

# LONG ISLAND ASSETS LIMITED

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



REGISTERED NUMBER IN ENGLAND AND WALES: 7450219

**LONG ISLAND ASSETS LIMITED**  
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**LONG ISLAND ASSETS LIMITED**  
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**DIRECTORS' REPORT**

The Directors present their annual report together with the audited financial statements for Long Island Assets Limited (the 'Company') for the year ended 31 December 2018.

**Results and dividends**

During the year the Company made a profit after tax of \$25,212,631 (2017: \$64,986,596). An interim dividend of \$160,000,000 was paid on 30<sup>th</sup> August 2018 (2017: nil). The directors do not recommend the payment of final dividend (2017: nil).

**Post balance sheet events**

On 28<sup>th</sup> February 2019, the loan of \$4,756,482,629 to Barclays Long Island Limited (BLIL) matured and was re-extended. Subsequently on 16<sup>th</sup> August 2019, that new loan matured. The proceeds were deployed in (i) a new loan to BLIL of \$556,482,629 and (ii) a \$4,200,000,000 dividend in respect of the Company's ordinary shares.

On 28<sup>th</sup> June 2019, the Company paid an interim dividend of \$20,534,549. The Company also declared interim dividends of \$110,000,000 on 14<sup>th</sup> August 2019 and \$4,200,000,000 on 16<sup>th</sup> August 2019.

**Directors**

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

C P Le Neve Foster  
DJ Rothnie  
J Hanebuth  
V Shah

Since the year end, J Hanebuth resigned as a director on 31 January 2019, and B A Gerrard-Jones was appointed as a director on 5 February 2019.

**Going concern**

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

**Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' report and the financial statements**

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.

**LONG ISLAND ASSETS LIMITED**  
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**DIRECTORS' REPORT (continued)**  
**For the year ended 31 December 2018**

**Statement of directors' Responsibilities (continued)**

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**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 25.

**Directors' third party indemnity provisions**

Qualifying third party indemnity provisions were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 2018 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities, including qualifying third party indemnity provisions and qualifying indemnity provisions which may occur (or have occurred) in connection with their duties, powers or office.

**LONG ISLAND ASSETS LIMITED**  
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**DIRECTORS' REPORT (continued)**

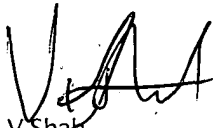
**Independent auditors**

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

**Statement of disclosure of information to auditors**

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

**FOR AND ON BEHALF OF THE BOARD**



Name: V. Shah  
Director

Date: 20th September 2019  
Company number: 7450219.

**LONG ISLAND ASSETS LIMITED**  
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**STRATEGIC REPORT**  
**For the year ended 31 December 2018**

**Review and principal activities**

The principal activity of Long Island Assets Limited (the "Company") is to act as an investment company. The directors have reviewed the Company's business and performance and consider it to be satisfactory for the year. The directors consider that the Company's position at the end of the year is consistent with the size and complexity of the business.

**Business performance**

The results of the Company show a profit before tax of \$31,951,403 (2017: \$81,247,515) for the year. The Company has net assets of \$4,731,893,732 (2017: \$4,866,681,101).

**Future outlook**

The directors have reviewed the Company's business and performance and consider it to be in line with expectations for the year. The directors consider that the Company's position at the end of the year is consistent with the size and complexity of the business.

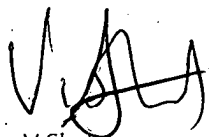
**Principal risks and uncertainties**

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 2018 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 relevant business cluster, which includes the Company, is discussed in the Barclays PLC 2018 Annual Report, which does not form part of this report.

**FOR AND ON BEHALF OF THE BOARD**



Name: V Shah  
Director  
Date: 20th September 2019  
Company number: 7450219

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONG ISLAND ASSETS LIMITED**

## **Opinion**

We have audited the financial statements of Long Island Assets Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement, Statement of financial position, Statement of changes in equity, Statement of cash- flows and related notes, including the accounting policies in Note 5.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit 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.

## **Other Matter – The impact of uncertainties due to the UK exiting the European Union on our audit**

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

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

## **Going concern**

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

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

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

## **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:

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LONG ISLAND ASSETS LIMITED**

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 3 and 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

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



**Richard Pinks (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London E14 5GL  
United Kingdom

23 SEPTEMBER 2019

**LONG ISLAND ASSETS LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

REGISTERED NUMBER IN ENGLAND AND WALES: 7450219

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

	Note	2018 \$	2017 \$
Interest income	6	134,936,680	81,767,073
Interest expense	7	(87,301)	(516,627)
Net interest income		<u>134,849,379</u>	<u>81,250,446</u>
Net investment income	8	(102,955,087)	-
Foreign exchange loss		(18,697)	(2,931)
Other income	9	75,808	-
Profit before tax	10	<u>31,951,403</u>	<u>81,247,515</u>
Tax	13	(6,738,772)	(16,260,919)
Profit after tax		<u><u>25,212,631</u></u>	<u><u>64,986,596</u></u>

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

Profit 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.

**LONG ISLAND ASSETS LIMITED**


REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

REGISTERED NUMBER IN ENGLAND AND WALES: 7450219

**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Deferred tax assets	14	17,838,003	-
Loans and advances at amortised cost	15	-	4,668,188,823
Financial assets at fair value through the income statement	16	3,400,844,858	-
<b>Total non-current assets</b>		<b>3,418,682,861</b>	<b>4,668,188,823</b>
<b>Current assets</b>			
Loans and advances at amortised cost	15	4,814,287,503	190,747,009
Cash and cash equivalents	17	8,532,126	27,029,373
<b>Total current assets</b>		<b>4,822,819,629</b>	<b>217,776,382</b>
<b>TOTAL ASSETS</b>		<b>8,241,502,490</b>	<b>4,885,965,205</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current tax	18	5,808,813	16,070,892
Financial liabilities at amortised cost	19	-	3,213,212
<b>Total current liabilities</b>		<b>5,808,813</b>	<b>19,284,104</b>
<b>Net current assets</b>		<b>4,817,010,816</b>	<b>198,492,278</b>
<b>Non-current liabilities</b>			
Financial liabilities designated at fair value through the income statement	20	3,503,799,945	-
<b>Total non-current liabilities</b>		<b>3,503,799,945</b>	
<b>NET ASSETS</b>		<b>4,731,893,732</b>	<b>4,866,681,101</b>
<b>SHAREHOLDER'S EQUITY</b>			
Called up share capital	21	5,328,001	5,328,001
Other reserves	21	4,751,154,627	4,751,154,627
(Accumulated losses)/retained earnings	22	(24,588,896)	110,198,473
<b>TOTAL EQUITY</b>		<b>4,731,893,732</b>	<b>4,866,681,101</b>

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 20th September 2019 and were signed on its behalf by:



Name: V Shah

Director:

Date: 20th September 2019

Company number: 7450219

**LONG ISLAND ASSETS LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018  
 REGISTERED NUMBER IN ENGLAND AND WALES: 7450219

**STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital \$	Other reserves \$	Retained earnings \$	Total equity \$
Balance at 1 January 2018	5,328,001	4,751,154,627	110,198,473	4,866,681,101
Profit for the year and total comprehensive income	-	-	25,212,631	25,212,631
Dividends paid	-	-	(160,000,000)	(160,000,000)
Balance at 31 December 2018	<u>5,328,001</u>	<u>4,751,154,627</u>	<u>(24,588,896)</u>	<u>4,731,893,732</u>

	Share capital \$	Other reserves \$	Retained earnings \$	Total equity \$
Balance at 1 January 2017	5,328,001	4,751,154,627	45,211,877	4,801,694,505
Profit for the year and total comprehensive income	-	-	64,986,596	64,986,596
Balance at 31 December 2017	<u>5,328,001</u>	<u>4,751,154,627</u>	<u>110,198,473</u>	<u>4,866,681,101</u>

**LONG ISLAND ASSETS LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

REGISTERED NUMBER IN ENGLAND AND WALES: 7450219

**STATEMENT OF CASH-FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 \$	2017 \$
Cash inflows/(outflows) from operating activities	24	57,111	(2,931)
Interest received		143,086,142	63,883,198
Interest paid		(108,321)	(2,427,588)
Tax paid		(34,838,855)	(3,189,256)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>108,196,077</b>	<b>58,263,423</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in loans and advances at amortised cost		36,498,869	269,018,504
Decrease in financial liabilities at amortised cost		(3,192,193)	(328,618,987)
Increase in financial assets at fair value through the income statement		(3,500,000,000)	-
Increase in financial liabilities designated at fair value through the income statement		3,500,000,000	-
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>33,306,676</b>	<b>(59,600,483)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(160,000,000)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(160,000,000)</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(18,497,247)</b>	<b>(1,337,060)</b>
Cash and cash equivalents at 1 January		27,029,373	28,366,433
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>8,532,126</b>	<b>27,029,373</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash in hand		260,519	21,103
Deposit with group undertakings		8,271,607	27,008,270
		<b>8,532,126</b>	<b>27,029,373</b>

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

## LONG ISLAND ASSETS LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018  
REGISTERED NUMBER IN ENGLAND AND WALES: 7450219

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. REPORTING ENTITY

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

The Company is a private limited company, domiciled and incorporated in the United Kingdom. The address of the registered office of the Company 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). 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. These policies have been consistently applied.

#### 3. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IFRS 9 'Financial Instruments as set out in the relevant accounting policies'. They are stated in US Dollars ("USD"), which is the Company's functional and presentation currency.

#### 4. NEW AND AMENDED STANDARDS

##### *IFRS 9 Financial Instruments*

The company has adopted IFRS9 for the first time for the preparation of financial statements dated 31 December 2018. IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces key changes in the following areas:

- Classification and measurement – requiring asset classification and measurement based upon both business model and product characteristics.
- Impairment – introducing an expected credit loss model using forward looking information which replaces an incurred loss model. The expected credit loss model introduces a three-stage approach to impairment as follows:

Stage 1 – the recognition of 12 month expected credit losses (ECL), that is 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 increased significantly since initial recognition;

Stage 2 – lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and

Stage 3 – lifetime expected credit losses for financial instruments which are credit impaired.

## **LONG ISLAND ASSETS LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

REGISTERED NUMBER IN ENGLAND AND WALES: 7450219

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **4. NEW AND AMENDED STANDARDS (continued)**

As required by IFRS 9 the company applied IFRS 9 retrospectively by adjusting the opening balance sheet at the date of initial application, and comparative periods have not been restated.

The following voluntary changes in presentation have been made as a result of the review of accounting presentation following the adoption of IFRS 9, and is expected to provide more relevant information to the users of the financial statements. These presentational changes have no effect on the measurement of these items and therefore had no impact on retained earnings or profit for any period. The effect of these presentational changes on transition are included in the balance sheet in Note 31.

#### **Future accounting developments**

The Company does not expect any significant changes to its financial reporting after 2018 as a result of amended or new accounting standards that have been or will be issued by the IASB.

#### **5. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year with the exception of the adoption of IFRS9.

##### **Foreign exchange**

Items included in the financial statements of the Company are measured using their functional currency, being the US dollar (USD), the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into USD 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.

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.

##### **Revenue recognition**

Revenue is recognised in the income statement when it is probable that the economic benefits associated with the transaction will be received by the Company. Revenue is reported at the fair value of the consideration received or receivable.

##### **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.

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 in proportion to the amount outstanding over the period to maturity or repayment.

## **LONG ISLAND ASSETS LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

REGISTERED NUMBER IN ENGLAND AND WALES: 7450219

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **5. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Current and deferred income tax**

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

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

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

Deferred and current tax assets and liabilities are only offset 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.

##### **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.

## **LONG ISLAND ASSETS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **5. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Financial assets and liabilities (continued)**

###### ***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.

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.

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Financial assets and liabilities (continued)

###### *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. Where no such active market exists for the particular asset, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

###### *Impairment of financial assets*

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

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

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

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

Determining a significant increase in credit risk since initial recognition:

The Company assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to Stage 2 when:

###### *Quantitative test*

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

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

## LONG ISLAND ASSETS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Impairment of financial assets (continued)*

The assessment of materiality, i.e. at what point a PD increase is deemed 'significant', is based upon analysis of the portfolios' risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate.

For existing/historic exposures where origination point scores/data are no longer available or do not represent a comparable estimate of lifetime PD, a proxy origination score is defined, based upon:

Back-population of the approved lifetime PD score either to origination date or, where this is not feasible, as far back as possible, (subject to a data start point no later than 1 January 2015); or

Use of available historic account performance data and other customer information, to derive a comparable 'proxy' estimation of origination PD.

##### *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.

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, 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.

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Impairment of financial assets (continued)*

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.

Credit impaired is when the exposure has defaulted which is also anticipated to align to when an exposure is identified as individually impaired.

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.

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Impairment of financial assets (continued)*

###### Expected life

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

###### 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 months 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.

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REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Impairment of financial assets (continued)*

###### **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.

###### **Share capital**

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

###### **Dividends on ordinary shares**

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

###### **Cash and cash equivalents**

For the purposes of the cash flow statement, cash comprises cash in 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.

###### **Critical accounting estimates**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the individual financial statements such as the fair value of financial instruments (note 26) and credit risk (note 25).

## LONG ISLAND ASSETS LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 6. INTEREST INCOME

	2018 \$	2017 \$
Interest income from parent undertaking	134,936,680	81,767,073
	<u>134,936,680</u>	<u>81,767,073</u>

Interest income includes interest receivable on amounts loaned to parent undertaking, the loans carry floating rate of interest and a margin.

#### 7. INTEREST EXPENSE

	2018 \$	2017 \$
Interest expense	87,301	516,627
	<u>87,301</u>	<u>516,627</u>

Interest expense includes interest payable on amounts borrowed from parent undertaking, the borrowings carry floating rate of interest.

#### 8. NET INVESTMENT INCOME

	2018 \$	2017 \$
Losses on financial assets mandatorily at fair value	(99,155,142)	-
Gains on financial liabilities designated at fair value	(3,799,945)	-
	<u>(102,955,087)</u>	<u>-</u>

In December 2018, the Company entered into loan agreements for an aggregate notional of \$3,500,000,000 with Chapelcrest Investments Limited. In accordance with IFRS 9, the loans are accounted for as assets held at fair value through profit or loss on the basis that the assets cannot be classified as at amortised cost or at fair value through other comprehensive income as cash flows under the agreements do not represent solely payments of principal and interest.

In December 2018, the Company also entered into borrowing agreements with Barclays Bank PLC for an aggregate notional of \$3,500,000,000, the Company has elected to account for the liability at fair value through the income statement in order to reduce measurement inconsistencies between the loans with Chapelcrest Investments Limited, which is fair valued, and borrowings with Barclays Bank PLC. All changes in fair value of the liability will be taken to the income statement.

## LONG ISLAND ASSETS LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 9. OTHER INCOME

During the year the Company received fees from Chapelcrest Investments Limited for the guarantee deeds signed between the Company and Chapelcrest Investments Limited as explained in note 23 to the financial statements.

#### 10. PROFIT BEFORE TAX

The audit fee is borne by another group company. Although the audit fee is borne by another group company, the fee that would have been charged to the Company amounts to \$10,733(2017: \$8,401) for the year. This fee is not recognised as an expense in the financial statements.

#### 11. DIRECTORS' EMOLUMENTS

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

#### 12. STAFF COSTS

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

#### 13. TAX

	2018 \$	2017 \$
<b>Current tax (charge) / credit:</b>		
Current year tax	(26,007,358)	(15,453,283)
Adjustment for prior years	(15,493)	60,210
Foreign exchange	1,446,076	(867,846)
	<hr/> (24,576,775)	<hr/> (16,260,919)
<b>Deferred tax (charge) / credit:</b>		
Current year	17,838,003	-
	<hr/> 17,838,003	<hr/> -
 Overall tax charge in the income statement	 <hr/> (6,738,772)	 <hr/> (16,260,919)

Legislation has been introduced to reduce the main rate of UK corporation tax to 17% from 1 April 2020.

**LONG ISLAND ASSETS LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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**NOTES TO THE FINANCIAL STATEMENTS (continued)****13. TAX (continued)**

A numerical reconciliation of the applicable tax rate and the average effective tax rate is as follows:

	2018 \$	2017 \$
Profit before tax	31,951,403	81,247,515
Tax charge at standard UK corporation tax rate of 19% (2017: at blended UK corporation tax rate of 19.25%)	6,070,766	15,637,364
Effects of:		
Adjustments in respect of prior years	15,493	(60,210)
Foreign exchange (gain) / loss	(1,446,076)	867,846
Thin capitalisation adjustment	-	(184,081)
Rate change adjustment	2,098,589	-
Tax charge for the year	<u>6,738,772</u>	<u>16,260,919</u>
Effective tax rate %	<u>21.10%</u>	<u>20.01%</u>

**14. DEFERRED TAX ASSETS**

The components of and the movement on the deferred income tax account during the year was as follows:

	2018 \$	2017 \$
Deferred tax charged to income statement for the period	17,838,003	-
	<u>17,838,003</u>	<u>-</u>
Temporary differences on:		
	2018 \$	2017 \$
Net losses on financial instruments at fair value through income statement	17,838,003	-
	<u>17,838,003</u>	<u>-</u>

During the year the tax rate is 19%. Legislation has been introduced to reduce the main rate of UK corporation tax to 17% from 1 April 2020. As a result, the relevant deferred tax balances have been measured at the rate at which they are expected to unwind in the subsequent periods.

**LONG ISLAND ASSETS LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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**NOTES TO THE FINANCIAL STATEMENTS (continued)****15. LOANS AND ADVANCES AT AMORTISED COST**

	2018	2017
	\$	\$
<i>Non-Current</i>		
Loans and advances at amortised cost	-	4,668,188,823
<i>Current</i>		
Loans and advances at amortised cost	4,814,287,503	190,747,009
	<u>4,814,287,503</u>	<u>4,858,935,832</u>

On 29 August 2018, an amendment and restatement to the loan agreement dated 25 March 2014 was signed between the Company and Barclays Long Island Limited. The loan was subordinated and the notional was changed to \$4,756,482,629 (2017: \$4,668,188,823). The loan matures on 28 February 2019.

The directors consider that the carrying value of the Company's loans and advances approximates to their fair value. The IFRS 9 impairment is immaterial and no allowance for impairment has been recorded as at 31 December 2018.

**16. FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT**

	2018	2017
	\$	\$
<b>As at 1 January</b>	-	-
Notional of loans and advances mandatorily at fair value	3,500,000,000	-
Recognised in income statement	(99,155,142)	-
<b>As at 31 December</b>	<u>3,400,844,858</u>	<u>-</u>

In December 2018, the Company entered into loan agreements for an aggregate notional of \$3,500,000,000 with Chapelcrest Investments Limited. In accordance with IFRS 9, the loans are accounted for as assets held at fair value through profit or loss on the basis that assets cannot be held at amortised cost or at fair value through other comprehensive income as cash flows under the agreements do not represent solely payments of principal and interest.

As at 31 December 2018, the loans carry floating interest rate of 6 month USD LIBOR plus margin and will mature on 31 December 2028.

**17. CASH AND CASH EQUIVALENTS**

	2018	2017
	\$	\$
Cash in hand	260,519	21,103
Demand deposits	8,271,607	27,008,270
	<u>8,532,126</u>	<u>27,029,373</u>

As at 31 December 2018, demand deposits included a floating rate deposit with a principal of \$8,270,981 based on a USD Libor rate maturing on 30 August 2019.

**LONG ISLAND ASSETS LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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**NOTES TO THE FINANCIAL STATEMENTS (continued)****18. CURRENT TAX**

	2018	2017
	\$	\$
Current tax liability	5,808,813	16,070,892
	<u>5,808,813</u>	<u>16,070,892</u>

**19. FINANCIAL LIABILITIES AT AMORTISED COST**

	2018	2017
	\$	\$
Amounts owed to parent undertaking	-	3,213,212
	<u>-</u>	<u>3,213,212</u>

The amounts owed to parent undertaking in respect of the prior year carried a floating rate of interest. The directors considered that the carrying value of the Company's borrowings approximated to their fair value.

**20. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH THE INCOME STATEMENT**

	2018	2017
	\$	\$
Financial liabilities designated at fair value	3,503,799,945	-
	<u>3,503,799,945</u>	<u>-</u>
	2018	2017
	\$	\$
As at 1 January	-	-
Notional of loan notes acquired	3,500,000,000	-
Recognised in income statement	3,799,945	-
As at 31 December	<u>3,503,799,945</u>	<u>-</u>

In December 2018, the Company entered into borrowing agreements with Barclays Bank PLC for an aggregate notional of \$3,500,000,000. As at 31 December 2018, the liabilities carry floating interest rate of 6 month USD LIBOR plus a margin and will mature on 31 December 2028.

Under IFRS 9, the Company has elected to account for it as liability measured at fair value through profit or loss in order to reduce measurement inconsistencies and accounting mismatch between the financial liabilities with Barclays Bank PLC and the loans with Chapelcrest Investments Limited as explained in note 16. All changes in fair value of the liability will be taken to profit or loss.

**LONG ISLAND ASSETS LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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**NOTES TO THE FINANCIAL STATEMENTS (continued)****20. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH THE INCOME STATEMENT (continued)**

The cumulative gain attributable to changes in own credit risk recognised in profit or loss is \$5,529,484.

The carrying amount of financial liabilities designated at fair value through profit or loss at 31 December 2018 was \$1,787,497,597 lower than the contractual amount due at maturity which is \$5,291,297,542.

**21. SHARE CAPITAL**

	Number of shares	Ordinary shares \$	Other reserves \$	Total \$
As at 31 December 2018	5,328,001	5,328,001	4,751,154,627	4,756,482,628
	Number of shares	Ordinary shares \$	Other reserves \$	Total \$
As at 31 December 2017	5,328,001	5,328,001	4,751,154,627	4,756,482,628
			2018 \$	2017 \$
Allotted and fully paid: 5,328,001 Ordinary shares of \$1 each			5,328,001	5,328,001

The holders of the ordinary shares are entitled to vote at the general meetings of the Company and are entitled to receive such dividends as directors may declare.

The ordinary shares are not redeemable and the holders of the ordinary shares are entitled to participate in the distribution of any surplus assets of the Company.

**22. (ACCUMULATED LOSSES)/ RETAINED EARNINGS**

	2018 \$	2017 \$
As at 1 January	110,198,473	45,211,877
Profit for the year	25,212,631	64,986,596
Dividends paid	(160,000,000)	-
As at 31 December	(24,588,896)	110,198,473

## LONG ISLAND ASSETS LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018  
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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 22. (ACCUMULATED LOSSES)/ RETAINED EARNINGS (continued)

The Company declared an interim dividend of \$160,000,000 on 29<sup>th</sup> August 2018, when the retained earnings were \$175,350,819. The retained earnings were \$15,350,819 following the payment of dividend.

#### 23. FINANCIAL GUARANTEE

In December 2018, the Company entered in to guarantee agreements with Chapelcrest Investments Limited for an aggregate amount of \$3,500,000,000. The Company pledged its loans as explained in note 16, in support of the guarantee. The guarantee agreements will provide credit protection to Chapelcrest Investments Limited in respect of its exposure to Barclays Bank PLC.

As at 31 December 2018, the management have assessed the value of the financial guarantee to be nil on the basis that the probability of default by Barclays Bank PLC is remote.

#### 24. RECONCILIATION OF PROFIT BEFORE TAX TO CASH FLOW FROM OPERATING ACTIVITIES

	2018 \$	2017 \$
Profit before tax	31,951,403	81,247,515
Interest income	(134,936,680)	(81,767,073)
Interest expense	87,301	516,627
Fair value movement on financial asset and liabilities at fair value through the income statement	102,955,087	-
<b>CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>57,111</b>	<b>(2,931)</b>

#### 25. FINANCIAL RISKS

The Company's activities expose it to a variety of financial risks. These are liquidity risk, credit risk and market risk (which includes foreign currency risk and interest rate risk.) Consequently, the Company devotes considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks, and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of the business.

The Board of Directors monitors the Company's financial risks and has responsibility for ensuring effective risk management and control and to operate within the requirements of the Barclays Group risk management policies.

##### 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, with whom it also maintains banking facilities. These facilities are designed to ensure the Company has sufficient available funds for operations. The monitoring and reporting of liquidity risk take the form of cash flow measurements and projections for the next day, week and month as these are key periods for liquidity management. Sources of liquidity are regularly reviewed.

##### Contractual maturity of financial liabilities on an undiscounted basis

The table on the next page presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities at their earliest break date (i.e. nominal values), whereas the Company manages the inherent liquidity risk based on discounted expected cash flows.

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25. FINANCIAL RISKS (continued)

#### Liquidity risk (continued)

	One year or less	Over 1 year but not more than 2 years	Over 2 years but not more than 5 years	Over 5 years but not more than 10 years	Total
31 December 2018	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities at fair value through income statement	187,404	171,806	511,888	4,420,200	5,291,298
<b>Total financial liabilities</b>	<b>187,404</b>	<b>171,806</b>	<b>511,888</b>	<b>4,420,200</b>	<b>5,291,298</b>

As per the loan agreement with Barclays Bank PLC, the Company and Barclays Bank PLC may agree bilaterally on prepayment of all or part of loan together with break cost and any accrued interest thereon, with at least two business days' notice.

	One year or less	Over 1 year but not more than 2 years	Over 2 years but not more than 5 years	Over 5 years but not more than 10 years	Total
31 December 2017	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities at amortised cost	3,213	-	-	-	3,213
<b>Total financial liabilities</b>	<b>3,213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,213</b>

#### 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 other group companies. The Company holds no collateral against its exposures and there were no significant concentrations of credit risk. None of the Company's 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.

	2018	2017
	\$	\$
Cash and cash equivalents	8,532,126	27,029,373
Loans and advances at amortised cost	4,814,287,503	4,858,935,832
Financial assets at fair value through the income statement	3,400,844,858	-
<b>Total</b>	<b>8,223,664,487</b>	<b>4,885,965,205</b>

The Company does not hold any collateral as security.

## LONG ISLAND ASSETS LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 25. FINANCIAL RISKS (continued)

##### Credit risk (continued)

The table below describes the Company's credit exposure by industry type:

	2018 \$	2017 \$
Financial institutions	8,532,126	27,029,373
Other financial intermediaries	8,215,132,361	4,858,935,832
<b>Total</b>	<b>8,223,664,487</b>	<b>4,885,965,205</b>

##### 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 and foreign exchange rates.

##### 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 interest bearing loans and advances at amortised cost and financial liabilities at amortised cost. The Company's interest rate risk also arises from changes to net investment income due to fair value changes on its financial asset and liabilities at fair value through income statement.

##### Interest rate sensitivity analysis

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

##### Impact on net interest income

The Company has considered the effect on interest of a 100 basis points change. This analysis has been performed by applying a 100 basis point change to the outstanding principal of the interest bearing amortised cost positions following their next reset date. As at 31 December 2018, the Company has net interest-bearing financial instruments of \$4,764,753,610 (2017: \$4,816,797,574). The impact on net interest expense would be as follows:

	+100 basis points 2018 \$'000	-100 basis points 2018 \$'000	+100 basis points 2017 \$'000	-100 basis points 2017 \$'000
Total net interest income	40,506	(40,506)	35,427	(35,427)
Percentage change	30%	-30%	44%	-44%

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**NOTES TO THE FINANCIAL STATEMENTS (continued)****25. FINANCIAL RISKS (continued)****Interest rate risk (continued)***Impact on equity*

Interest rates affect equity for the Company through higher or lower profit after tax resulting from change in net interest income and from net investment income. The sensitivities of equity shown below are illustrative and based on simplified scenarios. They are calculated by revaluing the financial instruments 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 tax rate applicable to the Company for the coming year of 19% (2017: 19.25%). The sensitivity analysis of interest rate impact on equity is as follows:

	2018			2017		
	As at 31 December	Maximum impact	Minimum impact	As at 31 December	Maximum impact	Minimum impact
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>+100 basis point parallel move in all yield curves</b>						
Net interest income	134,937	40,506	40,506	81,767	35,427	35,427
Net investment (loss)/gain	(102,955)	4,793	4,793	-	-	-
Taxation	(6,739)	(8,607)	(8,607)	(16,261)	(6,820)	(6,820)
<b>Total</b>	<b>25,243</b>	<b>36,692</b>	<b>36,692</b>	<b>65,506</b>	<b>28,607</b>	<b>28,607</b>
As a percentage of equity at 31 December	0.53%	0.78%	0.78%	1.35%	0.59%	0.59%
<b>- 100 basis point parallel move in all yield curves</b>						
Net interest income	134,937	(40,506)	(40,506)	81,767	(35,427)	(35,427)
Net investment loss	(102,955)	(5,125)	(5,125)	-	-	-
Taxation	(6,739)	8,670	8,670	(16,261)	6,820	6,820
<b>Total</b>	<b>25,243</b>	<b>(36,961)</b>	<b>(36,961)</b>	<b>65,506</b>	<b>(28,607)</b>	<b>(28,607)</b>
As a percentage of equity at 31 December	0.53%	(0.78)%	(0.78)%	1.35%	(0.59)%	(0.59)%

**Foreign currency risk**

The Company is exposed to foreign currency risk from future foreign currency transactions, and recognised assets and liabilities. As at 31 December 2018, the Company holds a GBP bank account having an immaterial balance and has GBP taxation liabilities.

## LONG ISLAND ASSETS LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

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

The following tables show the fair value of financial assets and liabilities analysed by fair value hierarchy and balance sheet classification:

	Fair value	Level 2 – Valuations based on observable inputs
As at 31 December 2018	\$	\$
Loans and advances at amortised cost	4,814,287,503	4,814,287,503
Financial assets at fair value through the income statement	3,400,844,858	3,400,844,858
Financial liabilities designated at fair value through the income statement	3,503,799,945	3,503,799,945

	Fair value	Level 2 – Valuations based on observable inputs
As at 31 December 2017	\$	\$
Loans and advances at amortised costs	4,858,935,832	4,858,935,832
Financial liabilities at amortised cost	3,213,212	3,213,212

#### 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.

#### Valuations based on observable inputs

##### Quoted market prices - Level 1

Financial instruments are classified as Level 1 if they are cash or 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.

## **LONG ISLAND ASSETS LIMITED**

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)**

##### **Valuation technique using observable inputs- Level 2**

Financial instruments 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 loans and borrowings which are valued using market standard pricing techniques 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.

#### **27. EVENTS AFTER THE BALANCE SHEET DATE**

On 28<sup>th</sup> February 2019, the loan of \$4,756,482,629 to Barclays Long Island Limited (BLIL) matured and was re-extended. Subsequently on 16<sup>th</sup> August 2019, that new loan matured. The proceeds were deployed in (i) a new loan to BLIL of \$556,482,629 and (ii) a \$4,200,000,000 dividend in respect of the Company's ordinary shares.

On 28<sup>th</sup> June 2019, the Company paid an interim dividend of \$20,534,549. The Company also declared interim dividends of \$110,000,000 on 14<sup>th</sup> August 2019 and \$4,200,000,000 on 16<sup>th</sup> August 2019.

#### **28. RELATED PARTY TRANSACTIONS**

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

The definition of related parties includes parent company, ultimate parent company, subsidiary, associated and joint venture companies, as well as the Company's key management which includes its directors. During the year there have been no other transactions with related parties other than transactions disclosed in the notes to the financial statements.

## LONG ISLAND ASSETS LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 29. CAPITAL MANAGEMENT

The Company is required to follow the risk management policies of Barclays Bank PLC, its ultimate parent, which include guidelines covering capital management. The capital management objectives and policies for Barclays Bank PLC can be found in its financial statements. The Company's objectives when managing capital are:

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

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

Total capital of the Company as at year end is as follows:

	2018	2017
	\$	\$
Share capital	5,328,001	5,328,001
Other reserves	4,751,154,627	4,751,154,627
(Accumulated losses)/retained earnings	(24,588,896)	110,198,473
<b>Total capital resources</b>	<b>4,731,893,732</b>	<b>4,866,681,101</b>

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

#### 30. PARENT UNDERTAKING AND ULTIMATE HOLDING COMPANY

The immediate parent of the Company is Barclays Long Island Limited. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC. The ultimate holding Company and the parent company of the largest group that presents group financial statements is Barclays PLC. Both companies are incorporated in the United Kingdom and registered in England. Barclays Bank PLC's and Barclays PLC's statutory financial statements are available for public use from the Group Corporate Secretariat, 1 Churchill Place, London E14 5HP.

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REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. TRANSITION NOTES

The table below presents the impact of the changes to balance sheet presentation and of the transition to IFRS 9 on the Company's balance sheet. Loans and receivables have been reclassified to loans and advances at amortised cost and borrowings have been reclassified to financial liabilities at amortised cost. There have been no remeasurements to the balance sheet values.

	As at 31 December 2017		As at 31 December 2017
	IAS39 carrying amount as reported	Balance sheet presentation changes	Revised IAS 39 carrying amount
<b>Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loans and receivables	4,858,935,832	(4,858,935,832)	-
Loans and advances at amortised costs	-	4,858,935,832	4,858,935,832
Cash and cash equivalents	27,029,373	-	27,029,373
<b>Total assets</b>	<b>4,885,965,205</b>	<b>-</b>	<b>4,885,965,205</b>
<b>Liabilities</b>			
Current tax	16,070,892	-	16,070,892
Borrowings	3,213,212	(3,213,212)	-
Financial liabilities at amortised cost	-	3,213,212	3,213,212
<b>Total liabilities</b>	<b>19,284,104</b>	<b>-</b>	<b>19,284,104</b>
<b>EQUITY</b>			
Share capital	5,328,001	-	5,328,001
Other reserves	4,751,154,627	-	4,751,154,627
Retained earnings	110,198,473	-	110,198,473
<b>Total equity</b>	<b>4,866,681,101</b>	<b>-</b>	<b>4,866,681,101</b>
<b>Total liabilities and equity</b>	<b>4,885,965,205</b>	<b>-</b>	<b>4,885,965,205</b>