

Registered number: 10825314

BARCLAYS SECURITY TRUSTEE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



BARCLAYS SECURITY TRUSTEE LIMITED

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BARCLAYS SECURITY TRUSTEE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

Profit and dividends

The Company's profit for the year was £51,000 (2018 - £62,000). No dividend was paid in 2019 (2018: £nil). The Directors do not recommend the payment of a final dividend (2018: £nil).

Post year end events

The Company is monitoring the potential downside risk associated with both the direct and indirect impact of the COVID-19 outbreak and have concluded that its business strategy remains appropriate and adequate capital and liquidity is being maintained. The Company continues to operate in line with management's expectations.

The investment held by the Company in UK short-dated gilts contractually matured on the 7th March 2020.

On the 11th of March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020.

Directors

The Directors who served during the year were:

P Emney	(appointed 12 July 2019)
S J Penketh	(appointed 22 March 2019)
I Rand	(resigned 13 April 2020)
S Viswanathan	(resigned 30 January 2019)

Going concern

After reviewing the outlook for the Company (including the implications from the COVID-19 outbreak), taking into account the role it has in the structure of the business, 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 Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International 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 the 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 2019

Statement of Directors' responsibilities in respect of 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 13.

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 2019 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 2019, 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

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

Statement of disclosure of information to auditors

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

Strategic report exemption

The Directors have not prepared a Strategic Report on the basis of the small companies exemption. In order to qualify for this exemption the Company needs to meet at least two of the three criteria below:

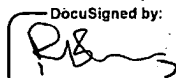
- (1) gross assets being less than £3.26 million;
- (2) turnover being less than £6.5 million; and
- (3) the average number of employees being less than 50.

All 3 criteria have been met and hence the Company qualifies for the exemption.

BARCLAYS SECURITY TRUSTEE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

This report was approved by the board on 6 July 2020 and signed on its behalf.

DocuSigned by:

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Director

Paul Emney

14/7/2020

BARCLAYS SECURITY TRUSTEE LIMITED

INDEPENDENT AUDITORS' 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 2019 which comprise the Statement of Profit or Loss, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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 Standards. We believe that the audit evidence we have obtained is sufficient and appropriate basis for our opinion.

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 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 AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS SECURITY TRUSTEE LIMITED

Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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

Auditors' responsibilities for the audit of the financial statements

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 is not a 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 the 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.

BARCLAYS SECURITY TRUSTEE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS SECURITY TRUSTEE LIMITED

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

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



Alexander Snook (Senior Statutory Auditor)

for and on behalf of
KPMG LLP

Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

Date: **14 July 2020**

BARCLAYS SECURITY TRUSTEE LIMITED**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Continuing operations			
Revenue	5	2,078	2,580
Direct expenses	5	(1,978)	(2,480)
Gross profit		<u>100</u>	<u>100</u>
Administrative expenses		(43)	(28)
Profit from operations		<u>57</u>	<u>72</u>
Finance income	8	6	5
Profit before tax		<u>63</u>	<u>77</u>
Tax expense	9	(12)	(15)
Profit for the year		<u><u>51</u></u>	<u><u>62</u></u>

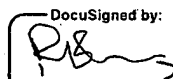
The accompanying notes on pages 12 - 23 form an integral part of these financial statements.

BARCLAYS SECURITY TRUSTEE LIMITED
REGISTERED NUMBER: 10825314

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Assets			
Non-current assets			
Investments measured at amortised cost	10	-	955
		<u>-</u>	<u>955</u>
Current assets			
Trade and other receivables		100	-
Investments measured at amortised cost	10	918	-
Cash and cash equivalents		183	146
		<u>1,201</u>	<u>146</u>
Total assets		<u>1,201</u>	<u>1,101</u>
Liabilities			
Non-current liabilities			
Current liabilities			
Trade and other liabilities	11	61	24
Current taxation	11	27	15
		<u>88</u>	<u>39</u>
Total liabilities		<u>88</u>	<u>39</u>
Net assets		<u>1,113</u>	<u>1,062</u>
Issued capital and reserves			
Share capital	12	1,000	1,000
Retained earnings		113	62
TOTAL EQUITY		<u>1,113</u>	<u>1,062</u>

The financial statements on pages 8 to 23 were approved and authorised for issue by the board of Directors on 6 July 2020 and were signed on its behalf by:

DocuSigned by:

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Director
 Paul Emney

14/7/2020

BARCLAYS SECURITY TRUSTEE LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2019	1,000	62	1,062
Comprehensive income for the year			
Profit for the year	-	51	51
	<u>-</u>	<u>51</u>	<u>51</u>
Total comprehensive income for the year			
Contributions by and distributions to owners			
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2019	<u>1,000</u>	<u>113</u>	<u>1,113</u>

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2018	1,000	-	1,000
Comprehensive income for the year			
Profit for the year	-	62	62
	<u>-</u>	<u>62</u>	<u>62</u>
Total comprehensive income for the year			
Contributions by and distributions to owners			
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018	<u>1,000</u>	<u>62</u>	<u>1,062</u>

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

BARCLAYS SECURITY TRUSTEE LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £000	2018 £000
Continuing operations		
Cash flows from operating activities		
Profit for the year	51	62
Adjustments for		
Income tax expense	12	15
	<u>63</u>	<u>77</u>
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(100)	-
Increase in trade and other payables	37	24
	<u>-</u>	<u>101</u>
Cash (used in)/generated from operations		
Non operating income	(6)	(5)
	<u>(6)</u>	<u>96</u>
Net cash (used in)/from operating activities		
Cash flows from investing activities		
Purchase of gilts	-	(993)
Interest received on gilts	43	43
	<u>43</u>	<u>(950)</u>
Net cash from/(used in) investing activities		
Cash flows from financing activities		
	<u>37</u>	<u>(854)</u>
Net cash increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of year	146	1,000
Cash and cash equivalents at the end of the year	<u>183</u>	<u>146</u>

The accompanying notes on pages 12 - 23 form an integral part of these financial statements.

BARCLAYS SECURITY TRUSTEE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Reporting entity

Barclays Security Trustee Limited (the 'Company') is a limited company incorporated in England. The Company's registered office is at 1 Churchill Place, London, E14 5HP. The Company's principal activity 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.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). They were authorised for issue by the Company's board of directors on 06 July 2020.

Details of the Company's accounting policies, including changes during the year, are included in note 4.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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 statements to the extent required or permitted under IFRS 9 Financial Instruments, as set out in the relevant accounting policies.

After reviewing the outlook for the Company (including the implications from the COVID-19 outbreak), taking into account the role it has in the structure of the business, 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.

2.1 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2019

IFRS 16

In January 2016, the IASB issued IFRS 16 Leases, which was subsequently endorsed by the EU in November 2017, and replaces IAS 17 Leases for period beginning on or after 1 January 2019. IFRS 16 has no impact on the Company's accounting policies.

ii) New standards, interpretations and amendments not yet effective

There are no new amended standards that have had a material impact on the Company's accounting policies.

(iii) Future accounting developments

There are no known future amended or new accounting standards which are expected to have a material impact on the Company's accounting policies.

BARCLAYS SECURITY TRUSTEE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. Functional and presentation currency

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Accounting policies

4.1 Revenue recognition

The Company applies IFRS 15 *Revenue from Contracts with Customers*. 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.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

4.2 Interest

Interest income or expense is recognised in 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.

4.3 Taxation

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 based 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.

BARCLAYS SECURITY TRUSTEE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. Accounting policies (continued)

4.4 Financial assets and liabilities

The Company applies IFRS 9 *Financial Instruments* to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets.

Recognition

The Company recognises financial assets and liabilities when it becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset.

Classification and measurement

Financial assets are classified on the basis of two criteria:

- i) the business model within which financial assets are managed; and
- ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

The Company assesses the business model criteria at a portfolio level. Information that is considered in determining the applicable business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

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

Financial assets 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).

BARCLAYS SECURITY TRUSTEE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. Accounting policies (continued)

4.4 Financial assets and liabilities (continued)

Impairment of financial assets (continued)

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:

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:

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;

BARCLAYS SECURITY TRUSTEE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. Accounting policies (continued)

4.4 Financial assets and liabilities (continued)

Impairment of financial assets (continued)

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.

4.5 Investments

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

4.6 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.

4.7 Dividends

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.

4.8 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
FOR THE YEAR ENDED 31 DECEMBER 2019****5. Revenue and direct expenses****5.1 Revenue and direct expenses from major products and services**

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.

	2019 £000	2018 £000
Income relating to debt administration activities	1,978	2,480
Fee and commission income	100	100
Revenue	2,078	2,580
Costs relating to debt administration activities	(1,978)	(2,480)
Net revenue	100	100

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.

6. Expenses by nature

	2019 £000	2018 £000
Audit fees	37	23

BARCLAYS SECURITY TRUSTEE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****7. Employee benefit expenses**

The Company had no direct employees during 2019 or 2018. All staff employed in the business were contracted to Barclays Execution Services Limited.

Key management personnel compensation

The Directors are considered to be the key management personnel.

No Directors is accruing retirement benefits under a defined benefit scheme or a defined contribution scheme during 2019 or 2018.

One Director exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive Schemes during 2019 (2018: one).

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

8. Finance income and expense**Recognised in profit or loss**

	2019 £000	2018 £000
Finance income		
- Interest from gilt	6	5
Total interest income arising from financial assets measured at amortised cost	<u>6</u>	<u>5</u>
Total finance income	<u>6</u>	<u>5</u>
Net finance income recognised in profit or loss	<u>6</u>	<u>5</u>

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

BARCLAYS SECURITY TRUSTEE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****9. Tax expense****9.1 Income tax recognised in profit or loss**

	2019 £000	2018 £000
Current tax		
Current tax on profits for the year	12	15
Total current tax	<u>12</u>	<u>15</u>
Total tax expense		
Tax expense	12	15
	<u>12</u>	<u>15</u>

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

	2019 £000	2018 £000
Profit for the year	51	62
Income tax expense	12	15
Profit before income taxes	<u>63</u>	<u>77</u>
Tax using the Company's domestic tax rate of 19% (2018:19%)	12	15
Total tax expense	<u>12</u>	<u>15</u>

Changes in tax rates and factors affecting the future tax charges

From 1 April 2017, the main rate of UK corporation tax is 19%. Legislation has been introduced to reduce the main rate of UK corporation tax to 17% from 1 April 2020.

In the March 2020 budget announcement, the Chancellor confirmed that the rate of corporation tax will remain at 19% from 1 April 2020. This measure has been made under a Budget resolution which has statutory effect under the provisions of the Provisional Collection of Taxes Act 1968. Since this change (cancelling the enacted reduction to 17%) was not enacted or substantively enacted on the balance sheet date, this has not been used to calculate current or deferred tax for tax disclosures for year ended 31 December 2019.

BARCLAYS SECURITY TRUSTEE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****9. Tax expense (continued)****9.1 Income tax recognised in profit or loss (continued)****9.2 Current tax assets and liabilities**

	2019 £000	2018 £000
Current tax liabilities		
Corporation tax payable	27	15
	<u>27</u>	<u>15</u>

10. Investment measured at amortised cost

An analysis of investments is as follows:

	2019 £000	2018 £000
Investment held in gilts	<u>918</u>	<u>955</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.

11. Trade and other payables

	2019 £000	2018 £000
Accruals	61	24
Total financial liabilities	<u>61</u>	<u>24</u>
Other payables - tax and social security payments	27	15
Total trade and other payables	<u>88</u>	<u>39</u>
Total current portion	<u>(88)</u>	<u>(39)</u>

BARCLAYS SECURITY TRUSTEE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****12. Share capital****Authorised**

	2019 Number	2019 £000	2018 Number	2018 £000
Shares treated as equity				
Ordinary shares of £1.00 each	1,000,001	1,000	1,000,001	1,000
	<u>1,000,001</u>	<u>1,000</u>	<u>1,000,001</u>	<u>1,000</u>

Issued and fully paid

	2019 Number	2019 £000	2018 Number	2018 £000
Ordinary shares of £1.00 each				
At 1 January and 31 December	<u>1,000,001</u>	<u>1,000</u>	<u>1,000,001</u>	<u>1,000</u>

13. 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 fulfil 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 2019 and 2018:

	2019 £000	2018 £000
Investment held in gilts	918	955
Cash and cash equivalents	183	146
Trade and other receivables	100	-
Total maximum exposure at 31 December	<u>1,201</u>	<u>1,101</u>

BARCLAYS SECURITY TRUSTEE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****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 Bank PLC, to ensure the Company has sufficient available funds for operations.

All of the Company's current assets and liabilities at 31 December 2019 and 2018 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.

14. Related party transactions

Details of transactions between the Company and other related parties are disclosed below.

14.1 Other related party transactions

Other related party transactions are as follows:

Related party relationship	Type of transaction	Transaction amount		Balance owed	
		2019	2018	2019	2018
		£000	£000	£000	£000
Other Group entities	Revenue	2,078	2,580	-	-
Other Group entities	Direct expenses	(1,978)	(2,480)	-	-
Other Group entities	Assets	-	-	183	146
		<u>100</u>	<u>100</u>	<u>183</u>	<u>146</u>

BARCLAYS SECURITY TRUSTEE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****15. Capital management note**

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; and
- 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:

	2019	2018
	£000	£000
Share capital	1,000	1,000
Retained earnings	113	62
	<hr/>	<hr/>
Total capital resources	<u>1,113</u>	<u>1,062</u>

16. Parent undertaking and ultimate holding company

The Company is a subsidiary undertaking of Barclays PLC which is the ultimate parent company incorporated in the United Kingdom and registered in England.

The largest, and smallest, group in which the results of the Company are considered is that headed by Barclays PLC, 1 Churchill Place, London, E14 5HP. No other Group financial statements include the results of the Company.

The consolidated financial statements of this group is available to the public and may be obtained from Barclays Corporate Secretariat, 1 Churchill Place, London, E14 5HP.

17. Events after the reporting date

The Company is monitoring the potential downside risk associated with both the direct and indirect impact of the COVID-19 outbreak and have concluded that its business strategy remains appropriate and adequate capital and liquidity is being maintained. The Company continues to operate in line with management's expectations.

The investment held by the Company in UK short-dated gilts contractually matured on the 7th March 2020.

On the 11th of March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020.