TAX

There were no employees employed by the Company during 2017 or 2016.

The audit fee is borne by another group entity. The fee that would otherwise have been charged to the Company amounts to £4,111 (2016: £9,550) for the year. This fee is not recognised as an expense in the financial statements.

Auditor's remuneration for the supply of other services is not disclosed because the financial statements of the Company's parent Barclays Bank PLC are required to disclose such fees in the consolidated financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)**10. TAX**

The analysis of the charge for the year is as follows:

	2017 £	2016 £
Current tax charge:		
Current year	(11,161,910)	(15,453,455)
Overall tax charge in the income statement	(11,161,910)	(15,453,455)

The UK corporation tax charge is based on a blended UK tax rate of 19.25% (2016: 20%), as the rate of corporation tax was reduced from 20% to 19% from 1 April 2017. The main rate of UK corporation tax from 1 April 2020 will be 17%.

A numerical reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is as follows:

	2017 £	2016 £
Profit before tax	(26,319,592)	66,543,797
Profit on ordinary activities multiplied by the corporation tax rate 19.25% (2016: 20%)	5,066,522	(13,308,759)
Effects of:		
Transfer pricing adjustment	-	298,855
Amortisation of foreign exchange differences and deferred tax income arising on novation of derivative positions and loans	-	(16,846,968)
Revaluation of deferred tax for changes in tax rates	-	(4,001,155)
Adjustments in respect of prior year deferred tax in relation to transitional adjustments	-	(2,330,819)
Adjustments in respect of prior year current tax in relation to transitional adjustments	-	(281,738)
Reduction in Tax Adjustment Payment due to adjustments in respect of prior years	-	2,612,557
Effective yield on notional arising from premium on acquisition	(858,759)	(2,443,551)
Reduction in Tax Adjustment Payment	-	20,848,123
Taxable gain on disposal of Loans	(15,369,673)	-
Overall tax charge	(11,161,910)	(15,453,455)
Effective tax rate %	(42.41)%	23.22%

During the year, the entity disposed of its loans at fair value. On acquisition, these loans had a different tax base value than their fair value, and as such crystallised a taxable gain in the entity on disposal.

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NOTES TO THE FINANCIAL STATEMENTS (continued)**11. DIVIDENDS ON ORDINARY SHARES**

	2017 £	2016 £
Interim paid £187,590.37 (2016: £nil) per share	(187,590,370)	-
Interim paid £250.00 (2016: £nil) per share – settled by distribution in specie of the Company's holding in the ordinary shares of Pippin Island Investments Limited	(250,000)	-
	<u>(187,840,370)</u>	<u>-</u>

12. INVESTMENTS IN SUBSIDIARIES

	2017 £	2016 £
Cost and net book value		
As at 1 January	250,000	250,000
Disposals	(250,000)	-
As at 31 December	<u>-</u>	<u>250,000</u>

On 30 May 2017, the Company distributed its remaining business, being the 250,000 ordinary shares of Pippin Island Investments Limited in specie to its parent undertaking.

13. LOANS AND OTHER RECEIVABLES

	2017 £	2016 £
Loans and advances to group undertakings	-	2,778,739,142
Loans and advances to parent undertakings	1,002	653,848,680
	<u>1,002</u>	<u>3,432,587,822</u>

On 24 April 2017 the Company terminated all of the existing Loans and Swaps with Westferry Investments Limited and Barclays Bank PLC at fair value. Further analysis of the fair value of the Company's assets is shown in Note 18; Financial Risks.

14. AMOUNTS OWED TO GROUP UNDERTAKINGS

	2017 £	2016 £
Amounts owing to group undertakings	-	2,943,069,191
Amounts owing to parent undertakings	-	44,814,166
As at 31 December	<u>-</u>	<u>2,987,883,357</u>

On 24 April 2017 the Company terminated all of the existing borrowings from Westferry Investments Limited and Barclays Bank PLC.

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NOTES TO THE FINANCIAL STATEMENTS (continued)**15. DERIVATIVE FINANCIAL INSTRUMENTS**

Net fair value of derivative financial instruments held for risk management by the company are as follows:

	2017 £	2016 £
Interest rate swaps with a group undertaking	-	186,931,827

On 24 April 2017 the Company terminated all of the existing Loans and Swaps with Westferry Investments Limited and Barclays Bank PLC at fair value.

16. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Authorised		
28,000,000 ordinary shares of £1 each (2016: 28,000,000)	28,000,000	28,000,000
400,100,100 redeemable preference shares of £1 each (2016: 400,100,000)	400,100,100	400,100,000
	Number of shares	Ordinary Shares £
Allotted and fully paid		
At 1 January 2016 and 1 January 2017	100,000	100,000
Capital reduction	(99,000)	(99,000)
At 31 December 2017	1,000	1,000

Dividends on ordinary shares are payable at the discretion of the Company's directors. Ordinary shares are entitled to a share of residual assets of the Company on liquidation. During the year, the Company effected a capital reduction. The reserve created by the reduction of 99,000 shares of £1 each was transferred to Retained earnings as realised profit, and was subsequently distributed as a dividend back to the Company's parent.

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NOTES TO THE FINANCIAL STATEMENTS (continued)**17. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO NET CASH USED IN OPERATING ACTIVITIES**

	2017	2016
	£	£
(Loss)/ Profit before taxation	(26,319,592)	66,543,797
Interest receivable	(10,449,093)	(33,389,174)
Interest payable	4,373,219	18,238,774
Breakage gains	-	(313,275)
Hedge accounting adjustments on loans	3,222,437	(77,146,405)
Fair value change in derivative financial liabilities movement	6,763,075	(9,519,226)
Loss on disposal of loan investments	6,506,441	-
NET CASH USED IN OPERATING ACTIVITIES	(15,903,513)	(35,585,509)

18. FINANCIAL RISKS

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

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. The Company currently has no debts.

The table below shows the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed 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 flow.

	2017	2016
	Total	Total
	£	£
Financial liabilities repayable:		
- Not more than one year-Derivative financial instruments	-	(186,931,827)
- Not more than one year – Borrowings	-	(2,987,883,357)

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NOTES TO THE FINANCIAL STATEMENTS (continued)**18. FINANCIAL RISKS (continued)****Credit Risk**

Credit risk is the risk of suffering financial loss, should any of the Company's counterparties fail to fulfill their contractual obligations to the Company. The Company assesses all counterparties for credit risk before contracting with them. The Company has only contracted with other group companies and has no third party credit exposure.

There were no significant concentration of credit risk.

The Company's maximum exposure to credit risk is detailed in the table on the following page. All amounts are neither past due nor impaired. The credit quality of financial assets subject to credit risk was assessed as strong as at 31 December 2017 and 31 December 2016. A Strong rating indicates that there is a very high likelihood of the asset being recovered in full. The Company does not hold any collateral as security.

As at 31 December 2017	Loans and receivables £	Cash and cash equivalents £	Total £
Carrying value	1,002	-	1,002
<hr/>			
As at 31 December 2016	Loans and advances £	Cash and cash equivalents £	Total £
Carrying value	3,432,587,822	1,506,669	3,434,094,491

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. Of these, only interest rates are applicable to the Company.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the Company's interest bearing financial assets and liabilities. The Company's interest rate risk arises from its floating rate loan in the current period.

Interest rate sensitivity analysis

The sensitivity of the income statement is the effect of assumed changes in interest rates on net interest income for the next year, based on the Company's floating rate non-trading financial assets held at 31 December 2017.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

18. FINANCIAL RISKS (continued)

Interest rate sensitivity analysis (continued)

Impact on net interest income

The effect on interest of a 10 basis points change applied to the outstanding principal of interest bearing positions would be as follows:

	+10 basis points 2017	-10 basis points 2017	+10 basis points 2016	-10 basis points 2016
	£	£	£	£
Total	1	-1	(1,814,703)	1,814,703
As a percentage of net interest income	0%	(0)%	(11.98%)	11.98%

Impact on equity

In the coming year, interest rates affect equity for the Company through higher or lower profit after tax resulting from higher or lower net interest income. The sensitivities of equity shown below are illustrative and based on simplified scenarios. For 2017, they are calculated by applying a 10 basis points change to the outstanding principal of interest bearing positions. For 2016, they are calculated by revaluing the hedging impact of fixed rate assets, including the effect of any associated hedges, and derivatives for the effect of the assumed changes in interest rates. They are based on the assumption that there are parallel shifts in the yield curve. The effects of taxation have been estimated using the Company's effective tax rate for the coming year of 19% (2016: 19.25%).

	2017			2016		
	Year ended 31 December	Maximum impact	Minimum impact	Year ended 31 December	Maximum impact	Minimum impact
	£	£	£	£	£	£
+10 basis point parallel move in all yield curves						
Net interest income	1	1	1	(1,814,703)	(1,814,703)	(1,814,703)
Fair value gains and losses	-	-	-	9,893,504	9,893,504	9,893,504
Taxation	(0)	(0)	(0)	(1,555,169)	(1,555,169)	(1,555,169)
Total	1	1	1	6,523,632	6,523,632	6,523,632
As a percentage of equity at 31 December	0.1%	0.1%	0.1%	2.8%	2.8%	2.8%
- 10 basis point parallel move in all yield curves						
Net interest income	(1)	(1)	(1)	1,814,703	1,814,703	1,814,703
Fair value gains and losses	-	-	-	(9,343,934)	(9,343,934)	(9,343,934)
Taxation	0	0	0	1,449,377	1,449,377	1,449,377
Total	(1)	(1)	(1)	(6,079,854)	(6,079,854)	(6,079,854)
As a percentage of equity at 31 December	0.1%	0.1%	0.1%	(2.6)%	(2.6)%	(2.6)%

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NOTES TO THE FINANCIAL STATEMENTS (continued)**19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

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

The tables on the following page summarise the fair value of financial assets and liabilities measured at amortised cost on the Company's balance sheet where the carrying amount is not a reasonable approximation of fair value. For comparative purposes, the 2017 value of the loans and advances has been included in this table, even though it is close approximated by the carrying value.

	2017		2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£	£	£	£
Financial assets				
Loans and other receivables	1,002	1,002	3,432,587,822	3,405,493,260

The Company's loans and other receivables are classified as Level 2 in the fair value hierarchy.

The following table shows the Company's assets and liabilities that are held at fair value analysed by fair value hierarchy and balance sheet classification.

	Observable inputs (Level 2)	Total
	£	£
As at 31 December 2017		
Derivative financial instruments	-	-
Total Liabilities	-	-

	Observable inputs (Level 2)	Total
	£	£
As at 31 December 2016		
Derivative financial instruments	(186,931,827)	(186,931,827)
Total Liabilities	(186,931,827)	(186,931,827)

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Valuation methodology (continued)

Valuation technique using observable inputs - Level 2

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

Valuation technique using significant unobservable inputs - Level 3

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

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

20. 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 elsewhere in the notes to the financial statements.

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to manage the Company's residual position until the Company is placed in to formal liquidation.

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

The Company regards as capital its equity, as shown in the balance sheet, which is as follows:

	2017 £	2016 £
Total capital is as follows:		
Called up Share capital	1,000	100,000
Retained earnings	2	225,222,874
Total	<u>1,002</u>	<u>225,322,874</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

22. PARENT UNDERTAKING AND ULTIMATE HOLDING COMPANY

The parent of the Company is Barclays Bank PLC, which is also the parent undertaking of the smallest group that presents consolidated financial statements. 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. Barclays Bank PLC's and Barclays PLC's statutory financial statements are available from Barclays Corporate Secretariat, 1 Churchill Place London E14 5HP.