

**Registered number: 10825314**

**BARCLAYS SECURITY TRUSTEE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**



**BARCLAYS SECURITY TRUSTEE LIMITED**

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## **BARCLAYS SECURITY TRUSTEE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020.

#### **Profit and dividends**

The Company's profit for the year was £78,000 (2019: £51,000). No dividend was paid in 2020 (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £nil).

#### **Post balance sheet events**

In the 3rd of March 2021 UK Budget, it was announced that the UK rate of corporation tax will increase from 19% to 25% effective 1 April 2023. The change was not substantively enacted or enacted at the balance sheet date.

As part of a strategic review of the businesses within Barclays, Barclays Principal Investment Limited (BPIL) entered into a sale agreement to transfer all of its shareholding in Barclays Mercantile Business Finance Limited (BMBFL) to HPS Investment Partners LLC on 31st of March 2021. The transfer of ownership was completed by 30th June 2021.

Whilst BMBFL is a beneficiary of the services the Company provides, the sale of BMBFL will not result in any material changes to the business, statement of profit or loss or the statement of financial position of the Company.

#### **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:

S Baker	(appointed 9 March 2021)
H K Bernard	(appointed 6 October 2020)
P Emney	
J M Opperman	(appointed 27 November 2020)
S J Penketh	(resigned 30 November 2020)
I Rand	(resigned 13 April 2020)

Since the year end, Stuart Baker was appointed as a Director on 9 March 2021.

#### **Going concern**

After reviewing the Company's financial position and performance projections (including the implications from the ongoing COVID-19 outbreak), the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations as they fall due and to continue in operational existence for at least the next 12 months from the date of signing these financial statements. 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 accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

## **BARCLAYS SECURITY TRUSTEE LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements (continued)**

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information. 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 2020 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses, and liabilities, including qualifying third party indemnity provisions and qualifying indemnity provisions which may occur (or have occurred) in connection with their duties, powers or office.

#### **Pillar 3 disclosures**

In accordance with the rules of the Financial Conduct Authority (FCA), the Company's parent, as at 31 December 2020, 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>

**BARCLAYS SECURITY TRUSTEE LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**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.

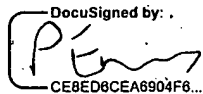
**Statement of disclosure of information to auditor**

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

**Small companies provision**

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

This report was approved by the board on 22 July 2021 and signed on its behalf.

DocuSigned by:  
  
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P Emney  
Director  
Company Number: 10825314

## **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 2020 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **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").

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.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are 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)**

#### **Fraud and breaches of laws and regulations - ability to detect**

##### *Identifying and responding to risks of material misstatement due to fraud*

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

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

We did not identify any additional fraud risks.

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

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

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

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

## **BARCLAYS SECURITY TRUSTEE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARCLAYS SECURITY TRUSTEE LIMITED (CONTINUED)**

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

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

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

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

#### **Directors' report**

The Directors are responsible for the Directors' report. Our opinion on the financial statements does not cover that report 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 that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.



## **BARCLAYS SECURITY TRUSTEE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARCLAYS SECURITY TRUSTEE LIMITED (CONTINUED)**

#### **Directors' responsibilities**

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.

#### **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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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



**Alexander Snook (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square  
London  
E14 5GL

22 July 2021

**BARCLAYS SECURITY TRUSTEE LIMITED****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
<b>Continuing operations</b>			
Revenue	5	2,139	2,078
Direct expenses	5	(2,039)	(1,978)
<b>Gross profit</b>		<u>100</u>	<u>100</u>
Administrative expenses		(6)	(43)
<b>Profit from operations</b>		<u>94</u>	<u>57</u>
Finance income	8	2	6
<b>Profit before tax</b>		<u>96</u>	<u>63</u>
Tax expense	9	(18)	(12)
<b>Profit for the year</b>		<u><u>78</u></u>	<u><u>51</u></u>

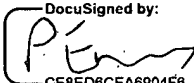
The accompanying notes on pages 13 - 23 form an integral part of these financial statements.

**BARCLAYS SECURITY TRUSTEE LIMITED**  
**REGISTERED NUMBER: 10825314**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables		100	100
Investments measured at amortised cost	10	-	918
Cash and cash equivalents	11	1,197	183
<b>Total current assets</b>		<u>1,297</u>	<u>1,201</u>
<b>Total assets</b>		<u>1,297</u>	<u>1,201</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other liabilities	12	61	61
Current taxation	9	45	27
<b>Total current liabilities</b>		<u>106</u>	<u>88</u>
<b>Total liabilities</b>		<u>106</u>	<u>88</u>
<b>Net assets</b>		<u>1,191</u>	<u>1,113</u>
<b>Issued capital and reserves</b>			
Share capital	13	1,000	1,000
Retained earnings		191	113
<b>TOTAL EQUITY</b>		<u>1,191</u>	<u>1,113</u>

The financial statements on pages 9 to 23 were approved and authorised for issue by the board of Directors on 22 July 2021 and were signed on its behalf by:

DocuSigned by:  
  
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**P Emney**  
 Director

**BARCLAYS SECURITY TRUSTEE LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital £000	Retained earnings £000	Total equity £000
<b>At 1 January 2020</b>	1,000	113	1,113
<b>Comprehensive income for the year</b>			
Profit for the year	-	78	78
	-	78	78
<b>Total comprehensive income for the year</b>			
	1,000	191	1,191
<b>At 31 December 2020</b>			

	Share capital £000	Retained earnings £000	Total equity £000
<b>At 1 January 2019</b>	1,000	62	1,062
<b>Comprehensive income for the year</b>			
Profit for the year	-	51	51
	-	51	51
<b>Total comprehensive income for the year</b>			
	1,000	113	1,113
<b>At 31 December 2019</b>			

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 2020**

	2020 £000	2019 £000
<b>Continuing operations</b>		
<b>Cash flows from operating activities</b>		
Profit for the year	78	51
<b>Adjustments for</b>		
Income tax expense	18	12
	<u>96</u>	<u>63</u>
<b>Movements in working capital:</b>		
Increase in trade and other receivables	-	(100)
Increase in trade and other payables	1	37
	<u>97</u>	<u>-</u>
<b>Cash generated from operations</b>		
Non operating income	(2)	(6)
	<u>95</u>	<u>(6)</u>
<b>Net cash from/(used in) operating activities</b>		
<b>Cash flows from investing activities</b>		
Proceeds from disposal of investments measured at amortised cost	898	-
Interest received on gilts	21	43
	<u>919</u>	<u>43</u>
<b>Net cash from investing activities</b>		
<b>Cash flows from financing activities</b>		
<b>Net increase in cash and cash equivalents</b>	<u>1,014</u>	<u>37</u>
Cash and cash equivalents at the beginning of year	183	146
<b>Cash and cash equivalents at the end of the year</b>	<u><u>1,197</u></u>	<u><u>183</u></u>

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

## **BARCLAYS SECURITY TRUSTEE LIMITED**

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

#### **1. Reporting entity**

Barclays Security Trustee Limited (the 'Company') is a private limited company, domiciled and 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 Execution Services Limited.

#### **2. Basis of preparation**

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. They were authorised for issue by the Company's Board of Directors on 22 July 2021.

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.

After reviewing the Company's financial position and performance projections (including the implications from the ongoing COVID-19 outbreak), the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations as they fall due and to continue in operational existence for at least the next 12 months from the date of signing these financial statements. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

##### **2.1 Basis of measurement**

The financial statements have been prepared on the historical cost convention on a going concern basis adjusted to include the fair valuation instruments to the extent required or permitted under IFRS 9 Financial Instruments as set out in the relevant accounting policies.

##### **2.2 Changes in accounting policies**

###### **i) New standards, interpretations and amendments effective from 1 January 2020**

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

###### **ii) New standards, interpretations and amendments not yet effective**

###### **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Amendments relating to Interest Rate Benchmark Reform (Phase 2 amendments)**

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were amended in August 2020, which are effective for periods beginning on or after 1 January 2021 with earlier adoption permitted. The Company has not elected to early adopt the amendments with effect from 1 January 2020. The amendments have been endorsed by the EU and the UK.

None of these standards 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 2020

#### 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 2020

#### 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 2020**

#### **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.

The Company assesses at each balance sheet date whether there is objective evidence that loans and receivables are impaired. The factors that the Company uses include significant financial difficulties of the debtor or the issuer, a breach of contract or default in payments, the granting by the Company of a concession to the debtor because of a deterioration in its financial condition, the probability that the debtor will enter into bankruptcy or other financial reorganisation, or, in the disappearance of an active market for a security because of the issuer's financial difficulties.

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

Any potential ECL is deemed immaterial due to the Company's exposure being only trade receivables and cash and cash equivalents.

###### **Netting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

##### **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 2020****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.

	2020 £000	2019 £000
Income relating to debt administration activities	2,039	1,978
Fee and commission income	100	100
<b>Revenue</b>	<b>2,139</b>	<b>2,078</b>
Costs relating to debt administration activities	(2,039)	(1,978)
<b>Net revenue</b>	<b>100</b>	<b>100</b>

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. Profit before tax**

The following items have been charged at arriving at profit before tax:

	2020 £000	2019 £000
Audit fees	-	37

The 2020 year end audit fees of £37,000 have been borne by the Company's parent, Barclays PLC and has not been recharged to the Company. This fee is not recognised as an expense in the financial statements of the Company.

The 2019 audit fees of £37,000 were borne by the Company's parent, Barclays PLC and were recharged to the Company. That fee is recognised as an expense in the financial statements of the Company.

**BARCLAYS SECURITY TRUSTEE LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****7. Employee benefit expenses**

The Company had no direct employees during 2020 or 2019. 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 2020 or 2019.

No Director exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive Schemes during 2020 (2019: one).

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

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

	2020 £000	2019 £000
<b>Finance income</b>		
- Interest from gilt	2	6
<b>Total interest income arising from financial assets measured at amortised cost</b>	<u>2</u>	<u>6</u>
<b>Total finance income</b>	<u>2</u>	<u>6</u>
<b>Net finance income recognised in profit or loss</b>	<u>2</u>	<u>6</u>

Interest income was receivable on the gilts held by the Company prior to their maturity on the 7th March 2020.

**BARCLAYS SECURITY TRUSTEE LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****9. Tax expense****9.1 Income tax recognised in profit or loss**

	2020 £000	2019 £000
<b>Current tax</b>		
Current tax on profits for the year	18	12
<b>Total current tax</b>	<u>18</u>	<u>12</u>
<b>Total tax expense</b>		
Tax expense	18	12
	<u>18</u>	<u>12</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:

	2020 £000	2019 £000
Profit for the year	78	51
Income tax expense	18	12
<b>Profit before income taxes</b>	<u>96</u>	<u>63</u>
Tax using the Company's domestic tax rate of 19% (2019:19%)	18	12
<b>Total tax expense</b>	<u>18</u>	<u>12</u>

**Changes in tax rates and factors affecting the future tax charges**

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

**9.2 Current tax assets and liabilities**

	2020 £000	2019 £000
<b>Current tax liabilities</b>		
UK Corporation tax payable	45	27
	<u>45</u>	<u>27</u>

**BARCLAYS SECURITY TRUSTEE LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****10. Investment measured at amortised cost**

An analysis of investments is as follows:

	2020 £000	2019 £000
<b>Investment held in gilts</b>	-	918

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 were held by the Company until their contractual maturity on 7 March 2020 at which point the Company received cash for these gilts, which has not been reinvested.

**11. Cash and cash equivalents**

	2020 £000	2019 £000
Cash at bank available on demand	1,197	183
<b>Cash and cash equivalents in the statement of financial position</b>	<b>1,197</b>	<b>183</b>
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>1,197</b>	<b>183</b>

**12. Trade and other payables**

	2020 £000	2019 £000
Accruals	61	61
<b>Total financial liabilities</b>	<b>61</b>	<b>61</b>
Other payables - tax and social security payments	45	27
<b>Total trade and other payables</b>	<b>106</b>	<b>88</b>
<b>Total current portion</b>	<b>(106)</b>	<b>(88)</b>

**BARCLAYS SECURITY TRUSTEE LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****13. Share capital****Authorised**

	2020 Number	2020 £000	2019 Number	2019 £000
<b>Shares treated as equity</b>				
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**

	2020 Number	2020 £000	2019 Number	2019 £000
<b>Ordinary shares of £1.00 each</b>				
At 1 January and 31 December	<u>1,000,001</u>	<u>1,000</u>	<u>1,000,001</u>	<u>1,000</u>

**14. Financial risks**

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

The Board of Directors monitors the Company's financial risks and has responsibility for ensuring effective risk management and control.

**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 2020 and 2019:

	2020 £000	2019 £000
Investment held in gilts	-	918
Cash and cash equivalents	1,197	183
Trade and other receivables	100	100
<b>Total maximum exposure at 31 December</b>	<u>1,297</u>	<u>1,201</u>

**BARCLAYS SECURITY TRUSTEE LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****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 the Company has sufficient available funds for operations.

All of the Company's current assets and liabilities at 31 December 2020 and 2019 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**

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

**15.1 Other related party transactions**

Other related party transactions are as follows:

Related party relationship	Type of transaction	Transaction amount		Balance owed	
		2020 £000	2019 £000	2020 £000	2019 £000
Other Group entities	Revenue	2,139	2,078	-	-
Other Group entities	Direct expenses	(2,039)	(1,978)	-	-
Other Group entities	Assets	-	-	1,197	183
		<u>100</u>	<u>100</u>	<u>1,197</u>	<u>183</u>

**BARCLAYS SECURITY TRUSTEE LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****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 Board of Directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management.

The Company regards capital as its equity, as shown in the Statement of Financial Position.

Total capital is as follows:

	2020	2019
	£000	£000
Share capital	1,000	1,000
Retained earnings	191	113
	<hr/>	<hr/>
Total capital resources	1,191	1,113
	<hr/>	<hr/>

**17. 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.

**18. Events after the reporting date**

In the 3rd of March 2021 UK Budget, it was announced that the UK rate of corporation tax will increase from 19% to 25% effective 1 April 2023. The change was not substantively enacted or enacted at the balance sheet date.

As part of a strategic review of the businesses within Barclays, Barclays Principal Investment Limited (BPIL) entered into a sale agreement to transfer all of its shareholding in Barclays Mercantile Business Finance Limited (BMBFL) to HPS Investment Partners LLC on 31st of March 2021. The transfer of ownership was completed by 30th June 2021.

Whilst BMBFL is a beneficiary of the services the Company provides, the sale of BMBFL will not result in any material changes to the business, statement of profit or loss or the statement of financial position of the Company.