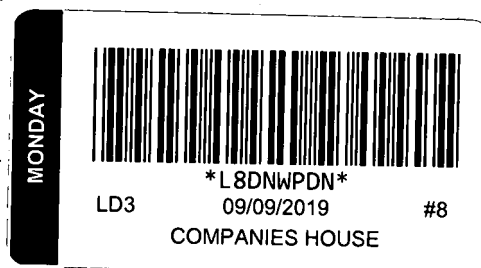


BARCLAYS SECURITY TRUSTEE LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

REGISTERED NUMBER: 10825314

REGISTERED NUMBER: 10825314



BARCLAYS SECURITY TRUSTEE LIMITED

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

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BARCLAYS SECURITY TRUSTEE LIMITED

Directors' Report

For the year ended 31 December 2018

The Directors present their annual report together with the audited financial statements of Barclays Security Trustee Limited (the 'Company') for the year ended 31 December 2018.

Profit and dividends

The Company's profit for the year was £62,000 (2017: £nil). No dividend was paid in 2018 (2017: £nil). The Directors do not recommend the payment of a final dividend (2017: £Nil).

Directors

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

I Rand

L M Sinclair (appointed 03 January 2018) (resigned 06 April 2018)

S Viswanathan (appointed 19 January 2018)

Since the year end, S Viswanathan resigned as a Director on 30 January 2019, S J Penketh was appointed as a Director on 22 March 2019 and P Emney was appointed as a Director on 12 July 2019.

Going Concern

The Directors have considered the outlook for the Company taking into account the role it has in the structure of the business, and are satisfied that a going concern basis is appropriate to adopt in the preparation of 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 (IFRSs) and interpretations (IFRICs) issued by the International Accounting Standards Board ('IASB') as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

BARCLAYS SECURITY TRUSTEE LIMITED

Directors' Report (continued)

For the year ended 31 December 2018

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements (continued)

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information. 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 14.

Directors' third party indemnity provisions

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

Pillar 3 disclosures

In accordance with the rules of the Financial Conduct Authority (FCA), the Company's Parent, as at 31 December 2018, Barclays PLC has published information on its remuneration, risk management objectives and policies and on its regulatory capital requirements and resources. This information is available at

<https://www.home.barclays/barclays-investor-relations/results-and-reports/annual-reports.html>

Independent auditors

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

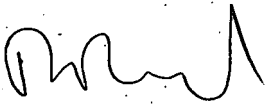
BARCLAYS SECURITY TRUSTEE LIMITED

Directors' Report (continued)
For the year ended 31 December 2018

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



I Rand
Director
13 August 2019

BARCLAYS SECURITY TRUSTEE LIMITED

Strategic Report

For the year ended 31 December 2018

Business review and principal activities

Barclays Security Trustee Limited was incorporated by Barclays PLC to act as the Security Trustee where there is a requirement for collateral to be shared by Barclays Bank UK PLC, Barclays Bank PLC and Barclays Mercantile Business Finance Limited. There are a limited number of instances where collateral would be shared and the purpose of establishing the Security Trust was to mitigate adverse impacts on clients that could otherwise arise from ring-fencing.

Recent developments in banking law and regulation in the UK have included legislation designed to ring-fence the retail and smaller deposit-taking businesses of large banks. The Financial Services (Banking Reform) Act 2013 put in place a framework for this ring-fencing and secondary legislation passed in 2014 elaborated on the operation and application of the ring-fence. Ring-fencing requires, among other things, the separation of the retail and smaller deposit-taking business activities of UK banks in the UK and branches of UK banks in the European Economic Area (EEA) into a legally distinct, operationally separate and economically independent entity, which is not permitted to undertake a range of activities.

In order to comply with these developments, Barclays PLC planned and implemented the legal entity and business transfers required to ensure the separation of retail and smaller deposit-taking business activities of UK banks in the UK, through the Barclays Ring-Fenced Transfer Scheme during 2018. Barclays Bank UK PLC was established on 1 April 2018 as the ring fenced bank. The remaining segments of Barclays Bank PLC and other businesses (some of which comprise the non-EEA business and excluded or prohibited activity that is not permitted within Barclays Bank UK PLC) remained outside Barclays Bank UK PLC in Barclays Bank PLC and its subsidiaries.

The Company did not carry on any business during 2017 but following the structural reform program undertaken, as detailed above, the Company became operational and its principal activity is carrying on debt administration activities. It does not have any lending exposure but if instructed, will be responsible for collateral documentation, subsequent enforcement proceedings and distributing the proceeds of any realisation from collateral to the beneficiaries, Barclays Bank PLC, Barclays Bank UK PLC and Barclays Mercantile Business Finance Limited. The Company acts on the instruction of Barclays Bank UK PLC, Barclays Bank PLC and Barclays Mercantile Business Finance Limited and in order to carry out that instruction, relies on the services provided by Barclays Execution Services Limited. It is therefore, not an employing entity. The Company is authorised and regulated by the FCA.

Business performance

The Company's results for the year show a profit before taxation of £77,000 (2017: £nil). Profit after taxation was £62,000 (2017: £nil). There were no other items of other comprehensive income.

The Company has net assets of £1,062,000 (2017: £1,000,000). Net cash flow used in operating activities was £96,000 (2017: £nil).

Future outlook

The future economic outlook for the Company is so closely allied with that of Barclays PLC Group that the Company's Directors believe it would not be helpful to separate the two. The future economic outlook for the Barclays PLC Group is discussed in the annual report of Barclays PLC which does not form part of this report.

Having had regard to the above, the Directors remain confident that the current levels of performance will be maintained in the future.

BARCLAYS SECURITY TRUSTEE LIMITED

Strategic Report (continued)

For the year ended 31 December 2018

Principal risks and uncertainties

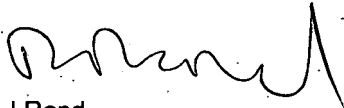
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Barclays PLC group and are not managed separately. The principal risks and uncertainties of the Barclays PLC group, which include those of the Company, are discussed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

There are a number of specific debt administration services which Barclays Services Limited provide to the Company. Key performance indicators for these services are monitored to ensure an appropriate level of performance for these debt administration services is in place.

FOR AND ON BEHALF OF THE BOARD



I Rand

Director

13 August 2019

BARCLAYS SECURITY TRUSTEE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARCLAYS SECURITY TRUSTEE LIMITED

Opinion

We have audited the financial statements of Barclays Security Trustee Limited (the "Company") for the year ended 31 December 2018 which comprise the Statement of Financial Position, Income Statement, Statement of Changes in Equity and Statement of Cash Flows and related notes, including the accounting policies in note 3 (the "financial statements").

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 loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

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

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as impairment of loans and advances to customers 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 factor.

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.

BARCLAYS SECURITY TRUSTEE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARCLAYS SECURITY TRUSTEE LIMITED (continued)

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 1, 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.

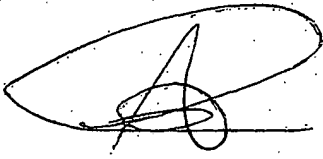
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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.

BARCLAYS SECURITY TRUSTEE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARCLAYS SECURITY TRUSTEE LIMITED (continued)



Alexander Snook (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
15 Canada Square
London
E14 5GL

13/08/2019

BARCLAYS SECURITY TRUSTEE LIMITED

Income Statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Continuing operations			
Revenue	4	2,580	-
Direct expenses	4	(2,480)	-
Gross profit		<u>100</u>	<u>-</u>
Interest income	6	<u>5</u>	<u>-</u>
		5	-
Administrative expenses		<u>(28)</u>	<u>-</u>
Operating profit		<u>72</u>	<u>-</u>
Profit before taxation	7	<u>77</u>	<u>-</u>
Taxation	8	<u>(15)</u>	<u>-</u>
Profit after taxation		<u><u>62</u></u>	<u><u>-</u></u>

Profit or loss for the year is derived from continuing activities. All recognised income and expenses have been reported in the income statement, hence no statement of comprehensive income has been included in the financial statements.

The accompanying notes on pages 13 to 23 form an integral part of these financial statements.

Profit after taxation was £62,000 (2017: £nil). There were no items of other comprehensive income.

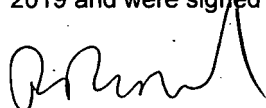
BARCLAYS SECURITY TRUSTEE LIMITED

Statement of Financial Position As at 31 December 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Investments measured at amortised cost	9	955	-
Total non-current assets		955	-
Current assets			
Cash and cash equivalents		146	1,000
Total current assets		146	1,000
TOTAL ASSETS		1,101	1,000
LIABILITIES			
Current liabilities			
Trade and other payables	10	24	-
Current taxation	11	15	-
Total current liabilities		39	-
Net current assets		107	1,000
TOTAL LIABILITIES		39	-
SHAREHOLDER'S EQUITY			
Share capital	12	1,000	1,000
Retained earnings	13	62	-
TOTAL SHAREHOLDER'S EQUITY		1,062	1,000
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,101	1,000

The accompanying notes on pages 13 to 23 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 13 August 2019 and were signed on its behalf by:



I Rand
Director
13 August 2019

BARCLAYS SECURITY TRUSTEE LIMITED

Statement of Changes in Equity For the year ended 31 December 2018

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	1,000	-	-	1,000
Profit and total comprehensive income for the year	-	-	62	62
At 31 December 2018	1,000	-	62	1,062

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	-	-	-	-
Profit and total comprehensive income for the year	-	-	-	-
Issue of share capital	1,000	-	-	1,000
At 31 December 2017	1,000	-	-	1,000

The accompanying notes on pages 13 to 23 form an integral part of these financial statements.

BARCLAYS SECURITY TRUSTEE LIMITED

Statement of Cash Flows For the year ended 31 December 2018

	2018 £'000	2017 £'000
Continuing operations		
Reconciliation of profit before tax to net cash flows from operating activities		
Profit before taxation	77	-
Net increase in loans and other receivables	-	-
Net increase in trade and other payables	24	-
Net increase in balances due to group undertakings	-	-
Cash used in operating activities	101	-
Non operating income	(5)	-
Net cash used in operating activities	96	-
Cash flows from investing activities		
Purchase of gilts	(993)	-
Interest received on gilts	43	-
Net cash used in investing activities	(950)	-
Cash flows from financing activities		
Issue of share capital	-	1,000
Net cash from financing activities	-	1,000
Net (decrease)/increase in cash and cash equivalents	(854)	1,000
Cash and cash equivalents at 1 January	1,000	-
Cash and cash equivalents at 31 December	146	1,000
Cash and cash equivalents comprise:		
Cash and balances with banks	146	1,000

The accompanying notes on pages 13 to 23 form an integral part of these financial statements.

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements For the year ended 31 December 2018

1 Reporting entity

These financial statements are prepared for Barclays Security Trustee Limited (the 'Company'), the principal activity of which is carrying on debt administration activities. It does not have any lending exposure. The Company acts on the instruction of Barclays Bank UK PLC, Barclays Bank PLC and Barclays Mercantile Business Finance Limited and in order to carry out that instruction, relies on the services provided by Barclays Services Limited.

The financial statements are prepared for the Company only, in line with the UK Companies Act 2006. The parent undertaking of the smallest group that presents consolidated financial statements and its ultimate parent company is Barclays PLC, which prepares consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') and interpretations ('IFRICs') issued by the IFRS 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 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.

New and amended standards

The accounting policies adopted are consistent with those of the previous financial year, except where new standards and amendments to IFRSs effective as of 1 January 2018 have resulted in changes in accounting policy. The new amended standards that have been adopted but have no material impact and are included in note 3 are IFRS 9 *Financial Instruments* (replacing IAS39 *Financial Instruments: Recognition and Measurement*) and IFRS 15 *Revenue from Contracts with Customers* (replacing IAS18 *Revenue*).

Future accounting developments

In January 2016 the IASB issued IFRS 16 *Leases*, which was subsequently endorsed by the EU in November 2017, and will replace IAS 17 *Leases* for period beginning on or after 1 January 2019. The future applicability of this standard to the Company is still being considered.

There are no material changes expected to the Company's financial reporting after 2018 as a result of amended or new accounting standards that have been or will be issued by the IASB.

3 Summary of significant accounting policies

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

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 presented in thousands of Pounds Sterling, (£000), the currency of the country in which the Company is incorporated.

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements (continued) For the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

a) Revenue recognition

The Company applies IFRS 15 *Revenue from Contracts with Customers* (replacing IAS 18 *Revenue*). The standard establishes a five-step model governing revenue recognition. The five-step model requires the Company to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

The Company recognises revenue charged for services provided by the Company as the services are performed, for example on completion of the underlying transaction.

b) Interest

Interest income or expense is recognised on all interest bearing financial assets and on interest bearing financial liabilities, which are measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

c) 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 timing differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantively enacted by the Statement of Financial Position 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.

d) 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.

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements (continued) For the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

d) Financial assets and liabilities (continued)

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 expectations 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 at amortised cost

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

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

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. Intercompany exposures are also in scope of IFRS 9 for ECL purposes.

At the reporting date, an allowance is required for the 12 month ECLs (Stage 1). 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. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes the time value of money.

Determining a significant increase in credit risk since initial recognition:

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

d) Financial assets and liabilities (continued)

Impairment of financial assets (continued)

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:

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

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

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.

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.

Uncollectible amounts are written off against the related allowance for impairment on completion of the Company'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.

Expected life

Lifetime ECLs must be measured over the expected life. This is restricted to the maximum contractual life. Potential future modifications of contracts are not taken into account when determining the expected life or EAD until they occur.

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:

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

d) Financial assets and liabilities (continued)

Impairment of financial assets (continued)

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 PLC risk models are adopted by the Company and used to determine the PD, LGD and EAD. For Stage 2 and 3, risk models apply lifetime PDs but use 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.

For the IFRS 9 impairment assessment, Barclays PLC risk models are adopted by the Company and used to determine the PD, LGD and EAD. For Stage 2 and 3, risk models apply lifetime PDs but use 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.

e) Investments

Investments in gilts are measured at amortised cost. The gilts will be held until their contractual maturity.

f) Issued equity securities

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

g) Dividends on ordinary shares

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

h) Cash and cash equivalents

For the purposes of the statement of cash flows, 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.

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements (continued) For the year ended 31 December 2018

4 Revenue and Direct Expenses

Revenue is disaggregated below by fee type that reflects the nature of the services offered across the Company, in accordance with IFRS 15. It includes a total for fees in scope of IFRS 15.

	2018 £'000	2017 £'000
Income relating to debt administration activities	2,480	-
Fee and Commission income	100	-
Revenue	<u>2,580</u>	<u>-</u>
Costs relating to debt administration activities	(2,480)	-
Net revenue	<u>100</u>	<u>-</u>

Income relating to debt administration activities arises where the Company acts as agent for the recharge to Barclays Bank UK PLC, Barclays Bank PLC and Barclays Mercantile Business Finance Limited for variable costs incurred in performing debt administration activities.

Fee and Commission income arises from fees the Company charges to Barclays Bank UK PLC and Barclays Bank PLC for administration expenses for the entity on an annual basis.

Costs relating to debt administration activities arise where variable costs are incurred by employees of Barclays Execution Services Limited in performing debt administration activities including, if instructed, responsibility for collateral documentation, subsequent enforcement proceedings, and distributing the proceeds of any realisation from collateral to the beneficiaries, Barclays Bank PLC, Barclays Bank UK PLC and Barclays Mercantile Business Finance Limited.

5 Employees and key management, including Directors

The Company had no direct employees during 2018 or 2017. All staff employed in the business were contracted to Barclays Execution Services Limited.

Directors' remuneration

The Directors are considered to be the key management personnel.

Disclosures of the Directors' remuneration as required by the Companies Act 2006 are as follows:

	2018 £'000	2017 £'000
Aggregate remuneration in respect of qualifying services	-	-
Aggregate amounts receivable under long-term incentive schemes	-	-
Aggregate contributions due to Barclays Group Pension Schemes	-	-
	<u>0</u>	<u>0</u>

No Director is accruing retirement benefits under a defined benefit scheme or a defined contribution scheme during 2018 or 2017.

One Director exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive Schemes during 2018 (2017: nil).

No Director is entitled to benefits under the Share Value Plan.

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements (continued) For the year ended 31 December 2018

6 Net interest income

Net interest income comprises the following:

	2018 £'000	2017 £'000
Interest income		
Interest receivable from external parties	5	-
Total interest income	<u>5</u>	<u>-</u>

Interest income is receivable on the gilts held by the Company.

7 Profit before taxation

	2018 £'000	2017 £'000
Audit fees	23	-
	<u>23</u>	<u>-</u>

8 Taxation

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

	2018 £'000	2017 £'000
Current tax:		
Current year	15	-
Deferred tax:		
Current year	-	-
Prior year adjustment	-	-
Effect of changes in tax rates	-	-
Total charge	<u>15</u>	<u>-</u>

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

	2018 £'000	2017 £'000
Profit before taxation	77	-
Tax charge at average UK corporation tax rate of 19% (2017: 19.25%)	15	-
Loss on sale of subsidiary	-	-
Bank surcharge allowance	-	-
Change to standard UK corporation tax rate	-	-
Overall tax charge	<u>15</u>	<u>-</u>
Effective tax rate %	<u>19.48%</u>	<u>0.00%</u>

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements (continued) For the year ended 31 December 2018

9 Investments measured at amortised cost

An analysis of investments is as follows:

	2018 £'000	2017 £'000
Investment held in gilts	<u>955</u>	<u>-</u>

The Company purchased UK short-dated gilts using the proceeds received from Barclays PLC for the issue of 1,000,000 shares at £1 each. The gilts will be held by the Company until their contractual maturity on 7 March 2020.

10 Trade and other payables

An analysis of trade and other payables is as follows:

	2018 £'000	2017 £'000
Accrued expenses	<u>24</u>	<u>-</u>
	<u>24</u>	<u>-</u>

The trade payables balance reflects an accrual for audit fees and an accrual for custody fees.

The Directors consider that the carrying value of the Company's trade and other payables approximates to their fair value.

11 Current taxation

Current tax liabilities are as follows:

	2018 £'000	2017 £'000
United Kingdom corporation tax payable	<u>15</u>	<u>-</u>

12 Share capital

Particulars of the Company's share capital are as follows:

	Number of Shares	Ordinary Shares £'000	Share premium account £'000	Total £'000
At 1 January and 31 December 2018	<u>1,000,001</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>

The par value of the ordinary shares is £1 each. All issued shares are fully paid.

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights but do not confer any rights of redemption.

13 Retained earnings

Movements in retained earnings are as follows:

	2018 £'000	2017 £'000
At 1 January	-	-
Profit and total comprehensive income for the year	<u>62</u>	<u>-</u>
At 31 December	<u>62</u>	<u>-</u>

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements (continued) For the year ended 31 December 2018

14 Financial risks

The Board of Directors has ultimate responsibility for ensuring effective risk management and control (including mandatory adherence to the Barclays PLC Group risk management policies):

The Company's activities expose it to a variety of financial risks. These are Credit Risk, Liquidity Risk and Market Risk (which includes Foreign Currency Risk, Interest Rate Risk and Price Risk).

a) Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers or market counterparties fail to fulfill their contractual obligations to the Company.

The Company assesses all counterparties, including its customers, for credit risk before contracting with them and there were no significant concentrations of credit risk at either year end.

Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk at 31 December 2018 and 2017:

	2018 £'000	2017 £'000
Investment held in gilts	955	-
Cash and cash equivalents with related parties	146	1,000
Total maximum exposure at 31 December	1,101	1,000

b) Liquidity Risk

Liquidity Risk is the risk that the Company may not have sufficient funds to meet its debts as they fall due.

The Company has support from the parent Company, Barclays PLC to ensure that the Company has sufficient available funds for operations.

All of the Company's current assets and liabilities at 31 December 2018 and 2017 were effectively due on demand and there are sufficient current assets to meet current liabilities, as they fall due.

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, foreign exchange rates and equity prices.

The Company has no direct exposure to price risk and only limited exposure to interest rate risk and foreign currency risk.

The Company's interest rate risk is limited to the interest income earned on its cash and cash equivalents and no sensitivity analysis has been presented as this is not considered material.

15 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 other party in making financial or operational decisions, or one other party controls both.

The definition of related parties includes parent company, ultimate parent company, subsidiary, associated and joint venture companies, as well as the Company's key management which includes its Directors. Particulars of transactions with group companies, and the balances outstanding at the year end, are disclosed in the tables below.

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements (continued) For the year ended 31 December 2018

15 Related party transactions (continued)

For the year ended 31 December 2018

	Parent company £'000	Other Group entities £'000	Total £'000
Transactions			
Revenue	-	2,580	2,580
Direct expenses	-	(2,480)	(2,480)
Total	<u>-</u>	<u>100</u>	<u>100</u>
Balances outstanding at 31 December 2018			
Assets	-	146	146
Liabilities	-	-	-
Total	<u>-</u>	<u>146</u>	<u>146</u>

For the year ended 31 December 2017

	Parent company £'000	Other Group entities £'000	Total £'000
Transactions			
Revenue	-	-	-
Direct expenses	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>

	Parent company £'000	Other Group entities £'000	Total £'000
Balances outstanding at 31 December 2017			
Assets	-	1,000	1,000
Liabilities	-	-	-
Total	<u>-</u>	<u>1,000</u>	<u>1,000</u>

16 Capital management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern
- To maintain sufficient capital to support asset growth
- To maintain a level of capital to meet FCA requirements

The Company regards capital as its equity, as shown in the statement of financial position.

Total capital is as follows:

	2018 £'000	2017 £'000
Share capital	1,000	1,000
Retained earnings	62	-
Total capital resources	<u>1,062</u>	<u>1,000</u>

BARCLAYS SECURITY TRUSTEE LIMITED

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

17 Parent undertaking and ultimate holding company

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