Barclays Unquoted Investments Limited

# REPORT AND FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 DECEMBER 2013



REGISTERED NUMBER: 2156066

**Barclays Unquoted Investments Limited (Registered Number: 2156066)**
**Directors' Report**
**For the year ended 31 December 2013**

The Directors present their annual report together with the audited financial statements of Barclays Unquoted Investments Limited (the 'Company') for the year ended 31 December 2013.

**Profit and dividends**

During the year the Company made a profit after tax of £5,574,235, (2012: loss of £2,606,980). The Directors do not recommend the payment of a final dividend (2012: £nil).

**Post balance sheet events**

An interim dividend of £47,530,451 (2012: nil) was paid to the Company's parent, Barclays Bank PLC, on 30 January 2014. The Company also reduced its existing share capital from £82,665,000 to £1,000 on 24 January 2014. An investment was sold on the 7th of February for a combined value of £5.8m. The investment had a fair value of £0 as at 31 December 2013, the subsequent sale generated a gain of £5.8m.

**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:

| | |
|---|---|
| M F Beastall | (appointed 22 November 2013) |
| A C Brebbia | (resigned 29 November 2013) |
| M D Cooper | (resigned 14 August 2013) |
| A R Douglas | (appointed 26 September 2013) |
| S J Kelsall | (appointed 2 October 2013) |
| S A Knuckey | (resigned 29 November 2013) |
| R J T Lyle | (appointed 2 October 2013) |
| J A Morgan | (resigned 10 July 2013) |

**Statement of Directors' responsibilities**

The following statement, which should be read in conjunction with the Independent Auditors' report set out on page 5 and 6 is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the accounts.

The Directors are required by the Companies Act 2006 to prepare accounts for each financial year. The Directors have prepared the accounts in accordance with International Financial Reporting Standards ('IFRS') to present fairly the financial position of the Company and the performance for that period. The Companies Act 2006 provides, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation.

The Directors consider that in preparing the financial statements on pages 7 to 29:

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates; and
- that all the accounting standards which they consider to be applicable have been followed; and
- that the financial statements have been prepared on a going concern basis.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Financial instruments**

Barclays financial risk management objectives and policies, which are followed by the Company, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in the note 'Financial Risks' on pages 21 to 25.

**Directors third party indemnity provisions**

Qualifying third party indemnity provisions were in force during the course of the financial year ended 31 December 2013 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.

**Independent auditors**

PricewaterhouseCoopers LLP will continue to hold office in accordance with Section 487 of the Companies Act 2006.

**Statement of disclosure of information to auditors**

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

ON BEHALF OF THE BOARD

Mark Beastall
Director
26 June 2014
Company number 2156066

**Business review and principal activities**

The principal activity of the Company is to provide equity finance to support the development of established businesses requiring funding for their next phase of growth/ownership. The Company disposed of four investments during the year (2012: three).

The results of the Company show a profit before tax of £4,184,924, (2012: loss of £1,155,714) for the year. The Company has net assets of £98,494,197 (2012: £92,919,962). Net cash outflow from operating activities for 2013 was £(2,436,629), (2012: 155,181 outflow).

**Future outlook**

Conditions in the UK (and wider global) economy continued to be challenging through 2013. This has had mixed results for the investment portfolio as a whole and is reflected in the year end valuations. The immediate economic outlook in 2014 remains uncertain. However, on balance, it appears that the environment may remain subdued but stable, enabling investee businesses to improve their profitability.

The Company will therefore focus on the active investment management of its portfolio to ensure that, wherever feasible, the businesses are robust enough to handle the on-going difficult trading conditions, including being able to take advantage of acquisition and organic growth opportunities. In addition, the medium term outlook is positive for the successful realisation of certain assets.

**Principal risks and uncertainties**

The Directors of the Company have established processes and controls to identify and manage the principal risks and uncertainties. These are primarily around: effective investment selection and structuring; documenting of investor protection rights; and on-going tracking of business performance within the investment portfolio. The above risks are managed by: bi-annual investment valuations process; regular portfolio reviews; and through the use of investor protection rights. The Company did not invoke the investor protection rights on any of its investments during the year.

**Key performance indicators**

The key performance indicators for the business are primarily; the number of new investment made: Nil (2012: Nil); disposals of investments: Four (2012: Three); the carrying value of investments in loans and receivables £10,834,781 (2012: 12,836,060) and the carrying value of investments in financial assets held at fair value through profit or loss of £3,718,652 (2012: £7,762,449). The decrease in value is mainly due to four successful exits and devaluation of the investment portfolio.

**ON BEHALF OF THE BOARD**

Mark Beastall
Director
26 June 2014
Company number 2156066

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS UNQUOTED INVESTMENTS LIMITED**

**Report on the financial statements**

**Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

**What we have audited**

The financial statements, which are prepared by Barclays Unquoted Investments Limited, comprise:

- the statement of financial position as at 31 December 2013;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.
In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- 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.
- we have no exceptions to report arising from this responsibility.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS UNQUOTED INVESTMENTS LIMITED (continued)

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Drew Haigh
(Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London
Date: 26/06/14

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Income Statement
For the year ended 31 December 2013

| | Notes | 2013 £ | 2012 £ |
|---|---|---|---|
| **Continuing operations:** | | | |
| Revenue | 4 | 5,340,459 | (1,075,885) |
| Impairment charge | 11 | (2,851,068) | (3,924,522) |
| Gross profit / (loss) | | 2,489,391 | (5,000,407) |
| Administrative expenses | | (1,325,401) | (755,145) |
| **Operating loss** | | **1,163,990** | **(5,755,552)** |
| Interest income and similar income | 5 | 3,023,168 | 4,602,319 |
| Interest expense and similar expense | 5 | (2,234) | (2,481) |
| **Profit/(loss) before tax** | 6 | **4,184,924** | **(1,155,714)** |
| Tax | 8 | 1,389,311 | (1,451,266) |
| **Profit/(loss) after tax** | | **5,574,235** | **(2,606,980)** |

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

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Statement of Comprehensive Income
For the year ended 31 December 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | £ | £ |
| **Profit/(loss) after tax** | | 5,574,235 | (2,606,980) |
| | | | |
| **Other comprehensive income:** | | | |
| Fair value gains on available for sale assets | 13 | - | 4,782,284 |
| Gains on available for sale assets reclassified to profit or loss | 13 | - | (4,782,284) |
| **Other comprehensive income for the year net of tax** | | - | - |
| **Total comprehensive income/(expense) for the year** | | 5,574,235 | (2,606,980) |

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

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Balance Sheet
As at 31 December 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | £ | £ |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 9 | - | - |
| Loans and other receivables | 10 | 10,834,781 | 12,836,060 |
| Investments in financial assets designated at fair value | 12 | 3,718,652 | 7,762,449 |
| Deferred tax assets | 17 | 1,640 | - |
| **Total non-current assets** | | **14,555,073** | **20,598,509** |
| **Current assets** | | | |
| Financial assets | | | |
| - Loans and other receivables | 10 | 6,738,090 | 5,342,644 |
| Current tax assets | 15 | 2,399,009 | - |
| Cash and cash equivalents | | 75,605,951 | 68,139,887 |
| **Total current assets** | | **84,743,050** | **73,482,531** |
| **Total assets** | | **99,298,123** | **94,081,040** |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | (803,926) | (359,462) |
| Current tax liabilities | 15 | - | (796,815) |
| Financial liabilities | | | |
| - derivative financial instruments | 14 | - | (4,801) |
| **Total current liabilities** | | **(803,926)** | **(1,161,078)** |
| **Net current assets** | | **83,939,124** | **72,321,453** |
| **Net assets** | | **98,494,197** | **92,919,962** |
| | | | |
| SHAREHOLDERS' EQUITY | | | |
| Called up share capital | 18 | 82,665,000 | 82,665,000 |
| Retained earnings | | 15,829,197 | 10,254,962 |
| **Total shareholders' equity** | | **98,494,197** | **92,919,962** |

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

The financial statements on pages 7 to 29 were approved by the Board of Directors and were signed on its behalf by:

Mark Beastall
Director
26 June 2014

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Statement of Changes in Equity
For the year ended 31 December 2013

| | Share capital | Available for sale reserve | Retained earnings | Total equity |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Balance at 1 January 2013** | 82,665,000 | - | 10,254,962 | 92,919,962 |
| Profit after tax | - | - | 5,574,235 | 5,574,235 |
| **Other comprehensive income:** | | | | |
| Available for sale financial assets | - | - | - | - |
| **Total comprehensive income for the year** | - | - | 5,574,235 | 5,574,235 |
| **Balance at 31 December 2013** | 82,665,000 | - | 15,829,197 | 98,494,197 |

| | Share capital | Available for sale reserve | Retained earnings | Total equity |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Balance at 1 January 2012** | 82,665,000 | - | 12,861,942 | 95,526,942 |
| Loss after tax | - | - | (2,606,980) | (2,606,980) |
| **Other comprehensive income:** | | | | |
| Available for sale financial assets | - | - | - | - |
| **Total comprehensive income for the year** | - | - | (2,606,980) | (2,606,980) |
| **Balance at 31 December 2012** | 82,665,000 | - | 10,254,962 | 92,919,962 |

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

Barclays Unquoted Investments Limited (Registered Number: 2156066)
Cash flow statement
For the year ended 31 December 2013

| Continuing Operations | Notes | 2013 £ | 2012 £ |
|---|---|---|---|
| **Reconciliation of profit before tax to net cash flows from operating activities:** | | | |
| **Profit before tax** | | **4,184,924** | (1,155,714) |
| **Adjustment for non-cash items:** | | | |
| Allowance for Impairment | 11 | 2,851,068 | 3,924,522 |
| **Changes in operating assets and liabilities** | | | |
| Net increase in loans and other receivables | | (92,174) | (456,747) |
| Net increase/(decrease) in trade and other payables | 16 | 444,464 | (799,880) |
| Less net of interest received | | (3,020,934) | (4,599,838) |
| Net (gains) / losses on financial instruments held at fair value through profit or loss | | (4,988,004) | 6,177,599 |
| Gains on disposal of AFS investments | 4 | - | (4,782,284) |
| Gains on disposal of debt instruments | 4 | - | - |
| Other non-cash movements | | (5,586) | 12,133 |
| Cash from operating activities | | (626,242) | (1,680,209) |
| Interest paid | | (2,234) | (2,481) |
| Tax (paid)/ received | | (1,808,153) | 1,527,509 |
| **Net cash used in operating activities** | | **(2,436,629)** | **(155,181)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest received | | 2,257,652 | 2,293,507 |
| Purchase of investments | | (4,412,077) | (1,085,013) |
| Proceeds from sale of investments | | 11,084,726 | 7,113,256 |
| Redemption of investments | | 972,392 | - |
| **Net cash from investing activities** | | **9,902,693** | **8,321,750** |
| | | | |
| **Net increase in cash and cash equivalents** | | 7,466,064 | 8,166,569 |
| Cash and cash equivalents at beginning of the year | | 68,139,887 | 59,973,318 |
| **Cash and cash equivalents at end of year** | | **75,605,951** | **68,139,887** |
| | | | |
| **Cash and cash equivalents comprise:** | | | |
| Cash in hand | | 75,605,951 | 68,139,887 |
| **Cash and cash equivalents at end of year** | | **75,605,951** | **68,139,887** |

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

## 1. Reporting entity

These financial statements are prepared for Barclays Unquoted Investments Limited (the 'Company'), the principal activity of which is private equity investments in UK unquoted companies. The financial statements are prepared for the Company only. The Company is a wholly owned subsidiary of Barclays Bank PLC and its ultimate parent company is Barclays PLC, both of which prepare consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS'), and accordingly consolidated financial statements have not been prepared.

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

## 2. Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International IFRS, adopted for use in the European Union, International Financial Reporting Interpretations Committee ('IFRIC') interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

## 3. Summary of significant accounting policies

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

### Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments, recognition, and measurement' as set out in the relevant accounting policies. They are stated in pounds sterling, the currency of the country in which the Company is incorporated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial statements.

### (a) Revenue Recognition

Included in the revenue are fair value movements (on financial assets held at fair value through the profit or loss), gains on disposals and other income from financial assets (monitoring fees).

### (b) Interest

Interest income or expense is recognised on all interest bearing financial assets classified as held to maturity, available for sale or loans and receivables and on interest bearing financial liabilities using the effective interest method.

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

### (c) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary timing differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and 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 when 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 authority.

## 3. Summary of significant accounting policies (continued)

### (d) Financial assets and liabilities

The Company recognises financial instruments from the contract date, and continues to recognise them until, in the case of assets, the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership, or in the case of liabilities, until the liability has been settled, extinguished or has expired.

Financial assets are initially recognised at fair value and then classified in the following categories and dealt with in the financial statements as follows:

*Financial instruments at fair value through profit or loss*

Assets (and liabilities in some cases) are so designated when they are held for trading or at management's option (the fair value option) in certain circumstances. Once designated, the assets are held at fair value and gains and losses are recognised in the income statement.

The fair value option is used for investments where the Company has the ability to exercise significant influence over the operation and financial management policy decisions and are designated at fair value in accordance with the paragraph 1 of IAS 28 Investment in Associates.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non current assets. Loans and receivables are stated at amortised cost using the effective interest method (see above). They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

*Available for sale*

Available for sale investments are non-derivative financial investments that have been designated as available for sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value, and gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. The assets are derecognised when the rights to receive cash flows have expired of the Company has transferred substantially all the risks and rewards of ownership.

Impairment losses, investment income, and translation differences on monetary items are recognised in the income statement.

Regular way purchases and sales of available for sale financial instruments are recognised on trade date, being the date on which the Company commits to purchase or sell the asset.

*Determining fair value*

Where the classification of a financial instrument requires it to be stated at fair value, the fair values are determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices are used for quoted securities. Other techniques, such as Earnings Multiple method, are used to determine fair value for the remaining financial instruments which is in line with the International Private Equity and Venture Capital Valuation Guidelines developed by the British Venture Capital Association (BVCA) and European Private Equity and Venture Capital Association (EVCA).

Shared Property Investment Agreements (SPIAs) are held at fair value. The Company's view is that these structures have little or no intrinsic value, and there is no secondary market by which the Company might exit the structures, hence they are currently carried at zero value. Considering there is a commercial perception that there is no market for these structures, and on the basis of applying a 70% discount to the property values on the assumption that 70% is the maximum LTV a borrower could achieve on refinancing, the properties have no positive equity value and therefore are being marked at zero.

**3. Summary of significant accounting policies (continued)**

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

*Impairment of financial assets*

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets, including loans and receivables, is 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.

For loans and receivables the Company first assesses whether objective evidence of impairment exists individually for individually significant loans and receivables, and then collectively assesses remaining loans and receivables that are not individually significant.

In the case of available for sale equity securities, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income statement, increases in the fair value of equity shares after impairment are recognised directly in equity.

*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.

**Valuation methodology**

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

**Valuations based on observable inputs**

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

**Valuation technique using observable inputs- Level 2**
Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include financial instruments such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

**Valuations based on unobservable inputs**

**Valuation technique using significant unobservable inputs - Level 3**

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

Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques. Valuation uncertainty arises mainly from the long dated nature of the assets and the lack of active secondary market.

## 3. Summary of significant accounting policies (continued)

### (e) Share capital and dividends

*Dividends on ordinary shares*

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

### (f) Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand, demand deposits, and cash equivalents. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

### (g) New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Company:

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs."

### (h) New standards and interpretations not yet adopted

As at 31 December 2013, the new amended standard that have material impact on the Company's accounting policies are as follows:

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instrument. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

A number of the significant proposals have yet to be finalised and it is therefore not yet possible for the Company to estimate the financial effects. The effective date of IFRS 9 is still to be determined.

A number of other amendments and interpretations to IFRSs have been issued that first apply from 1 January 2010 or later periods. These have not resulted in any material changes to the Company's accounting policies.

## 4. Revenue

An analysis of Revenue is as follows:

| | 2013 £ | 2012 £ |
|---|---|---|
| Net gain/(loss) on financial instruments held at fair value through profit or loss | 4,988,004 | (6,177,599) |
| Gains on sale of available for sale investments | - | 4,782,284 |
| Realised gains on disposal of loan notes acquired at a discount | | - |
| Other income from financial assets | 352,455 | 319,430 |
| **Total income/(loss) from financial assets** | **5,340,459** | **(1,075,885)** |

An investment was sold on the 7th of February for a combined value of £5.8m. The investment had a fair value of £0 as at 31 December 2013, the subsequent sale generated a gain of £5.8m.

## 5. Interest income and interest expense

Finance income (net) comprise the following:-

| | 2013 £ | 2012 £ |
|---|---|---|
| **Interest income** | | |
| Loans and other receivables | 2,452,612 | 3,677,225 |
| Bank interest received (note 22) | 570,556 | 925,094 |
| **Total interest income** | **3,023,168** | **4,602,319** |
| **Interest expense** | | |
| Bank interest paid (note 22) | (2,234) | (2,481) |
| **Total interest expense** | **(2,234)** | **(2,481)** |
| **Net finance income** | **3,020,934** | **4,599,838** |

## 6. (Loss)/profit before tax

The following items have been charged/ (credited) in arriving at operating profit:

| | 2013 £ | 2012 £ |
|---|---|---|
| Staff costs (note 7) | 1,017,347 | 914,383 |
| Auditors' Remuneration | | |
| - Audit of the Company's annual financial statements | 29,000 | 35,750 |
| Impairment | | |
| - Loans and other receivables | 2,851,068 | 3,924,522 |
| Gains/(Losses) on financial instruments held at fair value through profit or loss (note 4) | 4,988,004 | (6,177,599) |
| Gain from disposal of available for sale investment (note 4) | - | 4,782,284 |

There were no fees paid to the auditors in respect of non-audit services.

## 7. Administrative expenses

(i) Staff costs comprising the following:

| | 2013 £ | 2012 £ |
|---|---|---|
| Wages and salaries | 905,505 | 809,281 |
| Social security costs | 111,842 | 105,102 |
| **Total** | **1,017,347** | **914,383** |

The average number of persons employed during the year, excluding staff, was 19 (2012:23).

**(ii) Directors' remuneration:**

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

| | 2013 £ | 2012 £ |
|---|---|---|
| Aggregate remuneration in respect of qualifying services | - | 70,450 |
| Aggregate amounts receivable under long term incentive schemes | - | 432 |
| Aggregate contributions due to Barclays Group pension schemes | - | 2,880 |
| **Sums paid to third parties for Directors' services** | **-** | **73,762** |

Two Directors are accruing retirement benefits under a defined benefit scheme and a defined contribution scheme (2012: Two).

No Directors exercised options under the Barclays PLC Sharesave scheme and Long Term Incentive Schemes during 2013 (2012: None).

## 8. Tax

The analysis of the credit/(charge) for the year is as follows:

| | 2013 £ | 2012 £ |
|---|---|---|
| **Current tax:** | | |
| Current year | 18,956 | (1,451,266) |
| Adjustment for prior years | 1,368,716 | - |
| | 1,387,671 | (1,451,266) |
| **Deferred tax:** | | |
| Current year (see note 17) | 1,640 | - |
| **Overall tax credit/(charge)** | **1,389,311** | **(1,451,266)** |

The table below shows the reconciliation between the actual tax charge that would result from applying the standard UK corporation tax rate of 23.25% (2012: 24.5%) to the company's profit before tax.

The UK corporation tax charge is based on a blended UK corporation tax rate of 23.25% arising from the change in UK corporation tax rate to 23% from 24%, effective from 1 April 2013.

## 8. Tax (continued)

A numerical reconciliation of the tax expense and product of accounting profit multiplied by the applicable tax rate is as follows:

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Profit/(loss) before tax | 4,184,924 | (1,155,712) |
| Tax charge at standard UK corporation tax rate of 23.25% (2012: 24.5%) | (972,995) | 283,149 |
| Adjustment for prior years | 1,368,716 | - |
| *Non-deductible expenses* | (11,404) | (18,264) |
| Non-taxable gains and income | 1,005,261 | (1,716,152) |
| Effect of rate change | (267) | - |
| **Overall tax credit/(charge)** | **1,389,311** | **(1,451,266)** |
| **Effective tax rate** | **-33.20%** | **-125.57%** |

## 9. Investments in subsidiaries

| | **2013** | | **2012** | |
|---|---|---|---|---|
| | **At cost** | **Cost less impairment** | **At cost** | **Cost less impairment** |
| | **£** | **£** | **£** | **£** |
| **As at 1 January** | **91,215** | - | **89,910** | - |
| Transfer of assets from /(to) financial assets designated at fair value | 2,652,446 | - | 42,195 | - |
| Sales | (49,020) | - | (40,890) | - |
| **As at 31 December** | **2,694,641** | - | **91,215** | - |

The underlying investments of the entity become subsidiaries when in breach of certain investment specific protector rights. Any transfers in and out reflect individual underlying investments moving in and out of breach.

## 10. Loans and other receivables

An analysis of trade and other receivables is as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| | £ | £ | £ | £ |
| Loans and other receivables | 9,807,969 | 38,014,051 | 8,285,623 | 37,383,336 |
| Less: Allowance for impairment | (3,162,053) | (27,179,270) | (2,942,979) | (24,547,276) |
| Loans and other receivables net | 6,645,916 | 10,834,781 | 5,342,644 | 12,836,060 |
| Amounts due to related parties (note 22) | 92,174 | - | - | - |
| **Total** | **6,738,090** | **10,834,781** | **5,342,644** | **12,836,060** |

The Directors consider that the carrying value of the Company's loans and receivables approximates to their fair value. Information relating to financial risks is in Note 19.

## 11. Allowance for impairment

The movement in the allowance for impairment for each class of financial asset is as follows:

| 2013 | At 1 January | Amounts written off | Recoveries | Amounts charged against profit | At 31 December |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Loans and other receivables | (27,490,255) | - | - | (2,851,068) | (30,341,323) |
| Available for sale | - | - | - | - | - |
| **Total** | **(27,490,255)** | **-** | **-** | **(2,851,068)** | **(30,341,323)** |

| 2012 | At 1 January | Amounts written off | Recoveries | Amounts charged against profit | At 31 December |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Loans and other receivables | (31,331,172) | 7,765,439 | - | (3,924,522) | (27,490,255) |
| Available for sale | (2,962,848) | 2,962,848 | - | - | - |
| **Total** | **(34,294,020)** | **10,728,288** | **-** | **(3,924,522)** | **(27,490,255)** |

## 12. Financial assets designated at fair value through profit and loss

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Equity securities | 3,718,652 | 7,762,449 |
| **Total** | **3,718,652** | **7,762,449** |

The above assets have been designated at fair value using the fair value option. The above in 2012 contains a derivative asset that is offset by a derivative liability included in Note 14.

An analysis of the fair values of these securities and the valuation methodology applied are described in Note 20.

Information relating to financial risks is included in Note 19.

## 13. Available for sale financial investments

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| At 1 January | - | - |
| Disposals (through sale and redemption) | - | 4,782,284 |
| Net gains transferred to net profit on disposal | - | (4,782,284) |
| **At 31 December** | **-** | **-** |

## 14. Derivative financial liabilities

Fair values of derivative financial liabilities held by the Company are as follows:

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Derivatives held under equity option | - | (4,801) |
| **Derivative liabilities** | **-** | **(4,801)** |

There were no net gains or losses recognised on the derivative financial liabilities held under equity options.

An analysis of the fair value of these securities and the valuation methodology applied is included in note 20.

## 15. Current tax assets/(liabilities)

Current tax assets/(liabilities) were as follows:

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| UK corporation tax receivable/(payable) | 2,399,009 | (796,815) |

## 16. Trade and other payables

An analysis of trade and other payables is as follows:

| | 2013 | 2012 |
|---|---|---|
| | Current | Current |
| | £ | £ |
| Trade payables | 568,540 | 16,581 |
| Accrued expenses | 143,124 | 96,646 |
| Deferred income | 92,262 | 160,670 |
| Amounts due to related parties (note 22) | - | 85,565 |
| **Total** | **803,926** | **359,462** |

The Directors consider that the carrying amount of trade payables approximates their fair value.

## 17. Deferred tax assets

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest enacted rate standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. Accordingly the closing deferred tax assets and liabilities have been calculated at 20%. The estimated financial effect of this change is insignificant.

| | 1 January 2013 | Charged/ (credited) to income statement | Charged/ (credited) to equity | 31 December 2013 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Assets** | | | | |
| Capital allowances | - | (1,640) | - | (1,640) |
| Equity compensation schemes | - | 0 | - | - |
| Other incentive plans | - | 0 | - | - |
| Other timing differences | - | 0 | - | - |
| **Total assets** | - | (1,640) | - | (1,640) |
| | | | | |
| **Net deferred tax liability/(asset)** | - | (1,640) | - | (1,640) |
| | | | | |
| Falling due in one year | - | (295) | | (295) |
| Falling due after one year | - | (1,345) | | (1,345) |

## 18. Share capital

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

| | Number of shares | Ordinary shares £ | Total £ |
|---|---|---|---|
| At 1 January 2013 | 82,665,000 | 82,665,000 | 82,665,000 |
| At 31 December 2013 | 82,665,000 | 82,665,000 | 82,665,000 |

| | Number of shares | Ordinary shares £ | Total £ |
|---|---|---|---|
| At 1 January 2012 | 82,665,000 | 82,665,000 | 82,665,000 |
| At 31 December 2012 | 82,665,000 | 82,665,000 | 82,665,000 |

The issued share capital of Barclays Unquoted Investments Ltd is £82,665,000 comprising 82,665,000 ordinary shares of £1 each. All issued shares are fully paid. Since the year end, the Company reduced its existing share capital from £82,665,000 to £1,000.

## 19. 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 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 investments before proceeding and there is a formal approval process via an Investment Committee, who also track the performance of all investments throughout the life of each investment. This Investment Committee would also agree any material changes in investment terms and the management thereof.

The Company does not hold collateral in respect of its investments, per the nature of its activity.

Significant concentration of credit risk is detailed below:

**Maximum exposure to credit risk**

The Company's maximum exposure to credit risk is the carrying value of the assets. The analysis of credit risk only includes financial assets subject to credit risk. It excludes other financial assets including equity securities held in the trading portfolio and non-financial assets.

The following table shows the maximum exposure to credit risk:

| As at 31 December 2013 | Total Exposure £ |
|---|---|
| Cash and cash equivalents | 75,605,951 |
| Loans and other receivables | 17,572,871 |
| Available for sale assets | - |
| **Total maximum exposure at 31 December** | **93,178,822** |

19. Financial risks (continued)

(a) Credit Risk (continued)

| As at 31 December 2012 | Total Exposure £ |
|---|---|
| Cash and cash equivalents | 68,139,887 |
| Loans and other receivables | 18,178,704 |
| Available for sale assets | - |
| **Total maximum exposure at 31 December** | **86,318,591** |

Cash and cash equivalents are held with Barclays Bank PLC which has a long term credit rating of A+ (Negative). The Company does not hold any collateral as security.

**Financial assets subject to credit risk**

For available for sale debt investments, consideration of credit risk is based on the performance of the underlying investee companies including their profitability and net asset values. The directors consider the credit quality for available for sale debt investments that are neither past due nor impaired and loans and other receivables to be satisfactory.

For the purposes of the Company's disclosures regarding credit quality, financial assets subject to credit risk have been analysed as follows:

| 2013 | Note | Cash and cash equivalents £ | Loans and other receivables £ | Available for sale £ | Total £ |
|---|---|---|---|---|---|
| **As at 31 December** | | | | | |
| Neither past due nor individually impaired | (i) | 75,605,951 | 1,082,042 | - | 76,687,993 |
| Individually impaired | (ii) | - | 46,832,152 | - | 46,832,152 |
| **Total** | | **75,605,951** | **47,914,194** | - | **123,520,145** |
| Impairment allowance | | - | (30,341,323) | - | (30,341,323) |
| **Total carrying amount** | | **75,605,951** | **17,572,871** | - | **93,178,822** |

| 2012 | Note | Cash and cash equivalents £ | Loans and other receivables £ | Available for sale £ | Total £ |
|---|---|---|---|---|---|
| **As at 31 December** | | | | | |
| Neither past due nor individually impaired | (i) | 68,139,887 | 661,718 | - | 68,801,605 |
| Individually impaired | (ii) | - | 45,007,241 | - | 45,007,241 |
| **Total** | | **68,139,887** | **45,668,959** | - | **113,808,846** |
| Impairment allowance | | - | (27,490,255) | - | (27,490,255) |
| **Total carrying amount** | | **68,139,887** | **18,178,704** | - | **86,318,591** |

19. Financial risks (continued)

(a) Credit Risk (continued)

**i) Financial assets subject to credit risk neither past due nor individually impaired**

Financial assets subject to credit risk that are neither past due nor individually impaired can be analysed according to the rating systems used by the Company when assessing customers and counterparties. The credit quality of financial assets subject to credit that were neither past due nor impaired, based on credit rating, was as follows:

| 31 December 2013 | Strong £ | Satisfactory £ | Higher risk £ | Total £ |
|---|---|---|---|---|
| Cash and cash equivalents | 75,605,951 | - | - | 75,605,951 |
| Loans and other receivables | - | 1,082,042 | - | 1,082,042 |
| **Total** | **75,605,951** | **1,082,042** | **-** | **76,687,993** |

| 31 December 2012 | Strong £ | Satisfactory £ | Higher risk £ | Total £ |
|---|---|---|---|---|
| Cash and cash equivalents | 68,139,887 | - | - | 68,139,887 |
| Loans and other receivables | - | 661,718 | - | 661,718 |
| **Total** | **68,139,887** | **661,718** | **-** | **68,801,605** |

**ii) Individually impaired financial assets**

Financial assets subject to credit risk and individually impaired were as follows:

| 31 December 2013 | Original carrying amount £ | Impairment allowance £ | Revised carrying amount £ |
|---|---|---|---|
| Loans and other receivables | 46,832,151 | (30,341,323) | 16,490,828 |
| Available for sale investments | | | |
| - Debt securities | - | - | - |
| **Total** | **46,832,151** | **(30,341,323)** | **16,490,828** |

| 31 December 2012 | Original carrying amount £ | Impairment allowance £ | Revised carrying amount £ |
|---|---|---|---|
| Loans and other receivables | 45,007,241 | (27,490,255) | 17,516,986 |
| Available for sale investments | | | |
| - Debt securities | - | - | - |
| **Total** | **45,007,241** | **(27,490,255)** | **17,516,986** |

19. Financial risks (continued)

(b) Liquidity risk

This is the risk that the Company's cash and committed facilities may be insufficient to meet its debts as they fall due. The Company has the financial support of the parent undertaking Barclays Bank PLC, it also maintains banking facilities with Barclays Bank PLC. These facilities are designed to ensure the Company has sufficient available funds for operations.

The monitoring and reporting of liquidity risk take the form of cash flow measurements and projections for the next day, week and month as these are key periods for liquidity management. Sources of liquidity are regularly reviewed.

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

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

| | One year or less | Over 1 year but not more than 2 years | Over 2 years but not more than 5 years | Over 5 years but not more than 10 years | Over 10 years | Total |
|---|---|---|---|---|---|---|
| 31 December 2013 | £ | £ | £ | £ | £ | £ |
| Trade and other payables | 803,926 | - | - | - | - | 803,926 |
| Derivative financial instruments | - | - | - | - | - | - |
| **Total financial liabilities** | **803,926** | - | - | - | - | **803,926** |

| | One year or less | Over 1 year but not more than 2 years | Over 2 years but not more than 5 years | Over 5 years but not more than 10 years | Over 10 years | Total |
|---|---|---|---|---|---|---|
| 31 December 2012 | £ | £ | £ | £ | £ | £ |
| Trade and other payables | 359,462 | - | - | - | - | 359,462 |
| Derivative financial instruments | - | 4,801 | - | - | - | 4,801 |
| **Total financial liabilities** | **359,462** | **4,801** | - | - | - | **364,263** |

(c) Market risk

Refer to Barclays PLC annual report for more example disclosures and for sensitivity thresholds which do not form part of these financial statements.

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

**Interest rate risk**

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and / or reduced income from the Company's interest bearing financial assets and liabilities.

**Interest rate sensitivity analysis**

The sensitivity of the income statement is the effect of assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial liabilities held at 31 December 2013.

*Impact on net interest income and equity*

The effect on interest of a 25 basis points change would be as follows:

| | +25 basis points 2013 | +25 basis points 2012 | -25 basis points 2013 | -25 basis points 2012 |
|---|---|---|---|---|
| Total £ | 209,900 | 189,598 | (209,900) | (189,598) |
| As a percentage of net interest income | 37% | 21% | -37% | -21% |
| As a percentage of equity | 0% | 0% | 0% | 0% |

19. Financial risks (continued)

(c) Market risk (continued)

Foreign currency risk

The Company is not exposed to foreign currency risk from future foreign currency transactions, and recognised assets and liabilities, as all of its assets are denominated in UK sterling.

Price risk

Price risk is the risk that market prices for the Company's investment securities measured at fair value may fall. The Company is exposed to equity securities price risk because of investments held at fair value through profit or loss. The Company is not exposed to commodity price movements.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio and ensures all investments are pre-approved by its Investment Committee. Price risk is monitored via the half yearly Valuation Committee meetings and fair values are updated as a result of this at the reporting date.

Investments are predominantly in unquoted private companies therefore, successful price risk management is achieved by ensuring the Company pays an appropriate price at purchase and also that each investment will achieve value growth prior to disposal. It is recognised that not all investment will be successful however, the Company does seek to be successful in generating returns across its portfolio of investments.

20. Fair values of financial instruments

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company considers fair value to equal carrying value for all of its financial assets and liabilities.

Valuation methodology

The following table shows the Company's financial assets and liabilities that are recognised and measured at fair value analysed by valuation technique. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations based on unobservable inputs is described below.

| | | 31 December 2013 | | |
|---|---|---|---|---|
| | Level 1 | Level 2 – Valuations based on observable inputs | Level 3 – Valuations based on unobservable inputs | Total |
| | £ | £ | £ | £ |
| **Financial assets:** | | | | |
| Financial assets designated at fair value through profit and loss: | | | | |
| - Equity securities | - | - | 3,718,652 | 3,718,652 |
| - Available for sale investments | - | - | - | - |
| **Total** | - | - | 3,718,652 | 3,718,652 |
| **Financial liabilities** | | | | |
| Derivative financial instruments | - | - | - | - |
| **Total** | - | - | - | - |

20. Fair values of financial instruments (continued)

| 31 December 2012 | Level 1 | Level 2 – Valuations based on observable inputs | Level 3 – Valuations based on unobservable inputs | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Financial assets:** | | | | |
| Financial assets designated at fair value through profit and loss | | | | |
| - Equity securities | - | - | 7,762,449 | 7,762,449 |
| - Available for sale investments | - | - | - | - |
| **Total** | - | - | 7,762,449 | 7,762,449 |
| **Financial liabilities** | | | | |
| Derivative financial instruments | - | - | (4,801) | (4,801) |
| **Total** | - | - | (4,801) | (4,801) |

**Movements in Level 3 assets**

The following table summarises the movements in the Level 3 balance during the year. The table shows gains and losses and includes amounts for all assets and liabilities transferred to and from Level 3 during the year. Transfers have been reflected as if they had taken place at the beginning of the year.

For the year ended 31st December 2013

| | Financial assets designated at fair value | Available for sale assets | Derivative financial liabilities | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **As at 1st January 2013** | 7,762,449 | - | (4,801) | 7,757,648 |
| Purchases | | | | - |
| Sales | (5,673,749) | | | (5,673,749) |
| Settlements | | | 4,801 | 4,801 |
| Transfer to debt securities | | | | - |
| **Total gains and losses in the year** | | | | |
| Recognised in the Income Statement | | | | |
| - net gains/(loss) on financial instruments held at fair value | 1,629,952 | - | - | 1,629,952 |
| - net gains on available for sale assets | | | | - |
| **As at 31st December 2013** | 3,718,652 | - | - | 3,718,652 |

For the year ended 31st December 2012

| | Financial assets designated at fair value | Available for sale assets | Derivative financial liabilities | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **As at 1st January 2012** | 16,120,087 | - | (755,500) | 15,364,587 |
| Purchases | 43,500 | - | - | 43,500 |
| Sales | (1,472,841) | (4,782,284) | - | (6,255,125) |
| Settlements | (653,666) | - | 653,666 | - |
| Transfer to debt securities | - | - | - | - |
| **Total gains and losses in the year** | | | | |
| Recognised in the Income Statement | | | | |
| - net gains/(loss) on financial instruments held at fair value | (6,274,631) | - | 97,033 | (6,177,598) |
| - net gains on available for sale assets | - | 4,782,284 | - | 4,782,284 |
| **As at 31st December 2012** | 7,762,449 | - | (4,801) | 7,757,648 |

**20. Fair values of financial instruments (continued)**

Gains and losses recognised during the year on level 3 financial assets and liabilities held as follows:

**For the year ended 31 December 2013**

| | Financial assets designated at fair value | Available for sale assets | Derivative financial liabilities | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| As at 31 December 2013 | | | | |
| Recognised in the income statement | | | | |
| - net gains/(loss) on financial instruments held at fair value | 1,629,952 | - | - | 1,629,952 |
| - net gains on available for sale assets | - | - | - | - |
| **Total** | 1,629,952 | - | - | 1,629,952 |

**For the year ended 31 December 2012**

| | Financial assets designated at fair value | Available for sale assets | Derivative financial liabilities | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| As at 31 December 2012 | | | | |
| Recognised in the income statement | | | | |
| - net gains on financial instruments held at fair value through profit and loss | (6,274,631) | - | 97,033 | (6,177,598) |
| - net gains on available for sale assets | - | 4,782,284 | - | 4,782,284 |
| **Total** | (6,274,631) | 4,782,284 | 97,033 | (1,395,314) |

The gain on financial liabilities was offset by a loss included in the net gains/(loss) on financial instruments held at fair value.

**Sensitivity analysis of Level 3 valuations using unobservable inputs**

The fair value of the investments can be affected by the volatility in the markets in which they operate, impacting upon comparable price/earnings ratio (PE), an observable measure which can be used to value these investments.

The effect on the value of the investments of a 10% change in the PE's used in valuing these investments is shown below.

*Effect on income*

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **+10%** | **-10%** | **+10%** | **-10%** |
| FVTP&L Assets - per stats | 3,718,652 | | 7,762,449 | |
| FVTP&L Assets - change in value | 302,865 | (302,865) | 673,917 | (498,742) |
| Profit after tax - per stats | 5,574,235 | | (2,606,980) | |
| % stress on PAT | 5.4% | (5.4%) | (25.9%) | 19.1% |

**21. Events after the balance sheet date**

An interim dividend of £47,530,451 (2012: nil) was paid to the Company's parent, Barclays Bank PLC, on 30 January 2014. The Company also reduced its existing share capital from £82,665,000 to £1,000 on 24 January 2014. An investment was sold on the 7th of February for a combined value of £5.8m. The investment had a fair value of £0 as at 31 December 2013, the subsequent sale generated a gain of £5.8m.

## 22. Related party transactions

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

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

| For the year ended 31 December 2013 | Parent Company | Subsidiaries | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Transactions:** | | | |
| **Revenue** | - | - | - |
| **Direct expenses** | | | |
| Interest paid | (2,234) | - | (2,234) |
| Interest received | 570,556 | - | 570,556 |
| | | | |
| **Balances outstanding at 31 December 2013:** | | | |
| Assets | 92,174 | 9,552,269 | 9,644,443 |
| Cash balances with Barclays Bank PLC | 75,605,951 | - | 75,605,951 |
| Liabilities | - | - | - |

| For the year ended 31 December 2012 | Parent Company | Subsidiaries | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Transactions:** | | | |
| **Revenue** | - | 292,962 | 292,962 |
| **Direct expenses** | | | |
| Interest paid | (2,481) | - | (2,481) |
| Interest received | 925,094 | - | 925,094 |
| | | | |
| **Balances outstanding at 31 December 2012:** | | | |
| Assets | - | 8,807,746 | 8,807,746 |
| Cash balances with Barclays Bank PLC | 68,139,887 | - | 68,139,887 |
| Liabilities | (85,565) | (4,801) | (90,366) |

## 23. Capital management

The Company's objectives when managing capital are:

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

The Board of Directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management.

The Company regards as capital its equity, as shown in the balance sheet.

Total capital is as follows:

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Called up share capital | 82,665,000 | 82,665,000 |
| Retained earnings | 16,430,110 | 10,254,962 |
| **Total capital resources** | **99,095,110** | **92,919,962** |

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The business is well funded through its parent company and any significant investments require approval by the Investment Committee.

**24. Parent undertaking and ultimate holding company**

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