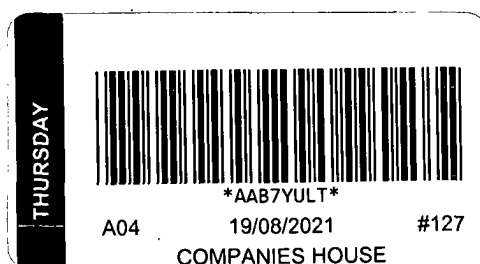


Registered number in England and Wales: 03479178

MENLO INVESTMENTS LIMITED

DIRECTORS' REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



MENLO INVESTMENTS LIMITED

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MENLO INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their annual report together with the audited financial statements of Menlo Investments Limited (the 'Company') for the year ended 31 December 2020.

Profits and dividends

During the year the Company made a profit after tax of £ 3 (2019: £6). The Directors do not recommend the payment of any dividend (2019: Nil).

Post balance sheet events

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

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 (resigned 29 April 2021)
C Senior
V Shah
P Voisey (resigned 07 July 2021)

Since year end D J Blagbrough on 29 April 2021 and J Walthoe on 7 July 2021 were appointed as Director of the Company.

Going concern

During 2017, the Directors made the decision to cease the business of the Company and to place the Company into solvent liquidation. As a result, the Company 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 was not caused 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 as at 31 December 2020.

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

MENLO INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

- 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 (as explained in note 3, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Financial risk management

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

Directors third party indemnity provisions

Qualifying third party indemnity provisions were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 2020 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities, including qualifying third party indemnity provisions and qualifying indemnity provisions which may occur (or have occurred) in connection with their duties, powers or office.

Independent auditors

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

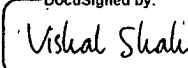
Statement of disclosure of information to auditors

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.

Strategic report exemption

This report has been prepared in accordance with the special provisions applicable to small companies set out in section 415A of the Companies Act 2006. The Company has also taken advantage of the small companies exemption from the requirement to prepare a strategic report.

FOR AND ON BEHALF OF THE BOARD

DocuSigned by:

02B7C0B56FF34FC
Vishal Shah

Director

Date: 6/8/2021

Registered number: 03479178

1 Churchill Place, London, E14 5HP

MENLO INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED

We have audited the financial statements of Menlo Investments Limited ("the Company") for the year ended 31 December 2020 which comprises the Income Statement, Statement of Financial Position, Cash flow Statement, the Statement of Changes in Equity, and related notes, including the summary of significant 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 2020 and of its profit for the year then ended;
- have been properly prepared with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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 have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

MENLO INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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

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

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

We did not identify any additional fraud risks.

Directors' report

The Directors are responsible for the 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 Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' report;
- in our opinion the information given in 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.
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 2 to 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 (as explained in note 3, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

MENLO INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED

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.



Alexandar Snook (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL
Date: 6/8/2021

MENLO INVESTMENTS LIMITED**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Interest income	6	4	8
Net interest income		<u>4</u>	<u>8</u>
Profit before tax		<u>4</u>	<u>8</u>
Tax expense	10	(1)	(2)
Profit after tax		<u><u>3</u></u>	<u><u>6</u></u>

The accompanying notes on pages 11 to 22 form an integral part of the financial statements.

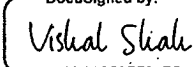
MENLO INVESTMENTS LIMITED
REGISTERED NUMBER: 03479178

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Assets			
Current assets			
Loans and advances at amortised cost	11	1,001	1,005
Cash and cash equivalents	12	19	12
Total current assets		1,020	1,017
Total assets		1,020	1,017
Liabilities			
Current liabilities			
Current tax liability	13	3	3
Total current liabilities		3	3
Total liabilities		3	3
Net assets		1,017	1,014
Issued capital and reserves			
Share capital	14	1,000	1,000
Retained earnings	15	17	14
TOTAL EQUITY		1,017	1,014

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

The financial statements and the accompanying notes on pages 11 to 22 were approved and authorised for issue by the Board of Directors on 6/8/2021 and were signed on its behalf by:

DocuSigned by:

 02B7C0B56EF34FC...
 Vishal Shah

Director
 Date: 6/8/2021
 Registered number: 03479178

MENLO INVESTMENTS LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital £	Retained earnings £	Total equity £
At 1 January 2020	1,000	14	1,014
Profit for the year	-	3	3
	<u>-</u>	<u>3</u>	<u>3</u>
Total comprehensive income for the year			
	<u>-</u>	<u>3</u>	<u>3</u>
At 31 December 2020	<u>1,000</u>	<u>17</u>	<u>1,017</u>

	Share capital £	Retained earnings £	Total equity £
At 1 January 2019	1,000	8	1,008
Profit for the year	-	6	6
	<u>-</u>	<u>6</u>	<u>6</u>
Total comprehensive income for the year			
	<u>-</u>	<u>6</u>	<u>6</u>
At 31 December 2019	<u>1,000</u>	<u>14</u>	<u>1,014</u>

The accompanying notes on pages 11 to 22 form an integral part of the financial statements.

MENLO INVESTMENTS LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit after tax	3	6
Adjustments for		
Interest income	(4)	(8)
Income tax expense	1	2
Movements in working capital:		
Interest received	7	7
Cash generated from operations	<u>7</u>	<u>7</u>
Net cash from operating activities	<u>7</u>	<u>7</u>
Net increase in cash and cash equivalents	7	7
Cash and cash equivalents at the beginning of year	12	5
Cash and cash equivalents at the end of the year	<u><u>19</u></u>	<u><u>12</u></u>

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Reporting entity

These financial statements are prepared for Menlo Investments Limited (the 'Company'), the principal activities of the Company were to act as an investment company until 27 July 2017, when the Company had ceased its activities and the Directors intend to place the Company in to a solvent liquidation. 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 accounting standards in conformity with the requirements of the Companies Act 2006.

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

2. Compliance with International accounting standards

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The principal accounting policies applied in the preparation of the financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

3. Basis of preparation

In 2017, 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 accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IFRS 9 'Financial Instruments' as set out in the relevant accounting policies. The Directors consider that international accounting standards in conformity with the requirements of the Companies Act 2006 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.

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.

Future accounting developments

The Company does not expect any significant changes to its financial reporting after 2020 as a result of amended or new accounting standards that have been or will be issued by the IASB.

5. Summary of significant accounting policies

5.1 Interest

Interest income on loans and advances at amortised cost and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Company to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities.

5.2 Dividends from subsidiaries

Dividends income is recognised when the right to receive payment is established, which is when the dividends are received or the dividends are appropriately authorised by the subsidiary or associate.

MENLO INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****5. Summary of significant accounting policies (continued)****5.3 Current and deferred 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.

5.4 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, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

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

Financial assets

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.

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

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

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

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.

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.

Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities 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.

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

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

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

Wholesale assets apply a 100% increase in PD and 0.2% PD floor to determine a significant increase in credit risk. Retail assets apply bespoke relative increase and absolute PD thresholds based on product type and origination PD. Thresholds are subject to maximums defined by Group policy and typically apply minimum relative thresholds of 50-100% and a maximum relative threshold of 400%. For existing/historical exposures where origination point scores or data are no longer available or do not represent a comparable estimate of lifetime PD, a proxy origination score is defined, based upon:

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

Qualitative test

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

High risk customers may not be in arrears but either through an event or an observed behaviour exhibit credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, 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.

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

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk 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.

Forward-looking information

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate (EIR). ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. When there is a non-linear relationship between forward-looking economic scenarios and their associated credit losses,

MENLO INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

five forward-looking economic scenarios are considered to ensure a sufficient unbiased representative sample of the complete distribution is included in determining the expected loss. Stress testing methodologies are leveraged within forecasting economic scenarios.

The measurement of ECL involves increased complexity and judgement, including estimation of PDs, LGD, a range of unbiased future economic scenarios, estimation of expected lives, and estimation of EAD and assessing significant increases in credit risk. Impairment charges will tend to be more volatile and will be recognised earlier. Unsecured products with longer expected lives, such as revolving credit cards, are the most impacted.

The Company utilises an external consensus forecast as the baseline scenario. In addition, two adverse and two favourable scenarios are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also incorporating IFRS 9 specific sensitivities and non-linearity. The most adverse scenarios are benchmarked to the Bank of England's annual cyclical scenarios and to the most severe scenarios from Moody's inventory, but are not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include six core variables, (GDP, unemployment and House Price Index in both the UK & US markets), and expanded variables using statistical models based on historical correlations. The probability weights of the scenarios are estimated such that the baseline (reflecting current consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the baseline; the further from the baseline, the smaller the weight. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices and base rates, and credit cards and unsecured consumer loans are highly sensitive to unemployment.

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

The definition of default for the purpose of determining ECLs 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 interest income is calculated on the carrying value net of the impairment allowance.

An asset is considered credit impaired when one or more events occur that have a detrimental impact on the estimated future cash flows of the financial asset. This comprises assets defined as defaulted and other individually assessed exposures where imminent default or actual loss is identified.

Uncollectible loans are written off against the related allowance for loan impairment on completion of the Barclays Group's internal processes and when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement.

Loan modifications and renegotiations that are not credit-impaired

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to credit risk of the borrower, an assessment must be performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile.

Where terms are substantially different, the existing loan will be derecognised and new loan recognised at fair value, with any difference in valuation recognised immediately within the income statement, subject to observability criteria.

Where terms are not substantially different, the loan carrying value will be adjusted to reflect the present value of modified cash flows discounted at the original EIR, with any resulting gain or loss recognised immediately within the income statement as a modification gain or loss.

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

MENLO INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****5. Summary of significant accounting policies (continued)**

EAD until they occur.

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:

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.

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.

5.5 Investments in subsidiaries

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

MENLO INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****5. Summary of significant accounting policies (continued)****5.6 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.

5.7 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 Directors.

5.8 Cash and cash equivalents

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.

6. Interest income**Recognised in profit or loss**

	2020	2019
	£	£
Interest receivable from group companies	4	8
Total interest income	4	8
Net interest income recognised in profit or loss	4	8

Interest income includes interest receivable on £1,000 deposit placed with parent undertaking, the deposit carry floating rate of interest.

7. Profit before tax

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 £8,000 (2019: £8,000) for the year. This fee is not recognised as an expense in the financial statements.

8. Staff costs

There were no employees employed by the Company during 2020 or 2019.

9. Directors' emoluments

The Directors did not receive any emoluments in respect of their services to the Company during the year (2019: nil).

During the year, no Directors (2019: nil) exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive schemes.

MENLO INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****10. Tax expense****Income tax recognised in profit or loss**

	2020 £	2019 £
Current tax		
Current tax on profits for the year	(1)	(2)
Total tax expense	<u>(1)</u>	<u>(2)</u>

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

	2020 £	2019 £
Profit for the year	3	6
Income tax expense	(1)	(2)
Profit before income taxes	<u>4</u>	<u>8</u>
Tax using the UK corporation tax rate of 19% (2019:19%)	(1)	(2)
Total tax expense	<u>(1)</u>	<u>(2)</u>

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

11. Loans and advances at amortised cost

	2020 £	2019 £
Current		
Loans and advances to parent undertakings	1,001	1,005
	<u>1,001</u>	<u>1,005</u>

MENLO INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****12. Cash and cash equivalents**

	2020 £	2019 £
Cash at bank available on demand	19	12
	<u>19</u>	<u>12</u>

Cash at bank represents bank balance held with Barclays Bank PLC.

13. Current tax liabilities

	2020 £	2019 £
Group relief payable	3	3
	<u>3</u>	<u>3</u>

14. Share capital**Authorised**

	2020 Number	2020 £	2019 Number	2019 £
Shares treated as equity				
Ordinary shares of £1.00 each	28,000,000	28,000,000	28,000,000	28,000,000
Redeemable Preference shares of £1.00 each	400,100,000	400,100,000	400,100,000	400,100,000
	<u>428,100,000</u>	<u>428,100,000</u>	<u>428,100,000</u>	<u>428,100,000</u>

Issued and fully paid

	2020 Number	2020 £	2019 Number	2019 £
Ordinary Shares of £1.00 each				
At 1 January and 31 December	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

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.

MENLO INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****15. Retained earnings**

	2020 £	2019 £
As at 1st January	14	8
Profit during the year	3	6
As at 31st December	17	14

16. Financial risks

During 2017, the Company exited the majority of its risk generating positions. The Board of Directors continues to monitor the Company's financial risks and has responsibility for ensuring effective risk.

a) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's counterparties fail to fulfil their contractual obligations to the Company. The Company assesses all counterparties for credit risk before contracting with them. The Company's counterparties comprise solely of its parent undertaking. The Company holds no collateral against its exposures and there are no significant concentrations of credit risk. None of the Companies assets are either past due or individually impaired and all of the Company's counterparties have been assessed with a Strong credit rating, i.e. there is a very high likelihood of the asset being recovered in full.

Maximum exposure to credit risk

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

	2020 £	2019 £
Loans and advances at amortised cost	1,001	1,005
Cash and cash equivalents	19	12
	1,020	1,017

b) Liquidity risk

This is the risk that the Company's cash and committed facilities may be insufficient to meet its debts as they fall due. The Company no longer has any debts.

c) Market risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, equity prices and foreign exchange rates.

d) Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the Company's interest bearing financial assets and liabilities. The Company's interest rate risk arises from changes to net interest income on its floating rate interest bearing deposits. As at 31 December 2020, the Company has £1,001 (2019: £1,005) floating rate interest bearing loans, the impact on interest income or equity due to changes in interest rate are immaterial.

MENLO INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****17. Fair value measurement**

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

The carrying value of the Company's financial assets and liabilities measured at amortised cost is a reasonable approximation of fair value.

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

As at 31 December 2020	Fair value	Level 1	Level 2	Level 3
	£	£	£	£
Financial assets				
Loans and advances at amortised cost	1,001	-	1,001	-
	<u>1,001</u>	<u>-</u>	<u>1,001</u>	<u>-</u>

As at 31 December 2019	Fair value	Level 1	Level 2	Level 3
	£	£	£	£
Financial assets				
Loans and advances at amortised cost	1,005	-	1,005	-
	<u>1,005</u>	<u>-</u>	<u>1,005</u>	<u>-</u>

Valuation methodology

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

Quoted market prices - Level 1

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

Valuation technique using observable inputs- Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable. Level 2 valuation techniques can also include unobservable inputs that are not significant of the fair value measurement in its entirety.

Valuation technique using significant unobservable inputs - Level 3

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

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

MENLO INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****18. 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 6 to 14 of the financial statements.

19. Events after the reporting date

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

20. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as going concern and to maintain an optimal capital structure in order to reduce the cost of capital, however, as explained in note 3, the Directors intend to place the Company into solvent liquidation and therefore the Company no longer meets the definition of going concern. Until the Company is formally liquidated it holds a share capital of £1,000.

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, reported on the balance sheet.

The total capital of the Company is as follows:

	2020	2019
	£	£
Share capital	1,000	1,000
Retained earnings	17	14
Total capital resources	<u>1,017</u>	<u>1,014</u>

21. Parent undertaking and ultimate holding company

The Company is a subsidiary undertaking of Barclays Bank PLC which is the ultimate parent company incorporated in the United Kingdom. The ultimate controlling party is Barclays PLC.

The largest group in which the results of the Company are consolidated is that headed by, Barclays PLC. The smallest group in which they are consolidated is that headed by Barclays Bank PLC. Both companies are incorporated in the United Kingdom and registered in England with registered address as 1 Churchill Place, London E14 5HP.

The consolidated financial statements of these groups are available to the public and may be obtained from registered address.