Barclays PLC

Annual report 1994

Barclays PLC & Barclays Bank PLC

Annual report on Form 20-F 1994

Contents

Registered No. 48839

Presentation of information

This document comprises the 1994 Annual Report of Barclays PLC and the 1994 Annual Report on Form 20-F to the Securities and Exchange Commission in the United States of America for Barclays PLC and Barclays Bank PLC. It contains the Directors' Report and accounts of Barclays PLC, together with the Auditors' Report thereon, as required by the UK Companies Act 1985. The 1994 Annual Review and Summary Financial Statement of Barclays PLC is published as a separate document and includes the Chairman's Statement, the Chief Executive's Review and the Review of Operations.

However, the accounts of Barclays Bank PLC included in this document do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts of Barclays Bank PLC, which contain an unqualified audit report and do not contain any statement under Section 237(2) or (3) of that Act, will be delivered to the Registrar of Companies in accordance with Section 242 of the Act.

Barclays PLC and Barclays Bank PLC are public limited companies, organised under the laws of England, and all of the issued Ordinary Share capital of Barclays Bank PLC is owned by Barclays PLC. The Report has therefore been prepared as a joint Annual Report on Form 20-F for Barclays PLC and Barclays Bank PLC and it also contains the consolidated accounts of and other information relating to Barclays Bank PLC. Except where otherwise indicated, the information given is identical with respect to both Barclays PLC and Barclays Bank PLC.

The consolidated accounts of Barclays PLC and its subsidiary undertakings are set out on pages 86 to 91 along with the accounts of Barclays PLC itself on page 92. The consolidated accounts of Barclays Bank PLC and its subsidiary undertakings are set out on pages 140 to 145. The notes commencing on page 93 apply equally to both sets of accounts unless otherwise stated. The financial data contained in this document reflects changes in the Group's management structure which took place in 1994 and are explained on page 11. Relevant comparative data has been restated.

The term 'Barclays PLC Group' means Barclays PLC together with its subsidiary undertakings and the term 'Barclays Bank PLC Group' refers to Barclays Bank PLC together with its subsidiary undertakings. 'Barclays' and 'Group' are terms which are used to refer to either of the preceding groups when the subject matter is identical. The term 'Company' refers to Barclays PLC and the term 'Bank' refers to Barclays Bank PLC. The term 'UK Bank', however, relates only to the UK branch network and related activities. The term 'BZW' means the whole of the Group's investment banking operation, managed as a single business, including various operations of the Bank as well as the corporate entities within the Barclays de Zoete Wedd Holdings Limited group of companies.

In this report, the abbreviations '£m' and '£bn' represent millions and thousands of millions of pounds sterling, respectively, and the abbreviations '$m' and '$bn' represent millions and thousands of millions of US dollars, respectively.

The following financial information for the Barclays PLC Group has been prepared in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP). References are to notes on page 5.

Selected financial statistics

	Note	**1994**	1993	1992	1991	1990
		p	p	p	p	p
Earnings/(loss) per £1 Ordinary Share		**72.4**	19.2	(21.5)	15.0	33.5
Dividends per £1 Ordinary Share		**21.00**	15.15	15.15	21.15	21.15
Net asset value per £1 Ordinary Share		**377**	321	322	354	380
Attributable profit/(loss) as a percentage of		**%**	%	%	%	%
average total assets	(a)	**0.72**	0.19	(0.23)	0.16	0.39
average shareholders' funds		**20.74**	5.97	(6.27)	4.01	8.38
Dividends as a percentage of attributable profit/(loss)		**29.09**	79.35	(70.43)	141.42	63.33
Average shareholders' funds as a percentage of average total assets	(a)	**3.47**	3.11	3.62	4.09	4.70

Selected profit and loss account data

	£m	£m	£m	£m	£m
Interest receivable	**9,979**	11,085	12,968	14,552	15,822
Interest payable	**6,293**	7,210	9,288	10,978	12,399
Profit/(loss) on redemption of loan capital	**(60)**	22	–	–	–
Other operating income	**3,269**	3,480	3,005	2,688	2,217
Operating expenses	**4,572**	4,814	4,341	4,275	3,770
Provisions – bad and doubtful debts	**602**	1,869	2,465	1,500	1,175
– contingent liabilities and commitments	**–**	49	8	4	–
Profit/(loss) on disposal of Group undertakings	**107**	–	(82)	–	174
Write-down of surplus properties	**(4)**	(8)	(60)	–	–
Income from associated undertakings	**35**	24	27	47	29
Profit/(loss) before tax	**1,859**	661	(244)	530	898
Attributable profit/(loss)	**1,179**	310	(345)	239	529

Selected balance sheet data

		£m	£m	£m	£m	£m
Shareholders' funds		**6,161**	5,208	5,179	5,662	6,032
Dated and undated loan capital		**3,541**	4,183	3,765	3,146	2,600
Deposits by banks, customer accounts and debt securities in issue		**125,165**	133,288	126,393	118,965	115,369
Loans and advances to banks and customers		**112,696**	117,078	114,579	108,066	108,302
Total assets	(a)	**159,363**	163,159	157,962	143,024	139,283

Weighted risk assets

	£m	£m	£m	£m	£m
Total weighted risk assets	**93,238**	102,428	105,715	105,078	107,309

Capital ratios

	1994	1993	1992	1991	1990
	%	%	%	%	%
Tier 1	**7.0**	5.9	5.4	5.8	5.7
Risk asset ratio	**10.4**	9.7	9.0	8.6	8.2

Yields, spreads and margins – banking business

Gross yield	**%**	%	%	%	%*
Group	**7.3**	7.9	9.9	11.4	13.4
Domestic	**7.8**	8.2	11.1	12.8	15.5
International	**6.6**	7.4	8.3	9.4	10.5
Interest spread					
Group	**2.5**	2.5	2.3	2.0	1.7
Domestic	**3.3**	3.2	2.9	2.4	2.0
International	**1.3**	1.6	1.4	1.3	1.3
Interest margin					
Group	**3.0**	3.0	3.0	2.9	3.1
Domestic	**4.0**	3.8	3.9	3.8	3.9
International	**1.7**	1.9	1.7	1.7	1.9

Return on average shareholders' funds

	%	%	%	%	%
Before tax	**31.2**	11.2	(5.6)	7.8	13.6
After tax	**20.7**	6.0	(6.3)	4.0	8.4

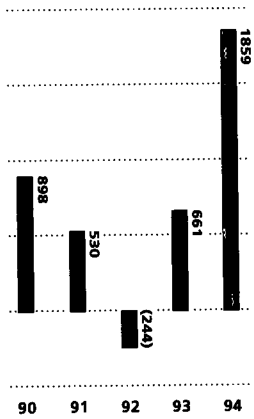
Exchange rates used in preparing the accounts

			(per pound sterling)		
Average US dollar rate	**1.53**	1.50	1.77	1.76	1.78
Closing US dollar rate	**1.56**	1.48	1.51	1.87	1.93

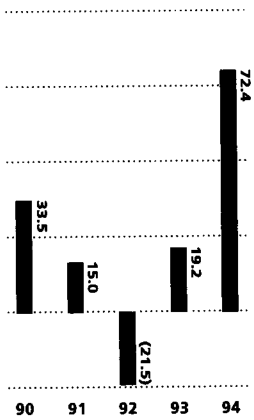
* 1990 yields, spreads and margins were not restated on implementation of the EC Bank Accounts Directive

Operating profit before provisions
£m

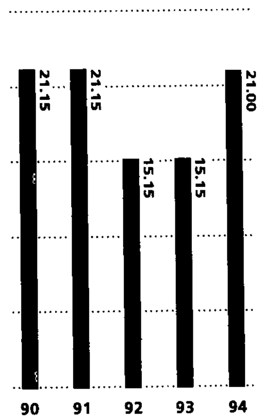
Profit/(loss) before tax
£m



Earnings per share
Pence



Dividends per share
Pence



The sterling information given on the preceding two pages for the years 1990 to 1994 has been selected from the audited accounts of Barclays PLC for the last five years, restated where appropriate to accord with current accounting practice. This information should be read in conjunction with, and is qualified by reference to, the accounts and notes included in this report.

Notes

(a) For the purposes of this selected financial data, the long-term assurance fund assets attributable to policyholders of Barclays Life Assurance Company Limited have been excluded from total assets.

(b) Over 40% of Barclays consolidated assets is denominated in currencies other than sterling (principally in US dollars) and the financial trends, particularly in respect of balance sheet items, have been affected by exchange rate movements.

(c) Except where noted otherwise, comparative financial data has been restated to reflect changes in UK company law through implementation of the EC Bank Accounts Directive and the Statements of Recommended Practice of the British Bankers' Association. For a description of the effect of accounting changes adopted in 1994, see Changes in accounting presentation on page 11.

Introduction

Barclays is a UK-based financial services group engaged primarily in the banking and investment banking businesses. In terms of assets employed, Barclays is one of the largest financial services groups in the United Kingdom. The Group also operates in many other countries around the world. In addition to servicing domestic markets, it is a principal provider of co-ordinated global services to multinational corporations and financial institutions in the world's main financial centres.

UK Banking Services

UK Banking Services comprises principally the UK Bank and City Corporate Group, Barclaycard and the Leasing and Factoring Group.

The UK Bank

The UK Bank is the largest operating unit within the Group. In addition to the network of 2,067 branches across the United Kingdom, it is responsible for the telephone banking service, Barclaycall, and the centralised mortgage and consumer lending operations.

Within the branch network, Barclays customers maintain approximately one million business sector current accounts and seven million personal current accounts. Together, these customers generate approximately 45% of the Group's total income and provide both the principal asset base and a large and stable source of deposits. The branch network delivers a broad range of financial services products to a diverse customer base. It is currently organised into 18 regions, each with directors responsible for the personal sector, the business sector, operational efficiency and risk management. Through its branch network, the Bank is able to monitor and control lendings at the local level, supported by its central risk management function.

Barclays is one of the principal providers of financial services to the UK business community. Large and middle market businesses are served through a network of some 300 business centres, each providing an in-depth knowledge of the local business markets. Business centres give customers access to sterling current accounts, a variety of deposit, money market and lending products, foreign currency accounts, foreign exchange dealing, electronic banking facilities and international trade services, as well as more complex products, such as interest rate protection, and introductions to services offered by other areas of the Group.

Personal and small business customers are served through the full network of branches across the country. In addition to offering current and deposit accounts, consumer credit lending and mortgage products, branches sell travellers cheques, foreign currency and other travel-related services. They also provide access to pension and insurance products, credit cards, share dealing and other investment services offered by other Group businesses. The Barclays Premier Banking service is dedicated to providing financial services to high-earning personal customers through a network of Premier Banking managers located in 40 centres, attached mainly to existing branches. The Barclaycall telephone banking service was launched on a nation-wide basis during 1994, increasing both choice and convenience of service to personal customers.

The UK Bank has been undergoing a major investment programme to improve and expand the range of customer services and delivery channels, to reduce costs and to improve operating efficiencies and risk management.

The programme provides customer information systems and databases to enhance service levels and to match customer needs to the wide range of available services. In addition, many of the back office functions are being automated, freeing bank staff for customer-facing roles. The impact of the investment programme and changes in the functionality of certain outlets have led to significant cost savings arising from a reduction in the number of personnel employed in the branch network.

City Corporate Group serves a significant proportion of major UK companies and also overseas companies located in the United Kingdom. In addition to full commercial banking services, it provides specialist services relating to commodities, inward investment and the London insurance market.

Barclaycard

Through Barclaycard, the Group conducts credit card operations in the United Kingdom and Germany, including both card issuing and transaction processing for merchants.

Barclaycard is the largest bank card issuer in Europe and has over eight million credit cards in issue, of which the brand leader is the Barclaycard Visa Card. It is also the major merchant transaction processor in the United Kingdom, dealing with more than £22bn of transactions per annum.

Leasing and Factoring group

The Leasing and Factoring group encompasses three areas of operation: equipment leasing and asset-backed financing through Barclays Mercantile; factoring and invoice discounting through Barclays Commercial Services; and contract car hire businesses in the United Kingdom, France, Spain and Italy through the Dial Group.

Barclays Financial Services

Barclays Financial Services (BFS) conducts the Group's pensions, life and general insurance and trustee activities. Its investment management, unit trust and retail stockbroking services also enable BFS to provide a wide range of personal investment management services.

Barclays Life Assurance Company, one of the major UK unit-linked assurance companies, underwrites life assurance and pensions policies. These are marketed through some 900 sales advisers who act on introductions from the UK Bank network. Life funds under management now total £2.8bn.

Barclays Insurance Services negotiates and packages household and other insurance products, many of which are offered in conjunction with UK branch lending products. It also provides life and pensions insurance broking services.

Through its investment division, BFS has a major presence in the unit trust and personal investment market. Barclays Unicorn is the UK's fifth largest unit trust and Personal Equity Plan (PEP) company. With offshore operations also in Luxembourg, Hong Kong and the Channel Islands, funds under management world wide now total approximately £4.4bn. Other funds under discretionary management within BFS amount to £2.5bn.

Barclays Bank Trust Company provides investment management services, as well as executorship, trustee administration and personal taxation services.

Barclays Stockbrokers undertakes retail stockbroking and PEP management activities offered through the retail branch network and via postal and telephone services. It currently handles approximately 11% of the total volume of retail equity transactions in the UK stock market and is one of the top three retail stockbrokers in the United Kingdom.

Corporate and Institutional Banking Services

Corporate and Institutional Banking Services (CIBS) was formed in May 1994 as a portfolio of businesses serving many of the specialised needs of the Group's large corporate and institutional clients. The CIBS businesses span a combination of markets, products and geographic areas and CIBS management is currently reviewing the relationships between its own businesses and also with other parts of the Group to determine how best to service the Group's large corporate client base.

The existing business portfolio comprises both lending and operating products and services. Lending services encompass the Corporate Banking Group, which manages large corporate lending relationships with UK and multinational clients operating in the United Kingdom; Barclays Syndications, which syndicates bank debt; trade finance and large value leasing. The technology-based operating services of CIBS include international payments and cash management, as well as custody and registration services.

The Financial Institutions Group offers both lending and operating services through its relationships with correspondent banking clients of the Group and insurance companies, investment houses, building societies and other financial institutions.

Close links have been established between BZW and CIBS in terms of certain products and management. The credit management function has been streamlined and syndications and custody are operating as global products.

BZW

BZW conducts the Group's global investment banking business. Revenues are derived from advisory, origination and primary market activities; securities research, sales and trading; risk management activities in both the cash and derivatives markets; money market and corporate lending; asset management. BZW additionally assumed responsibility for the Group's large corporate lending activity in certain countries in Europe and Asia-Pacific from 1st January 1994, having taken on the responsibility for this business in the United States in 1993. With the exception of France and Germany, BZW also has overall management responsibility for Barclays activities in these countries.

BZW corporate finance advisory activities encompass capital raisings, secondary offerings, listings, mergers and acquisitions, disposals, privatisations and general advice on matters such as corporate refinancing and restructuring. BZW operates in the primary and secondary international securities markets and is one of the major participants in the market for sterling and other eurobonds and for British government securities. BZW is a primary dealer in US Treasury securities and also makes markets in a range of international government and corporate bonds. In equity markets, BZW is a major trading, distribution and research house in Europe and the Asia-Pacific region, with over half of the employees being dedicated to non-UK equities. The expansion of its international capability in underwriting, distribution, research and trading of debt and equity securities is key to its strategy.

BZW offers a large portfolio of risk management solutions to both issuers and investors as well as trading these instruments on its own account. The products cover a wide range of instruments in the securities, currency, interest rate and commodity markets. A 24-hour execution service is provided across all time zones to enable clients to manage their financial risks. BZW provides broking and clearing services for futures, interest rate, currency and equity index and petroleum-related products and is a member of all the major futures and options exchanges.

BZW also offers expertise in advising on and lead managing specialised, non-recourse and project financings, asset-backed and cash flow based finance and international export finance. It also provides advisory and lending services in support of major infrastructure and capital acquisitions. BZW's development capital units provide equity capital to unquoted companies primarily through funding management buy-outs and buy-ins.

BZW's asset management business principally consists of actively managed and index tracking funds. At 31st December 1994, funds under management and advice exceeded £50bn.

Other European Commercial Banking

European Retail Banking Group

Other European Commercial Banking includes the European Retail Banking Group (ERBG) and certain of the Group's operations in France. ERBG was formed in May 1994 to bring together the retail banking operations in six continental European countries and the German private bank, Merck Finck. The major branch networks, principally providing banking services to the medium and high net worth personal markets, are in Spain, Portugal and France.

Other

This principally comprises operations in France which conduct middle market corporate banking activities and manage an impaired property loan portfolio. In addition, however, it includes support services which are provided to the BZW and CIBS businesses in France.

Other International and Private Banking

Barclays has well-established banking operations in Africa and in the Caribbean, serving both the personal and the corporate markets. Operations focusing on the corporate sector are also based in India and in the United Arab Emirates.

Trade finance and correspondent banking business in Latin America is conducted from Miami.

Barclays Private Banking serves the distinct needs of private clients with substantial personal wealth, offering a range of services including multi-currency banking, trust and fiduciary services and asset management. The principal offices of this business are situated in several international locations and, accordingly, its results are reported within this category.

The results of Barclays Business Credit, the asset-backed finance operations in the United States, are included in Other International and Private Banking; the sale of this business was announced on 14th November 1994 and was completed on 31st January 1995.

United States Transition

Certain assets and activities in the United States have been identified as unlikely to be of long-term interest to the Group. These are now largely being managed by CIBS and are placed for reporting purposes under the heading United States Transition. The assets consist principally of non-performing and substandard loans, commercial real estate loans and certain other loans and assets.

In addition, this category includes the mortgage servicing business which is being sold in 1995. See Recent developments.

Other operations

Other operations comprise Barclays Property Holdings, the Group's property management subsidiary; the management of debt due from countries experiencing liquidity problems; and the results of UK associated undertakings.

Group central functions

This comprises central services and Head Office functions, including the Group's central executive, Group Finance and a number of services, including personnel, internal audit and information technology. The central executive includes corporate affairs and legal functions. Group Finance embraces the corporate secretariat, treasury management, risk management, financial control, corporate planning, economics, taxation and investor relations functions.

Recent developments

On 31st January 1995, the Bank completed the sale of the business of Barclays Business Credit, the Group's US asset-based lending operation, to Shawmut National Corporation. The purchase price under the acquisition agreement is related to the net asset value at completion plus a premium of $290m. The profit on sale will be recognised in 1995.

On 31st January 1995, the Bank signed a definitive agreement for Norwest Mortgage, Inc. to purchase the $15bn mortgage servicing portfolio and servicing facilities of BarclaysAmerican/ Mortgage, Barclays US mortgage banking operation. Subject to certain regulatory approvals and customary closing conditions, the acquisition is expected to be completed by the end of April.

Competition

The Group faces strong competitive pressures in all of its major markets; many large financial services groups compete in the provision of sophisticated banking and investment banking services to corporate and institutional customers in the important financial centres of the world, while local banks and other financial service companies provide keen competition within each national market.

The development of a single market within the European Union continues to progress. The Second Banking Co-ordination Directive allows banks in one member state to set up branches in any other member state under licence from its home country, but there has not yet been any major development under these rules which has impacted the Group. Management believe that Barclays continues to be well placed to meet this challenge.

Changes in Group structure

Significant changes were made during the year to the Group's management structure which has been reorganised into smaller business units and groupings.

UK Banking Services, which accounts for almost a third of the Group's total assets, now comprises the UK Bank, City Corporate Group, credit card and consumer finance businesses, leasing and factoring operations and the offshore finance companies.

Corporate and Institutional Banking Services includes a portfolio of businesses that serve many of the specialised needs of the Group's large corporate and institutional clients. It also incorporates the business in Canada, previously included in Banking Division – Rest of the World, and certain operating services previously part of Service Businesses Division.

From 1st January 1994, BZW assumed overall country responsibility for the management of large corporate lending in certain European and Asia-Pacific countries and, with the exception of France and Germany, also has overall management responsibility for Barclays activities in these countries.

Other European Commercial Banking comprises mainly the European Retail Banking Group, which manages the retail banking business within other European Union countries and which has overall management responsibility in the countries where it operates. In addition, it includes certain middle market corporate banking activities and an impaired property loan portfolio in France.

Other International and Private Banking comprises those business units previously shown under Banking Division – Rest of the World, principally operations in Africa and the Caribbean, and Barclays Private Banking, but excluding Canada and certain other operations now reported within CIBS and BZW.

Group central functions comprises a number of centralised services, now including the IT business from Service Businesses Division, and the Group's head office functions. From 1st January 1994, Barclays Property Holdings, previously in this category, is included in other operations, together with problem country debt management and the Group's UK associates.

Changes in accounting presentation

Changes in presentation have arisen from the adoption in 1994 of Financial Reporting Standard 4, 'Capital Instruments' (FRS 4), and Financial Reporting Standard 5, 'Reporting the Substance of Transactions' (FRS 5).

FRS 4 requires that loan capital is analysed between convertible and non-convertible instruments and that shareholders' funds is analysed between equity and non-equity interests. Profits and losses arising on the repurchase or early redemption of loan capital are now disclosed adjacent to interest payable.

FRS 5 requires that the accounts report the substance of transactions rather than their legal form. Where certain conditions have been met, loan portfolios which have been securitised are now reported separately on the face of the balance sheet and related non-returnable finance is deducted from the amount shown.

Under FRS 5, the Group's lease on a property in Wall Street, New York, which was previously accounted for as an operating lease, has now been reclassified as a finance lease. The change has been treated as a prior year adjustment and the profit and loss accounts and balance sheets for previous years have been restated. See note 16 to the accounts.

Profit/(loss) before tax

	1994 £m	1993 £m	1992 £m
UK Banking Services	**1,229**	567	(355)
Barclays Financial Services	**123**	213	201
Corporate and Institutional Banking Services	**74**	46	(79)
BZW	**242**	532	310
Other European Commercial Banking	**(110)**	(150)	(106)
Other International and Private Banking	**175**	174	112
United States Transition	**14**	(678)	(125)
Other operations	**116**	117	63
Group central functions	**(107)**	(82)	(123)
	1,756	739	(102)
Profit/(loss) on disposal of Group undertakings	**107**	–	(82)
Write-down of surplus properties	**(4)**	(8)	(60)
Provision for diminution in property value	**–**	(70)	–
Profit/(loss) before tax and minority interests (Profit/(loss) before tax)	**1,859**	661	(244)

Total assets

	1994 £m	1993 £m	1992 £m
UK Banking Services	**52,043**	52,525	54,355
Barclays Financial Services	**567**	547	423
Corporate and Institutional Banking Services	**9,458**	12,689	13,497
BZW	**76,241**	74,276	64,784
Other European Commercial Banking	**9,013**	8,913	11,098
Other International and Private Banking	**6,660**	6,420	5,592
United States Transition	**1,912**	3,899	4,441
Other operations	**1,302**	1,682	1,755
Group central functions	**2,167**	2,208	2,017
Long-term assurance fund assets attributable to policyholders	**3,040**	2,892	1,940
	162,403	166,051	159,902

Weighted risk assets

	1994 £m	1993 £m	1992 £m
UK Banking Services	**43,718**	45,630	49,523
Barclays Financial Services	**107**	58	46
Corporate and Institutional Banking Services	**11,122**	13,247	13,655
BZW	**20,652**	23,230	22,851
Other European Commercial Banking	**6,282**	6,090	7,901
Other International and Private Banking	**5,006**	4,872	4,241
United States Transition	**2,052**	3,843	4,835
Other operations	**1,262**	1,325	1,449
Group central functions *	**3,037**	4,133	1,214
	93,238	102,428	105,715

* including supervisory adjustments

Capital resources – Barclays PLC

	1994 £m	1993 £m	1992 £m
Shareholders' funds	**6,161**	5,208	5,179
Minority interests	**329**	677	683
	6,490	5,885	5,862
Undated loan capital	**1,979**	2,053	1,390
Dated loan capital	**1,562**	2,130	2,375
Other subordinated liabilities	**121**	131	170
	10,152	10,199	9,797
Tier 1 ratio	**7.0%**	5.9%	5.4%
Risk asset ratio	**10.4%**	9.7%	9.0%

Summary profit and loss account

	1994 £m	1993 £m	1992 £m
Operating profit before provisions	**2,323**	2,563	2,344
Credit risk provisions	**(663)**	(1,908)	(2,500)
Country risk provisions release	**61**	39	35
Provisions for contingent liabilities and commitments	**–**	(49)	(8)
Operating profit/(loss)	**1,721**	645	(129)
Profit/(loss) on disposal of Group undertakings	**107**	–	(82)
Write-down of surplus properties	**(4)**	(8)	(60)
Income from associated undertakings	**35**	24	27
Profit/(loss) on ordinary activities before tax	**1,859**	661	(244)

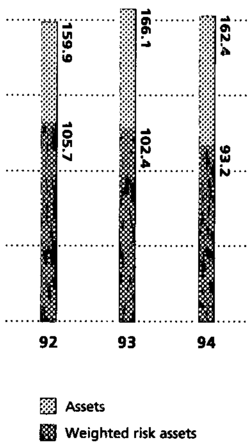
Introduction

Group profit before tax improved by £1,198m as a result of a decline in provisions for bad and doubtful debts. Of this reduction, £856m occurred in the United Kingdom, where new gross specific provisions were £791m, and £309m in the United States, where new gross specific provisions were £97m. Although falling significantly, non-performing lendings remained at a high level, particularly in regard to the UK property, construction, hotel and leisure sectors. As a consequence of work that is being undertaken to improve the assessment of credit and credit losses throughout the business, the general allowance to cover unidentified bad debts has been increased by £74m to £850m.

Group operating profit before provisions declined by 9% to £2,323m because of lower lending volumes, including lower commercial lending in the United Kingdom, reduced dealing income in BZW, the impact of falling stock market prices and regulatory change on the life assurance and pensions business, a threefold increase in UK staff profit sharing and, to a lesser extent, the impact of various disposals completed during the year. These factors were partially offset, however, by the effect of lower interest foregone on non-accrual lendings and a substantial improvement in the profit contribution of Barclaycard. Gross fees and commissions were 2% lower because of a volume-related fall in lending fees.

Through continuing tight cost controls and the ongoing benefits of staff reductions over the past three years, especially in UK Banking Services, a reduction in Group operating costs was achieved. This was accomplished at the same time as continuing and significant expenditure on systems and projects designed to enhance customer service in the UK Bank and to reduce future processing costs across a number of businesses.

Weighted risk assets
£bn



Shareholders' funds rose by £953m to £6,161m, including an £836m contribution from retained profit. Total capital resources, however, declined by £47m following the redemption of relatively expensive non-sterling preference shares and loan capital during the year. However, risk-weighted assets fell proportionally more by some £9bn, because of the reduction in lending volumes, a progressive shift to lower weighted assets and a second tranche of mortgage securitisation. As a result, the Group's tier 1 ratio rose from 5.9% to 7.0% and the overall risk asset ratio from 9.7% to 10.4%. The Group has announced a second interim dividend of 13p a share, making a total dividend for the year of 21p, a 39% increase over 1993.

Analysis of results by business

The following section analyses the Group's performance within the businesses, showing selected income and expenditure information extracted from the Group's profit and loss account. As inter-business trading is included within these figures, it is not possible to equate the total income and expenditure for the businesses to the Group results.

UK Banking Services

	1994 £m	1993 £m	1992 £m
Net interest income	**2,626**	2,616	2,494
Net fees and commissions	**1,480**	1,502	1,428
Other operating income	**18**	24	36
Total costs	**(2,410)**	(2,388)	(2,405)
Provisions for bad and doubtful debts	**(485)**	(1,187)	(1,908)
Profit/(loss) before tax	**1,229**	567	(355)

The principal profit contributors in UK Banking Services were the UK Bank and Barclaycard.

UK Bank The UK Bank achieved a substantial improvement in profit from sharply reduced provisions and lower levels of interest lost on impaired debt, allowing the benefits of a strong operating performance achieved over the last three years to flow through to profit.

Both non-accrual debt and advances exhibiting non-performing characteristics reduced from 1993 levels, but still remain high especially in property, construction and hotels. The flow of gross new and increased provisions remained relatively high and, while this was partly offset by high levels of releases and recoveries, these may not continue to such an extent in 1995.

Despite lower asset volumes net interest income remained at a similar level to 1993, assisted by lower interest foregone on non-accrual debt, improved lending margins and increased balances on current and deposit accounts. Business sector lendings continued to decline during 1994, but there were some signs of stabilisation towards the end of the year. In the personal sector, mortgage volumes continued to grow, despite a sluggish housing market, and consumer lending volumes increased during the second half of the year. Mortgages now constitute more than one-fifth of loans to customers in the United Kingdom. Continued competition for deposit and current accounts reduced margins, but not sufficiently to offset the increase in balances.

Commission income was lower as subdued business conditions reduced new lending fees, while fees for returned cheques and unauthorised overdrafts also declined. Money transmission income was held back by a combination of falling volumes and the decision not to increase business sector tariffs.

Against this background of level income, total costs were contained within 1993 levels, despite increased expenditure on the re-engineering programme and a substantial increase in provisions for payments under the staff profit sharing scheme. The cost reduction reflects the benefits achieved to date from the branch network rationalisation programme, now virtually complete, other efficiency improvements from initial implementation of projects and lower staff reduction costs. Staff numbers fell again in 1994, but at a slower rate than in previous years as resources were invested in continuing projects, new centralised units and improving customer service in branches. Investment expenditure will continue at high levels in 1995 and further short term cost reductions will be difficult to achieve.

Barclaycard Barclaycard achieved a significant increase in profits, with higher income and reduced provisions. Costs grew principally from substantial investment in marketing, both in the United Kingdom and in the development of the German card operation, and in major new core processing systems for the future. Fraud losses showed a substantial reduction of nearly a third through a combination of tighter control and new systems.

Increased extended credit balances and improved margins both contributed to higher interest income, while cardholder turnover was also higher than in 1993. Competition increased as new entrants developed their market positions, but the impact was mitigated by strong media investment and the attraction of the Ford link in the improved Barclaycard Profiles scheme. New cardholder recruitment levels grew to a six year high. The merchant transaction processing business, Barclays Merchant Services, also had a successful year, with a strong profit increase, underpinned by volume growth and tight cost control.

Leasing and Factoring group The Leasing and Factoring group activities turned a loss in 1993 into a profit in 1994 as a result of a substantially reduced bad debt charge and increased income from strong business growth.

Barclays Financial Services

	1994 £m	1993 £m	1992 £m
Net fees and commissions	**244**	243	225
Increase in shareholders' interest in the long-term assurance fund	**12**	107	67
Net interest income	**17**	22	26
Other operating income	**2**	8	29
Total costs	**(152)**	(167)	(146)
Profit before tax	**123**	213	201

The decline in profits in the year was attributable mainly to Barclays Life. In contrast to 1993, when profits benefited from a buoyant stock market, the 1994 results reflected the adverse effect on the shareholders' interest in the long-term assurance fund of depressed stock market values and the increased cost of regulatory change.

Responding to guidance issued by the Securities and Investment Board to all UK life assurers, Barclays Life has made provision for the cost of identifying and, if necessary, providing redress to customers who may have been disadvantaged by receiving inappropriate pensions advice. Although the total potential liability cannot yet be determined with any certainty, an additional provision of £27m was charged in 1994, which, together with the amount provided in 1993, brings total pensions provisions to £58m.

In common with the rest of the UK life assurance industry, Barclays Life was also affected by the speed and impact of regulatory change. The resulting reduction in the number and productivity of sales advisers, coupled with difficult trading conditions generally, accounted for a 22% decrease in total sales of life, pensions and unit trust products. During the year, Barclays Life also bore the additional costs of a major programme to enhance the training and competence of its sales force and revised the bases of their remuneration, now a mix of salary, bonus and commission.

A significant profit contribution was again made by the Investment division. Continuing the excellent performance in 1993, sales of unit trusts and offshore funds by Barclays Unicorn, particularly in the United Kingdom, remained strong in the early part of the year. However, market volatility, especially affecting offshore fund sales, resulted in fees and commissions levelling off by the year end.

Despite increased competition, fees and commissions from creditor and householder insurance business grew by 15%.

The Trust Company profit for the year was adversely affected by an ongoing re-organisation process, the result of which will be to improve efficiency and customer service in the future.

The volatile stock markets in the United Kingdom had an adverse impact on dealing volumes and profits of Barclays Stockbrokers. Despite this, the business remained profitable and new telephone and postal based services, introduced with the aim of enhancing customer service, were successfully implemented.

Corporate and Institutional Banking Services

	1994 £m	1993 £m	1992 £m
Net interest income	**201**	276	262
Net fees and commissions	**165**	187	160
Other operating income	**107**	97	91
Total costs	**(342)**	(383)	(365)
Provisions for bad and doubtful debts	**(57)**	(131)	(227)
Profit/(loss) before tax	**74**	46	(79)

Profit before tax showed a significant improvement over the two previous years as bad debt provisions fell, helped by releases in the United Kingdom and the rest of Europe. The reduction in provisions was achieved despite one large corporate provision of £65m in Europe and further provisions in Canada.

At the operating level, both net interest income and fees and commissions declined as a result of lower lending volumes. In addition, interest margins came under pressure, particularly in the large corporate lending market. Increasing emphasis was placed on syndications, which performed strongly, reflecting a significant rise in the number of financing mandates.

Compared with previous years, the results were also affected by the disposal during 1994 of two businesses. Interpayment, the Group's travellers cheques issuance business, was sold in November and the retail banking business in Australia was sold in April.

BZW

	1994 £m	1993 £m	1992 £m
Net fees and commissions	**443**	430	257
Dealing profits	**384**	625	352
Net interest income	**250**	402	397
Other operating income	**81**	68	58
Total costs	**(915)**	(930)	(701)
Provisions for bad and doubtful debts	**(1)**	(63)	(53)
Profit before tax	**242**	532	310

The favourable market conditions of 1993 were not repeated in 1994. Profit before tax fell by 55%. In contrast to the sharp drop in dealing income and net interest income, fees and commissions generated from client activities rose by 3%.

Fees and commissions from advisory, mergers and acquisitions and underwriting activities were maintained at a satisfactory level, particularly in respect of equity new issues. Fees from project finance rose substantially, benefiting from the high level of global infrastructure spending in 1994. Fees from asset management also continued to grow as substantial new business was gained and a number of new funds were launched. As a result of these initiatives, total funds under management and advice were maintained at over £50bn, despite falls in share prices being experienced in most major stock markets. During the year, BZW sold its asset management business in Canada in order to concentrate its North American activities in New York. Commissions from the futures broking business rose significantly, reflecting BZW's active membership of futures exchanges world wide.

In the securities and money markets, rising and volatile long-term interest rates generated greatly reduced levels of market liquidity. In response to these conditions, BZW reduced its market risk profile and maintained its traditional focus on client priorities. A less advantageous yield curve throughout the period resulted in a decline in the level of net interest income.

The reduction in dealing income came about in the foreign exchange, fixed income and equities areas and were partially offset by improvements in swaps and metals. The volatile market conditions prompted a continued demand by issuers and investors for innovative risk management products.

Costs fell in 1994, but BZW maintained its significant investment in people and technology. There was a continued upgrade of systems which had been developed in the early stages of BZW's expansion and the renewal of systems in businesses which had previously formed part of the Barclays banking network.

As a result of the continued improvement in the world economy, the level of new provisions was substantially reduced.

Other European Commercial Banking

	1994 £m	1993 £m	1992 £m
Net interest income	**213**	254	252
Net fees and commissions	**146**	125	107
Other operating income	**37**	30	37
Total costs	**(401)**	(426)	(386)
Provisions for bad and doubtful debts	**(105)**	(133)	(116)
Loss before tax	**(110)**	(150)	(106)

Continental European retail branch banking continued to be profitable in 1994, although the overall level fell as a result of a decline in lending in some business areas and reductions in both lending and deposit margins as interest rates fell. Despite lower results than in 1993, the Spanish operations did well in a difficult market. Portugal experienced intense competition for retail deposits. Results for Merck Finck were again adversely affected by bad debt provisions in a difficult economy.

Net fees and commissions and other operating income increased as a result of the growth in managed savings and investment funds and increases in customer numbers.

Costs fell following reductions in staff numbers, particularly in France and Merck Finck.

Provisions for bad debts remained high, principally as a result of continuing significant losses in the property loan portfolio in France.

The overall results were adversely affected to a material extent by the continuing impact of high levels of provisions and operating costs in France. Further significant losses will be experienced during 1995 and the Group continues to review the structure of its operations in that country.

Other International and Private Banking

	1994 £m	1993 £m	1992 £m
Net interest income	**291**	268	196
Net fees and commissions	**201**	203	146
Other operating income	**13**	30	29
Total costs	**(301)**	(295)	(231)
Provisions for bad and doubtful debts	**(29)**	(32)	(28)
Profit before tax	**175**	174	112

All areas contributed to the 9% increase in net interest income, while the disposal of the US factoring business during the year masked similar underlying increases in fees and commissions and in costs. Particularly strong performances were recorded in Kenya, Zimbabwe and the Caribbean.

Barclays Private Banking increased profits in spite of additional investment costs and difficult financial markets.

United States Transition

	1994 £m	1993 £m	1992 £m
Loan portfolios	**58**	(346)	(110)
BarclaysAmerican/Mortgage	**10**	(236)	(1)
Infrastructure costs	**(54)**	(96)	(14)
Profit/(loss) before tax	**14**	(678)	(125)

The turn-round in the results of the loan portfolios essentially arose from substantially lower provisioning levels and releases of provisions as the portfolios are managed down. Lendings at 31st December 1994 amounted to £1,401m of which £599m were non-performing (31st December 1993 £2,702m and £1,082m respectively). Total allowances of £349m (31st December 1993 £582m) are held against these lendings.

The recent increases in US interest rates have significantly reduced the level of mortgage prepayments from that experienced during 1993. As a result, the substantial write-down required during 1993 in the carrying value of the purchased mortgage servicing rights held by BarclaysAmerican/Mortgage was not repeated in 1994. Agreement has been reached, subject to certain conditions, to sell the mortgage servicing portfolio and related servicing facilities in 1995 (see Recent developments).

Other operations

	1994 £m	1993 £m	1992 £m
Barclays Property Holdings	**30**	26	19
Problem country debt management	**68**	80	36
UK associated undertakings	**18**	11	8
Profit before tax	**116**	117	63

Barclays Property Holdings The improved profit arose from higher service fee income, reduced interest costs and surpluses on the sale of properties, after charging increased depreciation following a reassessment of the effective lives of the Group's properties in the United Kingdom.

Problem country debt management The result for the year was adversely affected by the raising of an additional provision of £23m in respect of Mexican debt, which partially offset provision releases and recoveries totalling £107m.

UK associated undertakings The 1994 profit, which arose entirely in the first half of the year, and that in 1993, stemmed mainly from the holding in 3i Group plc, a large part of which was sold in July. The remaining investment is no longer treated as an associate and the profit on sale is reported as part of the profit on disposal of Group undertakings.

Group central functions

	1994 £m	1993 £m	1992 £m
Central services	**(53)**	(29)	(81)
Head office functions	**(54)**	(53)	(42)
Loss before tax	**(107)**	(82)	(123)

Central services The deficit increased in 1994 largely because of increased costs in respect of computer services and certain re-organisation costs.

Head office functions These comprise the Group's central executive, Group Finance, corporate affairs and the Group's credit policy unit. Group Finance embraces the corporate secretariat, treasury management, risk management, financial control, corporate planning, economics, taxation and investor relations functions.

Profit/(loss) on disposal of Group undertakings

	1994 £m	1993 £m	1992 £m
	107	–	(82)

Profits on disposal of subsidiary undertakings arose on the sale of the business of Barclays Commercial Corporation, the Group's US factoring operation (£63m), and the retail banking business in Australia (£24m). A profit on disposal of associated undertakings (£46m) resulted from the sale of part of the Group's shareholding in 3i Group plc. Losses on disposal of subsidiary undertakings arose largely through the sale of Interpayment Services Limited, the Group's travellers cheques business, and Barclays McConnell Limited in Canada. The net total of £107m was arrived at after charging £27m in respect of goodwill on acquisition, previously written off directly to reserves.

In 1992, the Group sold the business of Barclays Bank of New York and also the shareholding in Allied Trust Bank. The loss included £42m in respect of goodwill.

Write-down of surplus properties

	1994 £m	1993 £m	1992 £m
	(4)	(8)	(60)

Properties in the United Kingdom which are surplus to current operational requirements are written down to their current estimated market value.

Provision for diminution in property value

	1994 £m	1993 £m	1992 £m
	–	(70)	–

The provision in 1993, which formed part of the depreciation charge for that year, related to a permanent reduction in the value of the head office building in Paris.

Results by nature of income and expense

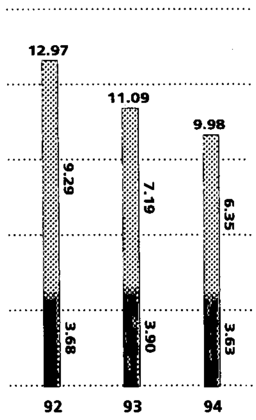
Net interest income

	1994 £m	1993 £m	1992 £m
Interest receivable	**9,979**	11,085	12,968
Interest payable	**6,293**	7,210	9,288
Profit/(loss) on redemption of loan capital	**(60)**	22	–
Net interest income	**3,626**	3,897	3,680

Group interest receivable fell by 10% in 1994, largely on account of average balances to customers being £6.7bn lower than in 1993 and a 0.6% fall in the average gross yield. The impact was partly offset by a reduction of approximately £100m in interest lost on non-accrual debt, although the amount of interest foregone remains at a high level.

Interest payable was down 13% on 1993, primarily because of lower average interest rates in the Group's major markets. Higher balances in interest-free current accounts and a reduction in the level of advances also allowed the Group to be less reliant on funding through more expensive wholesale deposits, which fell by £2bn. Other influencing factors included a lower level of debt securities in issue, especially certificates of deposit, which, together with a decrease in the related interest rates, reduced interest payable by some £200m.

Net interest income
£bn



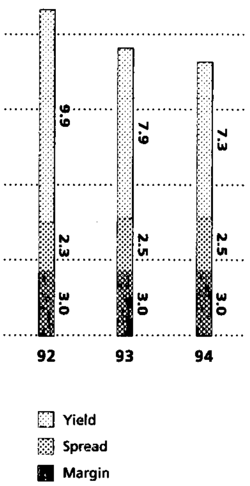
Prevailing average interest rates

	1994 %	1993 %	1992 %
United Kingdom:			
Barclays Bank PLC base rate	**5.5**	6.0	9.6
London Inter-Bank Offered Rate (LIBOR)			
three month sterling	**5.5**	5.9	9.6
three month eurodollar	**4.7**	3.2	3.8
United States prime rate	**7.2**	6.0	6.3

Average interest earning assets and liabilities – banking business

	1994 £m	1993 £m	1992 £m
Average interest earning assets:			
Group	**121,895**	128,075	122,013
Domestic	**70,505**	72,273	71,074
International	**51,390**	55,802	50,939
Average interest bearing liabilities:			
Group	**107,551**	115,584	111,000
Domestic	**60,121**	63,162	62,178
International	**47,430**	52,422	48,822

Interest yield, spread and margin
%



Yields, spreads and margins – banking business

	1994	1993	1992
	%	%	%
Gross yield (a)			
Group	**7.3**	7.9	9.9
Domestic	**7.8**	8.2	11.1
International	**6.6**	7.4	8.3
Interest spread (b)			
Group	**2.5**	2.5	2.3
Domestic	**3.3**	3.2	2.9
International	**1.3**	1.6	1.4
Interest margin (c)			
Group	**3.0**	3.0	3.0
Domestic	**4.0**	3.8	3.9
International	**1.7**	1.9	1.7

The endowment effect of interest-free current accounts is protected by an interest rate hedge, which benefited the interest margin by 0.2% in 1994.

The average balance sheet is presented on the basis of the domicile of the booking office distinguishing between offices in and outside the United Kingdom. Offices in the United Kingdom conduct both domestic business (customers domiciled in the United Kingdom) and international business (customers domiciled outside the United Kingdom). Offices outside the United Kingdom are classified entirely as international business.

The yields, spreads and margins for domestic business (conducted primarily in sterling) and international business (conducted primarily in foreign currencies) shown above have been computed on this basis, which reflects the domicile of the borrower. They exclude profits and losses on the redemption of loan capital and the 1993 comparative figures have been restated.

The securities trading business net interest income and average balances are shown separately on the average balance sheet on pages 26 and 27.

Notes

(a) Gross yield is the interest rate earned on average interest earning assets.

(b) Interest spread is the difference between the interest rate earned on average interest earning assets and the interest rate paid on average interest bearing liabilities.

(c) Interest margin is net interest income as a percentage of average interest earning assets.

Net fees and commissions

	1994	1993	1992
	£m	£m	£m
Gross fees and commissions receivable	**2,948**	3,009	2,592
Less: amortisation of purchased mortgage servicing rights (PMSRs)	**(38)**	(265)	(54)
	2,910	2,744	2,538
Less: fees and commissions payable	**(211)**	(223)	(171)
	2,699	2,521	2,367

The main reason for the overall 2% reduction in gross fees and commissions was a decline in lending fees because of lower volumes.

The net position in 1993 had been depressed by an abnormally high PMSR amortisation charge, reflecting a sharp rise in mortgage prepayments experienced as a result of the fall in US interest rates in that year.

Note

Income from certain retail foreign exchange transactions, previously reported as part of dealing profits, is now reported as fees and commissions receivable in order to reflect better the nature of this income. As a result, both fees and commissions receivable and dealing profits for the years ended 31st December 1993 and 1992 have been restated by £124m and £126m, respectively, but there has been no impact on profit before tax.

Dealing profits*

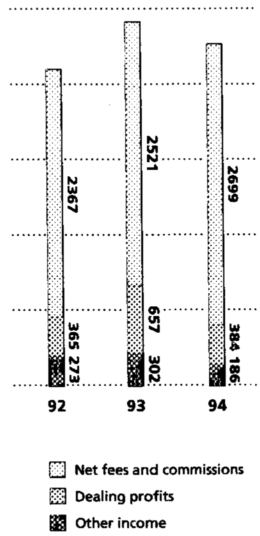
	1994 £m	1993 £m	1992 £m
Interest rate related	**170**	307	175
Foreign exchange income	**89**	136	109
Equities and other	**125**	214	81
Total	**384**	657	365

* This is a prescribed heading under Schedule 9 to the Companies Act 1985, in which 'profit' does not conform to the more usual definition followed elsewhere in this document. The disclosure reflects dealing trading income, not including net interest income, before charging associated staff and other administrative expenses.

BZW maintained its traditional focus on client priorities, but, because of the depressed level of market liquidity and a more conservative market risk profile, dealing profits fell by £273m, of which all but £32m was attributable to BZW.

Significant declines in foreign exchange, fixed income and equities dealing income were partly offset by strong demand for risk management products. Metals-related activities also performed well.

Non-interest income
£m



Other operating income

	1994 £m	1993 £m	1992 £m
Dividend income from equity shares	**42**	25	22
Profits on disposal of investment securities	**18**	17	18
Increase in shareholders' interest in the long-term assurance fund	**12**	107	67
Other income	**114**	153	166
	186	302	273

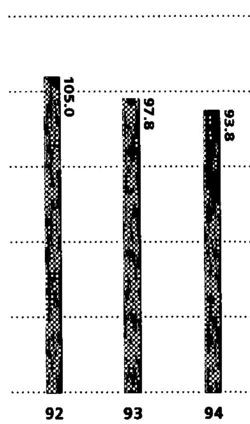
Total other operating income declined by £116m, mainly because of lower profits from the Barclays Life long-term assurance business as a result of the adverse effect of depressed stock market values and disruption following an industry-wide review of the arrangements for the sale of personal pension plans.

The fall in Other income resulted from lower profits on the sale of properties and investments, lower property rental receipts and the effect of non-banking business disposals in 1993.

Staff costs

	1994 £m	1993 £m	1992 £m
Salaries and accrued incentive payments	**2,055**	2,071	1,934
Social security costs	**195**	195	182
Pension costs	**117**	113	117
Post-retirement health care	**39**	18	5
Profit sharing	**76**	26	–
Other staff costs	**198**	305	234
	2,680	2,728	2,472
Staff numbers (period end)*	**93,800**	97,800	105,000

Staff numbers
000s



Total staff costs fell by 2% in 1994, largely because costs relating to staff reductions were £149m lower than in 1993. This reduction was offset by a £50m increase in profit sharing and a one-off cost of post-retirement health care of £18m where the Group charged the full liability in respect of certain exited businesses in the United States. Basic salary costs remained at a similar level to 1993, with across-the-board pay increases in the United Kingdom being offset by lower staff numbers.

* Staff numbers exclude 1,000 Barclays Life advisers (1993 1,300, 1992 1,500).

Other administrative expenses

Property and equipment expenses	**1994 £m**	1993 £m	1992 £m
Hire of equipment	**36**	42	36
Property rentals	**204**	211	192
Other property and equipment expenses	**553**	554	482
	793	807	710
Other administrative expenses			
Stationery, postage and telephones	**225**	236	237
Advertising	**143**	111	102
Travel	**112**	98	88
Legal, professional and consultancy	**161**	167	141
Other	**221**	353	338
	1,655	1,772	1,616

The reduction in Other expenses arose principally from a marked improvement in fraud losses in the United Kingdom, a fall in sundry losses in a number of overseas operations, a lower level of sundry costs in BZW and a one-off charge in 1993.

Provisions for bad and doubtful debts

Credit risk provisions charge:	**1994 £m**	1993 £m	1992 £m
specific	**589**	1,803	2,274
general	**74**	105	226
Country risk provisions release	**(61)**	(39)	(35)
	602	1,869	2,465

The 67% drop in the net charge to profit for specific credit risk provisions reflected significantly lower levels of gross provisions, especially in the United Kingdom, helped by increases in releases and recoveries.

There was a further net release of country risk allowances in 1994 of £61m, mainly as a result of asset sales and recoveries.

For a further explanation of movements in provisions and allowances, see Review of credit risk provisions and allowances on page 47.

Provisions for contingent liabilities and commitments

	1994 £m	1993 £m	1992 £m
	–	49	8

Of the charge in 1993, £35m was raised in BarclaysAmerican/Mortgage to cover potential losses associated with partially guaranteed loans.

Share of profit before tax of associated undertakings

	1994 £m	1993 £m	1992 £m
	35	24	27

The increase in 1994 was largely attributable to the holding in 3i Group plc, a large part of which was sold in July. The remaining investment is no longer treated as an associate and the profit on the sale is reported as part of the profit on disposal of Group undertakings.

Tax

The overall tax charge is explained in the following table:	**1994 £m**	1993 £m	1992 £m
Tax charge at average UK corporation tax rate of 33.0%	**613**	218	(81)
Deferred tax not provided	**(34)**	11	12
Prior year adjustments	**(24)**	–	(62)
Effect of change in non-allowable provisions	**17**	35	88
Effect of non-allowable property write-downs and depreciation	**12**	42	14
Net effect of differing tax rates overseas	**3**	7	17
Goodwill on disposals previously written off	**9**	–	14
Non-allowable losses	**6**	(19)	42
Franked investment income	**(10)**	(8)	(9)
Other non-allowable expenses	**15**	–	–
Other items	**1**	(4)	8
Overall tax charge	**608**	282	43

The overall tax charge in 1994 reflects primarily the benefit of deferred tax not provided and releases of tax provisions in respect of prior years, offset by the lack of tax relief on non-allowable provisions, property depreciation and other expenses.

The main factors affecting the tax charge in comparative periods were in respect of non-allowable provisions and losses, property depreciation and, in 1992, releases of tax provisions in respect of prior years.

Reconciliation of UK and US GAAP

Barclays PLC Group	**1994 £m**	1993 £m	1992 £m
UK GAAP net profit/(loss)	**1,179**	310	(345)
Approximate US GAAP net profit/(loss)	**1,027**	199	(250)

Barclays Bank PLC Group figures for US GAAP differ from Barclays PLC Group because of dividends payable on preference shares.

Note 61 to the accounts and note g to the Barclays Bank PLC accounts provide a reconciliation of net profit and shareholders' funds between the amounts calculated under generally accepted accounting principles in the United Kingdom (UK GAAP) and those approximated under generally accepted accounting principles in the United States (US GAAP), together with a discussion of future developments in this respect.

Average balance sheet and net interest income (year ended 31st December)

Assets	1994 Average balance £m	1994 Interest £m	1994 Average rate %	1993 Average balance £m	1993 Interest £m	1993 Average rate %	1992 Average balance £m	1992 Interest £m	1992 Average rate %
Treasury bills and other eligible bills									
in offices in the UK	**4,502**	**185**	**4.1**	4,752	232	4.9	4,020	292	7.3
in offices outside the UK	**2,462**	**197**	**8.0**	2,774	246	8.9	2,677	287	10.7
Loans and advances to banks									
in offices in the UK	**12,748**	**640**	**5.0**	12,915	801	6.2	11,146	955	8.6
in offices outside the UK	**10,012**	**581**	**5.8**	9,568	665	7.0	9,590	699	7.3
Loans and advances to customers									
in offices in the UK	**57,150**	**4,638**	**8.1**	60,230	5,073	8.4	60,042	6,566	10.9
in offices outside the UK	**18,987**	**1,512**	**8.0**	22,250	1,809	8.1	21,618	1,937	9.0
Lease receivables									
in offices in the UK	**4,573**	**374**	**8.2**	4,655	414	8.9	4,507	518	11.5
in offices outside the UK	**612**	**70**	**11.4**	912	124	13.6	973	137	14.1
Debt securities									
in offices in the UK	**8,576**	**534**	**6.2**	7,768	560	7.2	5,407	549	10.2
in offices outside the UK	**2,273**	**142**	**6.2**	2,251	162	7.2	2,033	167	8.2
Average assets of banking business	**121,895**	**8,873**	**7.3**	128,075	10,086	7.9	122,013	12,107	9.9
Trading assets of securities business	**21,704**	**1,106**	**5.1**	19,203	999	5.2	10,902	861	7.9
Total average interest earning assets	**143,599**	**9,979**	**6.9**	147,278	11,085	7.5	132,915	12,968	9.8
Allowances	**(3,519)**			(3,356)			(2,814)		
Non-interest earning assets	**23,583**			23,078			21,863		
Total average assets and interest income	**163,663**	**9,979**	**6.1**	167,000	11,085	6.6	151,964	12,968	8.5
Percentage of total average assets in offices outside the UK	**28.7**			26.4			29.9		
Average interest earning assets and net interest income:									
Banking business	**121,895**	**3,678**	**3.0**	128,075	3,847	3.0	122,013	3,647	3.0
Securities business	**21,704**	**8**	**–**	19,203	28	0.1	10,902	33	0.3
Profit/(loss) on redemption of loan capital	**–**	**(60)**	**–**	–	22	–	–	–	–
Total average interest earning assets and net interest income	**143,599**	**3,626**	**2.5**	147,278	3,897	2.6	132,915	3,680	2.8
Total average interest earning assets related to:									
Interest income		**9,979**	**6.9**		11,085	7.5		12,968	9.8
Interest expense		**(6,293)**	**(4.4)**		(7,210)	(4.9)		(9,288)	(7.0)
Profit/(loss) on redemption of loan capital		**(60)**	**–**		22	–		–	–
		3,626	**2.5**		3,897	2.6		3,680	2.8

Average balance sheet and net interest income (year ended 31st December)

Liabilities and shareholders' funds	1994 Average balance £m	1994 Interest £m	1994 Average rate %	1993 Average balance £m	1993 Interest £m	1993 Average rate %	1992 Average balance £m	1992 Interest £m	1992 Average rate %
Deposits by banks									
in offices in the UK	**14,473**	**764**	**5.3**	15,851	863	5.4	11,359	877	7.7
in offices outside the UK	**11,328**	**616**	**5.4**	12,493	843	6.7	11,811	893	7.6
Customer accounts – demand accounts									
in offices in the UK	**7,105**	**90**	**1.3**	5,326	79	1.5	6,022	288	4.8
in offices outside the UK	**1,958**	**86**	**4.4**	2,323	124	5.3	2,354	147	6.2
Customer accounts – savings accounts									
in offices in the UK	**21,419**	**775**	**3.6**	21,615	818	3.8	21,750	1,487	6.8
in offices outside the UK	**906**	**59**	**6.5**	825	62	7.5	1,186	66	5.6
Customer accounts – other time deposits – retail									
in offices in the UK	**11,271**	**524**	**4.6**	13,168	729	5.5	14,674	1,303	8.9
in offices outside the UK	**6,040**	**380**	**6.3**	6,193	479	7.7	5,447	465	8.5
Customer accounts – other time deposits – wholesale									
in offices in the UK	**13,062**	**754**	**5.8**	14,777	871	5.9	13,931	1,298	9.3
in offices outside the UK	**6,288**	**318**	**5.1**	6,713	333	5.0	6,992	406	5.8
Debt securities in issue									
in offices in the UK	**6,141**	**313**	**5.1**	7,654	454	5.9	6,843	578	8.4
in offices outside the UK	**3,474**	**199**	**5.7**	4,387	265	6.0	5,110	357	7.0
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**4,086**	**317**	**7.8**	4,259	319	7.5	3,521	295	8.4
Average liabilities of banking business	**107,551**	**5,195**	**4.8**	115,584	6,239	5.4	111,000	8,460	7.6
Trading liabilities of securities business	**22,343**	**1,098**	**4.9**	19,420	971	5.0	10,475	828	7.9
Total average interest bearing liabilities	**129,894**	**6,293**	**4.8**	135,004	7,210	5.3	121,475	9,288	7.6
Interest free customer deposits									
in offices in the UK	**7,105**			6,325			6,004		
in offices outside the UK	**1,895**			2,038			1,835		
Other non-interest bearing liabilities	**18,427**			17,759			16,526		
Minority interests and shareholders' funds	**6,342**			5,874			6,124		
Total average liabilities, shareholders' funds and interest expense	**163,663**	**6,293**	**3.8**	167,000	7,210	4.3	151,964	9,288	6.1
Percentage of total average non-capital liabilities in offices outside the UK	**28.1**			26.4			27.4		

Notes

(a) Loans and advances to banks and customers include all doubtful lendings, including non-accrual lendings. Interest receivable on such lendings has been included to the extent to which either cash payments have been received or interest has been accrued in accordance with the income recognition policy of the Group.

(b) Average balances are based upon weekly averages for certain areas of UK banking operations and monthly averages elsewhere, which Barclays considers are representative of the operations.

(c) The average balance sheet does not include the long-term assurance fund assets attributable to policyholders or the related liabilities.

Changes in net interest income – volume and rate analysis

The following table allocates changes in net interest income between changes in volume and changes in rate for the latest two years. Volume and rate variances have been calculated on the movement in the average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. The variance caused by changes in both volume and rate has been allocated proportionately to volume and rate.

	1994/1993 Total change	1994/1993 Change due to increase/(decrease) in: Volume	Rate	1993/1992 Total change	1993/1992 Change due to increase/(decrease) in: Volume	Rate
Interest receivable	**£m**	**£m**	**£m**	£m	£m	£m
Treasury bills and other eligible bills:						
in offices in the UK	**(47)**	**(12)**	**(35)**	(60)	47	(107)
in offices outside the UK	**(49)**	**(26)**	**(23)**	(41)	10	(51)
	(96)	**(38)**	**(58)**	(101)	57	(158)
Loans and advances to banks:						
in offices in the UK	**(161)**	**(10)**	**(151)**	(154)	136	(290)
in offices outside the UK	**(84)**	**30**	**(114)**	(34)	(2)	(32)
	(245)	**20**	**(265)**	(188)	134	(322)
Loans and advances to customers:						
in offices in the UK	**(435)**	**(254)**	**(181)**	(1,493)	20	(1,513)
in offices outside the UK	**(297)**	**(261)**	**(36)**	(128)	55	(183)
	(732)	**(515)**	**(217)**	(1,621)	75	(1,696)
Lease receivables:						
in offices in the UK	**(40)**	**(7)**	**(33)**	(104)	17	(121)
in offices outside the UK	**(54)**	**(36)**	**(18)**	(13)	(8)	(5)
	(94)	**(43)**	**(51)**	(117)	9	(126)
Debt securities:						
in offices in the UK	**(26)**	**55**	**(81)**	11	198	(187)
in offices outside the UK	**(20)**	**2**	**(22)**	(5)	17	(22)
	(46)	**57**	**(103)**	6	215	(209)
Securities trading assets:						
in offices in the UK	**(188)**	**(103)**	**(85)**	410	657	(247)
in offices outside the UK	**295**	**204**	**91**	(272)	(115)	(157)
	107	**101**	**6**	138	542	(404)
Total interest receivable						
in offices in the UK	**(897)**	**(344)**	**(553)**	(1,390)	1,455	(2,845)
in offices outside the UK	**(209)**	**76**	**(285)**	(493)	(110)	(383)
	(1,106)	**(268)**	**(838)**	(1,883)	1,345	(3,228)

Changes in net interest income – volume and rate analysis

	Total change	1994/1993 Change due to increase/(decrease) in:		Total change	1993/1992 Change due to increase/(decrease) in:	
		Volume	Rate		Volume	Rate
Interest payable	£m	£m	£m	£m	£m	£m
Deposits by banks:						
in offices in the UK	**(99)**	**(73)**	**(26)**	(14)	288	(302)
in offices outside the UK	**(227)**	**(74)**	**(153)**	(50)	50	(100)
	(326)	**(147)**	**(179)**	(64)	338	(402)
Customer accounts – demand deposits:						
in offices in the UK	**11**	**24**	**(13)**	(209)	(30)	(179)
in offices outside the UK	**(38)**	**(18)**	**(20)**	(23)	(2)	(21)
	(27)	**6**	**(33)**	(232)	(32)	(200)
Customer accounts – savings deposits:						
in offices in the UK	**(43)**	**(7)**	**(36)**	(669)	(9)	(660)
in offices outside the UK	**(3)**	**6**	**(9)**	(4)	(23)	19
	(46)	**(1)**	**(45)**	(673)	(32)	(641)
Customer accounts – other time deposits – retail:						
in offices in the UK	**(205)**	**(97)**	**(108)**	(574)	(123)	(451)
in offices outside the UK	**(99)**	**(12)**	**(87)**	14	60	(46)
	(304)	**(109)**	**(195)**	(560)	(63)	(497)
Customer accounts – other time deposits – wholesale:						
in offices in the UK	**(117)**	**(99)**	**(18)**	(427)	75	(502)
in offices outside the UK	**(15)**	**(21)**	**6**	(73)	(16)	(57)
	(132)	**(120)**	**(12)**	(500)	59	(559)
Debt securities in issue:						
in offices in the UK	**(141)**	**(82)**	**(59)**	(124)	63	(187)
in offices outside the UK	**(66)**	**(53)**	**(13)**	(92)	(47)	(45)
	(207)	**(135)**	**(72)**	(216)	16	(232)
Dated and undated loan capital and other subordinated liabilities:						
principally in offices in the UK	**(2)**	**(13)**	**11**	24	57	(33)
Securities trading liabilities:						
in offices in the UK	**(108)**	**46**	**(154)**	261	477	(216)
in offices outside the UK	**235**	**80**	**155**	(118)	97	(215)
	127	**126**	**1**	143	574	(431)
Total interest payable						
in offices in the UK	**(704)**	**(215)**	**(489)**	(1,732)	828	(2,560)
in offices outside the UK	**(213)**	**(46)**	**(167)**	(346)	131	(477)
	(917)	**(261)**	**(656)**	(2,078)	959	(3,037)

Movement in net interest income

(Decrease)/increase in interest receivable	**(1,106)**	**(268)**	**(838)**	(1,883)	1,345	(3,228)
Decrease/(increase) in interest payable	**917**	**261**	**656**	2,078	(959)	3,037
Movement in (loss)/profit on redemption of loan capital	**(82)**			22		
	(271)			217		

Capital resources

Barclays PLC Group	1994 £m	1993 £m	1992 £m
Shareholders' funds	**6,161**	5,208	5,179
Minority interests	**329**	677	683
	6,490	5,885	5,862
Undated loan capital	**1,979**	2,053	1,390
Dated loan capital	**1,562**	2,130	2,375
Other subordinated liabilities	**121**	131	170
Total capital resources	**10,152**	10,199	9,797

Barclays Bank PLC Group	1994 £m	1993 £m	1992 £m
Shareholders' funds	**6,440**	5,841	5,714
Minority interests	**50**	44	64
	6,490	5,885	5,778
Undated loan capital	**1,979**	2,053	1,390
Dated loan capital	**1,562**	2,130	2,375
Other subordinated liabilities	**121**	131	170
Total capital resources	**10,152**	10,199	9,713

The decrease in capital resources in 1994 reflects:

(a) The purchase for cancellation by Barclays North American Capital Corporation of $235m (£151m) 11⅝% Guaranteed Capital Notes 2003, $277m (£178m) 10½% Guaranteed Capital Notes 2017 and $188m (£118m) 9¾% Guaranteed Capital Notes 2021.

(b) The early redemption on 1st December 1994 by Barclays Overseas Investment Company B.V. of all of its DM250m (£102m) outstanding 8⅛% Unsecured Bearer Bonds 1983/98 at an aggregate redemption cost of DM252.5m.

(c) The redemption by the Bank of all its outstanding 20,000,000 Series A and Series B Non-cumulative Dollar-denominated Preference Shares of $0.01 each on 19th December 1994. The aggregate redemption cost was $528m (£338m).

In total, dated and undated loan capital decreased by £642m. Retained profits increased Barclays PLC capital resources by £836m. Movements in exchange rates had no significant effect on total capital resources in the year.

The minority interests of Barclays PLC and Barclays Bank PLC differ on account of the Non-cumulative Dollar-denominated Preference Shares issued by Barclays Bank PLC, which are minority interests of Barclays PLC. In 1992, the capital resources of Barclays Bank PLC also differed from those of Barclays PLC because of the higher level of dividends paid by Barclays Bank PLC.

Exchange rate fluctuations do not have a significant impact on the risk asset ratio as related movements in assets are matched, as a matter of policy, by proportionate changes in capital resources.

Capital ratios

Capital adequacy and the use of capital are monitored by the Group and individual operating units, employing techniques based on the guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practices (the Basle Committee) and implemented by the Bank of England for supervisory purposes.

The Bank of England, in common with other bank supervisors, regards the risk asset ratio developed by the Basle Committee as a key supervisory tool and sets individual ratio requirements for banks in the United Kingdom. This ratio was designed to meet the dual objectives of strengthening the soundness and stability of the international banking system and of creating a fair and consistent supervisory framework for international banks by means of an international convergence of capital measurement and capital standards. The technique involves the application of risk weightings to assets (which for this purpose includes both balance sheet assets and off-balance sheet items) to reflect the credit and other risks associated with broad categories of transactions and counterparties.

The Basle Committee guidelines set a minimum risk asset ratio for all international banks of 8%. Capital adequacy requirements have also been laid down by European Community directives. These directives, as implemented in the United Kingdom, set similar standards to the above guidelines. A recent directive, which lays down capital adequacy requirements for the investment business of banks and securities houses, is due to be implemented with effect from 1st January 1996.

The risk asset approach to capital adequacy emphasises the importance of 'tier 1' (core) capital, comprising mainly shareholders' funds. In determining a bank's risk asset ratio, the rules limit qualifying 'tier 2' supplementary capital to an amount equal to tier 1. Tier 2 capital includes subordinated debt, general allowances for bad and doubtful debts and fixed asset revaluation reserves.

The concept of risk weighting assumes that banking activities generally involve some risk of loss. For risk weighting purposes, commercial lendings are taken as a bench-mark to which a risk weighting of 100% is ascribed. Other transactions, which are considered to generate lower levels of risk than commercial lending, may qualify for reduced weightings.

Off-balance sheet items are converted to credit risk equivalents by applying credit conversion factors laid down by the Basle Committee. The resultant amounts are then risk weighted according to the nature of the counterparty.

Thus, credit substitutes, such as standby letters of credit and acceptances, are allocated the same risk weightings as similar on-balance sheet lendings, while transaction-related off-balance sheet items, such as performance bonds, are allocated a lower weighting in recognition of the smaller likelihood of loss from these instruments.

In the case of interest and exchange rate related contracts, the risks involved relate to the potential loss of cash flows rather than principal amounts. These risks are represented by the replacement cost (as defined by the Bank of England) of the contracts and vary in relation to movements in market rates.

The following table analyses capital resources at 31st December 1994 as defined for regulatory purposes. In accordance with the current Bank of England approach on lead regulator arrangements, the assets, capital and liabilities of the UK securities trading subsidiaries, which are regulated separately, continue to be excluded.

Capital adequacy data

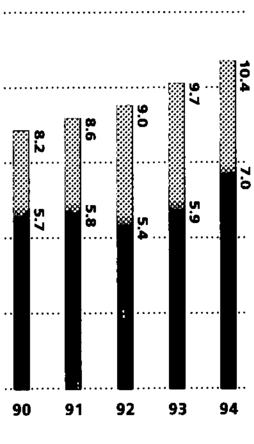
Tier 1	**1994 Barclays PLC Group £m**	**1994 Barclays Bank PLC Group £m**	1993 Barclays PLC Group £m	1993 Barclays Bank PLC Group £m
Shareholders' funds (as defined for regulatory purposes)	**6,110**	**6,389**	5,163	5,796
Minority interests in tier 1	**391**	**112**	846	213
Total tier 1 capital	**6,501**	**6,501**	6,009	6,009
Tier 2				
Fixed asset revaluation reserves	**52**	**52**	54	54
Qualifying undated and dated loan capital (a)	**3,188**	**3,188**	3,989	3,989
	3,240	**3,240**	4,043	4,043
General allowances for bad and doubtful debts	**850**	**850**	789	789
Total tier 2 capital	**4,090**	**4,090**	4,832	4,832
Gross capital resources	**10,591**	**10,591**	10,841	10,841
Less supervisory deductions (b)	**(855)**	**(855)**	(931)	(931)
Total net capital resources	**9,736**	**9,736**	9,910	9,910

Notes

(a) Term and perpetual debt are included in supplementary capital, subject to limits laid down in the supervisory requirements. Barclays retains capacity to raise additional capital within those limits.

(b) Including £369m of shareholders' interest in the long-term assurance fund.

Capital ratios
%



Risk asset ratio
Tier 1 ratio

Capital ratios	**1994 Barclays PLC Group %**	**1994 Barclays Bank PLC Group %**	1993 Barclays PLC Group %	1993 Barclays Bank PLC Group %
Tier 1 ratio	**7.0**	**7.0**	5.9	5.9
Risk asset ratio	**10.4**	**10.4**	9.7	9.7

Weighted risk assets	**£m**	£m
On-balance sheet	**74,584**	80,025
Off-balance sheet		
contingent liabilities	**7,541**	9,153
commitments	**5,131**	5,714
exchange rate contracts	**2,083**	1,828
interest rate contracts	**1,906**	2,418
other	**165**	208
Associated undertakings	**1,828**	3,082
Total	**93,238**	102,428

Deposits

Deposits by banks	Average: year ended 31st December 1994 £m	1993 £m	1992 £m
Offices in the United Kingdom	**14,473**	15,851	11,359
Offices outside the United Kingdom:			
Other European Union	**5,119**	5,944	5,986
United States	**3,338**	3,958	3,019
Rest of the World	**2,871**	2,591	2,806
	25,801	28,344	23,170
Customers' accounts			
Offices in the United Kingdom	**59,962**	61,211	62,381
Offices outside the United Kingdom:			
Other European Union	**7,677**	7,954	6,956
United States	**3,284**	3,932	5,025
Rest of the World	**6,126**	6,206	5,833
	77,049	79,303	80,195

Customers' accounts – by type

	Average: year ended 31st December 1994 £m	1993 £m	1992 £m
Offices in the United Kingdom:			
Demand deposits			
interest free	**7,105**	6,325	6,004
interest bearing	**7,105**	5,326	6,022
Savings accounts	**21,419**	21,615	21,750
Other time deposits			
retail	**11,271**	13,168	14,674
wholesale	**13,062**	14,777	13,931
	59,962	61,211	62,381
Offices outside the United Kingdom:			
Demand deposits			
interest free	**1,895**	2,038	1,835
interest bearing	**1,958**	2,323	2,354
Savings accounts	**906**	825	1,186
Other time deposits			
retail	**6,040**	6,193	5,447
wholesale	**6,288**	6,713	6,992
	17,087	18,092	17,814
	77,049	79,303	80,195

Average deposits (excluding securities balances) are based on the location of the office in which the deposits are recorded.

'Demand deposits' in offices in the United Kingdom are mainly current accounts with credit balances, obtained through the UK Bank's branch network.

'Savings deposits' in offices in the United Kingdom are also obtained through, and administered by, the UK Bank's branch network. Interest rates are varied from time to time in response to competitive conditions. These deposits are not drawn against by cheque or similar instrument.

'Other time deposits – retail' in offices in the United Kingdom are interest bearing and also are not drawn against by cheque or similar instrument. They are generally distinguished from savings deposits by having fixed maturity requirements and from wholesale deposits by being collected, in the main, through the UK Bank's branch network.

'Other time deposits – wholesale' in offices in the United Kingdom are obtained through the London money market and are booked mainly within the Group's treasury operations. These deposits are of fixed maturity and bear interest rates which reflect the London inter-bank money market rates.

'Other time deposits' includes commercial paper and inter-bank funds.

Although the types of deposit products offered through offices located outside the United Kingdom are broadly similar to those described above, they are tailored to meet the specific requirements of local markets.

Short-term borrowings

Deposits by banks

Deposits by banks are reported in 'Deposits' on the previous page but, because of their importance as a source of funding to the Group, they are also shown under 'Short-term borrowings'.

	Year ended 31st December		
	1994	1993	1992
Excluding securities business	**£m**	£m	£m
Year-end balance	**24,931**	28,005	24,179
Average balance	**25,801**	28,344	23,170
Maximum balance	**28,014**	36,621	34,151
Average interest rate during year	**5.3%**	6.5%	7.6%
Year-end interest rate	**5.6%**	5.4%	7.3%

Commercial paper

Commercial paper is issued by the Group, mainly in the United States, generally in denominations of not less than $100,000, with maturities of up to 270 days.

	Year ended 31st December		
	1994	1993	1992
	£m	£m	£m
Year-end balance	**887**	2,050	2,251
Average balance	**1,524**	1,949	2,265
Maximum balance	**2,709**	2,909	3,030
Average interest rate during year	**4.6%**	3.6%	3.9%
Year-end interest rate	**5.8%**	3.3%	3.6%

Negotiable certificates of deposit

	Year ended 31st December		
	1994	1993	1992
	£m	£m	£m
Year-end balance	**6,738**	9,322	8,997
Average balance	**6,985**	8,879	9,567
Maximum balance	**10,679**	11,267	11,401
Average interest rate during year	**5.6%**	6.2%	7.2%
Year-end interest rate	**7.1%**	5.2%	6.9%

Securities

The following table analyses the book value of securities.

Investment securities	1994 Book value £m	1994 Valuation £m	1993 Book value £m	1993 Valuation £m	1992 Book value £m	1992 Valuation £m
Debt securities:						
UK government	**2,323**	**2,292**	2,045	2,095	958	972
other government	**1,883**	**1,871**	2,100	2,135	706	708
other public bodies	**274**	**268**	67	69	69	69
other issuers	**1,032**	**1,045**	970	1,031	1,083	1,111
Equity shares	**235**	**399**	166	181	163	183
	5,747	**5,875**	5,348	5,511	2,979	3,043
Other securities						
Debt securities:						
UK government	**1,872**	**1,872**	1,617	1,617	663	663
other government	**3,794**	**3,794**	4,711	4,711	3,100	3,100
other public bodies	**65**	**65**	318	318	59	59
bank and building society certificates of deposit	**3,778**	**3,778**	5,344	5,344	4,176	4,176
other issuers	**2,872**	**2,872**	2,426	2,426	1,615	1,615
Equity shares	**2,006**	**2,006**	2,202	2,202	1,105	1,105
	20,134	**20,262**	21,966	22,129	13,697	13,761

Investment debt securities include government securities held as part of the Group's treasury management portfolio for asset and liability, liquidity and regulatory purposes and are for use on a continuing basis in the activities of the Group. In addition, the Group holds as investment debt securities listed and unlisted corporate securities. Investment securities are valued at cost, adjusted for the amortisation of premiums or discounts to redemption, less provision for any diminution in value.

Other securities comprise dealing securities and short-term certificates of deposit and are principally valued at market value.

Bank and building society certificates of deposit are freely negotiable and have original maturities of up to 5 years, but are typically held for shorter periods.

A further analysis of the book value and valuation of securities is given in notes 24 and 25 to the accounts.

At 31st December 1994, the Group also held the following securities which exceeded 10% of shareholders' funds:

	1994 Book value £m	1994 Market value £m
Italian government securities	**837**	**837**
Spanish government securities	**808**	**808**

Maturities and weighted average yields of investment debt securities

At 31st December 1994	Maturing within one year: Amount £m	Yield %	Maturing after one but within five years: Amount £m	Yield %	Maturing after five but within ten years: Amount £m	Yield %	Maturing after ten years: Amount £m	Yield %	Total Amount £m	Yield %
Government	**1,627**	**9.6**	**2,215**	**9.7**	**75**	**8.3**	**289**	**7.5**	**4,206**	**9.5**
Other public bodies	**22**	**6.2**	**122**	**6.3**	**62**	**4.6**	**68**	**6.0**	**274**	**5.9**
Other issuers	**448**	**6.5**	**402**	**7.6**	**104**	**7.9**	**78**	**11.2**	**1,032**	**7.4**
Total book value	**2,097**	**8.9**	**2,739**	**9.2**	**241**	**7.2**	**435**	**8.0**	**5,512**	**8.9**
Total market value	**2,101**		**2,714**		**237**		**424**		**5,476**	

The weighted average yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 1994 by the book value of securities held at that date. Yields on certain US securities, which are exempt from tax, have been calculated using interest income adjusted to reflect a taxable equivalent basis.

Risk management

In the ordinary course of business, Barclays manages a variety of risks, with credit, market (primarily interest rate and exchange rate), liquidity and operational risks being the most significant. These risks are identified, measured and monitored through various control mechanisms across the Group which continually evolve as business activities in the operating environment change.

The Group's Risk Policy Committee is chaired by the Executive Deputy Chairman and comprises senior management including the Group Chief Executive, Chief Executive of BZW, Group Credit Policy Director and Group Treasurer. It is responsible for managing the overall risk profile of the Group and providing guidance to the Group Credit, Group Treasury and BZW Risk Management Committees. It also sets Group standards for the business managers to set a common risk management framework.

Policies and procedures have been established at different levels of the organisation in order to manage effectively risks inherent in the Group's activities and adhere to the framework established by the Group Risk Policy Committee.

Operational risk, which is inherent across all businesses, is the potential for loss caused by the possibility of a breakdown in information, communication or internal control systems and impacts all the business units in the Group. The Group reduces operational risk by maintaining a comprehensive system of internal controls within the business units, under an overall strategy determined by the Group Risk Policy Committee. Credit, trading and liquidity risks are discussed separately below and on pages 55 and 64, respectively, of this report.

Credit risk management

The Group Risk Policy Committee is supported by the Group Credit Policy Unit which has day-to-day responsibility for portfolio management issues, including country exposure, sector exposure, product risk and credit grading. Country exposures are controlled by a grading structure according to the perception of risk and the Group's willingness to accept future exposure.

The Group is also implementing a corporate grading structure which is being used to facilitate portfolio management decisions such as the desired aggregate exposure levels to individual sectors and pricing policy and to provide a guide to probable future provisions.

The Group Credit Committee is supported by central Risk Management Departments (RMDs) in UK Banking Services, BZW/Corporate and Institutional Banking Services, European Commercial Banking and Other International and Private Banking, each headed by a senior executive. Each RMD analyses large lending exposures sanctioned by the Group Credit Committee, business line executives or the RMD's own executives.

UK Banking Services, European Commercial Banking and Other International and Private Banking, which have the majority of the Group's corporate credit exposures, each operates a hierarchy of credit exposure discretions, whereby regional offices, overseas country offices and specialist lending departments are allocated discretionary limits. Branch officials are sub-allocated varying levels of discretionary limits, according to their skills, experience and seniority, usually including higher limits for exposures covered by approved forms of security. Proposals above branch limits are referred to regional offices. In turn, such regional offices, overseas country offices and specialist lending departments refer to their RMD if exposures above their discretionary limits are proposed. A similar hierarchy exists for monitoring and provisioning purposes. The application of this structure results in a large proportion of branch lending portfolios being sanctioned and controlled at branch and regional level.

BZW and Corporate and Institutional Banking Services have a lesser number of credit exposures, but typically for larger individual amounts and with significant credit exposures arising from money market, foreign exchange, derivatives, securities dealing and other similar products. These trading activities, which include the use of both on- and off-balance sheet instruments, result in certain credit risks. The majority are referred to Group Credit Committee or are sanctioned within the RMD itself in London or in its satellite office in New York. However, smaller credit exposures are sanctioned and controlled by specialist departments and individual BZW and Corporate and Institutional Banking Services units under a hierarchy of credit exposure discretionary limits.

Credit exposure or replacement cost on derivative instruments represents the cost to replace contracts with a positive value and is usually a small fraction of the notional amount of the contracts. Credit risk exposures, however, relate to accounting losses that would be recognised if counterparties failed completely to perform their obligations. Options written do not expose the Group to credit risk (apart from unremitted premiums), except to the extent of the underlying risk in the financial instrument that the Group may be obligated to acquire under certain written put options. The risk that counterparties to both derivative and cash instruments might default on their obligations is monitored on an ongoing basis. To control the level of credit risk taken on, the Group deals with counterparties of good credit standing, enters into master agreements whenever possible and, when appropriate, obtains collateral. Master agreements provide that if an event of default occurs then all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis. Concentrations of credit risk, which arise through the Group's trading and non-trading activities, are presented in note 63 to the accounts.

Analysis of loans and advances

The following sections analyse loans and advances to banks and customers. The geographical analyses are based on the location of the office from which the lendings are made.

Amounts include securities business loans and advances, which tend to be more short term and volatile than banking business balances.

Loans and advances to banks

Loans and advances to banks includes loans to banks and building societies, balances with central banks (excluding those balances which can be withdrawn on demand), inter-bank settlement accounts and federal funds sold. The majority are placings which amounted to £25,180m at 31st December 1994 (1993 £19,377m, 1992 £18,164m).

Loans and advances to banks

	1994 £m	1993 £m	1992 £m
United Kingdom	**14,492**	12,240	11,448
Other European Union	**4,213**	3,843	3,882
United States	**6,556**	4,024	3,045
Rest of the World	**3,754**	3,337	3,183
	29,015	23,444	21,558
Loans and advances to banks comprise:			
Banking business	**23,463**	21,364	20,606
Securities business	**5,552**	2,080	952
	29,015	23,444	21,558

Maturity analysis of loans and advances to banks

At 31st December 1994	**On demand** £m	**Not more than three months** £m	**Over three months but not more than one year** £m	**Over one year but not more than five years** £m	**Over five years** £m	**Total** £m
United Kingdom	**4,244**	**8,140**	**1,377**	**484**	**247**	**14,492**
Other European Union	**686**	**2,093**	**1,091**	**224**	**119**	**4,213**
United States	**58**	**5,478**	**813**	**207**	**–**	**6,556**
Rest of the World	**260**	**2,928**	**396**	**137**	**33**	**3,754**
	5,248	**18,639**	**3,677**	**1,052**	**399**	**29,015**
At 31st December 1993	On demand £m	Not more than three months £m	Over three months but not more than one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
United Kingdom	1,797	7,036	2,912	141	354	12,240
Other European Union	450	1,833	1,094	308	158	3,843
United States	168	2,392	1,231	233	–	4,024
Rest of the World	271	2,190	681	141	54	3,337
	2,686	13,451	5,918	823	566	23,444

Interest rate sensitivity of loans and advances to banks

At 31st December 1994	Fixed rate £m	Variable rate £m	Total £m
United Kingdom	**11,259**	**3,233**	**14,492**
Other European Union	**3,850**	**363**	**4,213**
United States	**2,851**	**3,705**	**6,556**
Rest of the World	**3,040**	**714**	**3,754**
	21,000	**8,015**	**29,015**

Barclays is an active participant in the major inter-bank markets. At 31st December 1994, placings with branches and offices of Japanese banks represented some 16% of the Group total (1993 23%).

Loans and advances to customers

The Group provides lending facilities to corporate and personal customers in the form of loans, overdrafts and finance lease receivables.

Maturity analysis of loans and advances to customers

At 31st December 1994	On demand (a)	Not more than three months	Over three months but not more than one year	Over one year but not more than five years	Over five years	Total
United Kingdom:	£m	£m	£m	£m	£m	£m
Property and construction	**1,281**	**446**	**534**	**1,538**	**2,203**	**6,002**
Other corporate lending	**9,392**	**6,431**	**2,010**	**4,956**	**3,848**	**26,637**
Other lending from UK offices (b)	**1,569**	**3,429**	**3,308**	**6,238**	**17,375**	**31,919**
Total United Kingdom	**12,242**	**10,306**	**5,852**	**12,732**	**23,426**	**64,558**
Other European Union	**1,117**	**2,576**	**1,162**	**1,976**	**1,786**	**8,617**
United States	**1,230**	**4,559**	**816**	**1,682**	**1,041**	**9,328**
Rest of the World	**652**	**1,509**	**860**	**852**	**640**	**4,513**
	15,241	**18,950**	**8,690**	**17,242**	**26,893**	**87,016**

At 31st December 1993	On demand (a)	Not more than three months	Over three months but not more than one year	Over one year but not more than five years	Over five years	Total
United Kingdom:	£m	£m	£m	£m	£m	£m
Property and construction	2,154	615	746	1,502	1,365	6,382
Other corporate lending	8,346	12,263	2,404	5,648	4,162	32,823
Other lending from UK offices (b)	1,757	3,128	3,437	6,755	16,190	31,267
Total United Kingdom	12,257	16,006	6,587	13,905	21,717	70,472
Other European Union	1,092	1,894	1,573	2,338	1,453	8,350
United States	1,599	5,385	1,269	2,797	1,342	12,392
Rest of the World	949	2,035	1,185	1,496	680	6,345
	15,897	25,320	10,614	20,536	25,192	97,559

(a) Overdrafts are included in the 'on demand' category

(b) Other lending from UK offices includes finance lease receivables.

Interest rate sensitivity of loans and advances to customers

At 31st December 1994	Fixed rate £m	Variable rate £m	Total £m
United Kingdom	**22,367**	**42,191**	**64,558**
Other European Union	**3,957**	**4,660**	**8,617**
United States	**841**	**8,487**	**9,328**
Rest of the World	**1,487**	**3,026**	**4,513**
Total loans and advances	**28,652**	**58,364**	**87,016**

Loans and advances to customers in offices in the United Kingdom

	1994 £m	1993 £m	1992 £m	1991 £m	1990* £m
Financial institutions	**4,963**	4,788	3,313	4,199	2,348
Agriculture, forestry and fishing	**1,588**	1,634	1,718	1,785	1,696
Manufacturing	**5,185**	5,592	6,315	6,775	7,833
Construction	**1,545**	2,084	2,702	3,124	3,273
Property	**4,457**	4,298	4,981	5,397	5,265
Energy and water	**517**	904	798	659	405
Wholesale and retail distribution and leisure	**5,989**	5,941	7,036	7,452	6,896
Transport	**1,093**	955	1,021	961	897
Postal and communication	**51**	153	170	203	88
Business and other services	**4,841**	6,160	6,529	6,480	7,150
Home loans	**14,065**	12,985	11,900	11,136	10,150
Other personal	**9,611**	9,687	9,518	9,482	9,403
Overseas customers	**3,673**	3,927	4,318	2,801	3,376
	57,578	59,108	60,319	60,454	58,780
Finance lease receivables	**4,570**	4,665	4,162	4,092	3,940
Loans and advances – banking business	**62,148**	63,773	64,481	64,546	62,720
Loans and advances – securities business	**2,410**	6,699	3,778	2,911	–
	64,558	70,472	68,259	67,457	62,720

* See notes on page 42.

Loans and advances to customers in offices in Other European Union countries

	1994 £m	1993 £m	1992 £m	1991 £m	1990* £m
Financial institutions	**559**	746	1,071	1,155	1,013
Agriculture, forestry and fishing	**69**	84	86	81	180
Manufacturing	**1,363**	1,408	1,507	1,584	1,450
Construction	**339**	440	465	336	318
Property	**571**	316	344	259	135
Energy and water	**195**	216	202	145	100
Wholesale and retail distribution and leisure	**653**	735	807	821	734
Transport	**856**	486	538	392	384
Postal and communication	**4**	156	40	24	6
Business and other services	**1,036**	1,393	1,418	1,079	1,093
Home loans	**872**	762	733	668	717
Other personal	**655**	360	371	514	302
Overseas customers	**847**	575	871	351	443
	8,019	7,677	8,453	7,409	6,875
Finance lease receivables	**407**	482	596	596	657
Loans and advances – banking business	**8,426**	8,159	9,049	8,005	7,532
Loans and advances – securities business	**191**	191	98	69	–
	8,617	8,350	9,147	8,074	7,532

Loans and advances to customers in offices in United States

	1994 £m	1993 £m	1992 £m	1991 £m	1990* £m
Financial institutions	**524**	671	1,678	1,109	1,186
Agriculture, forestry and fishing	**23**	25	40	31	41
Manufacturing	**1,317**	2,074	2,175	1,979	2,199
Construction	**48**	154	160	121	197
Property	**1,021**	1,755	1,962	1,976	1,707
Energy and water	**516**	504	609	617	354
Wholesale and retail distribution and leisure	**590**	711	692	581	432
Transport	**261**	270	271	227	230
Postal and communication	**374**	344	450	370	336
Business and other services	**426**	796	607	709	1,015
Home loans	**146**	558	209	467	408
Other personal	**20**	29	59	115	457
Overseas customers	**12**	54	18	110	103
	5,278	7,945	8,930	8,412	8,665
Finance lease receivables	**61**	159	200	194	183
Loans and advances – banking business	**5,339**	8,104	9,130	8,606	8,848
Loans and advances – securities business	**3,989**	4,288	4,043	2,441	–
	9,328	12,392	13,173	11,047	8,848

* See notes on page 42.

Loans and advances to customers in offices in the Rest of the World

	1994 £m	1993 £m	1992 £m	1991 £m	1990* £m
Loans and advances	**4,374**	5,927	5,793	4,933	4,381
Finance lease receivables	**99**	184	210	193	176
Loans and advances – banking business	**4,473**	6,111	6,003	5,126	4,557
Loans and advances – securities business	**40**	234	52	–	–
	4,513	6,345	6,055	5,126	4,557

Total loans and advances to customers

	1994 £m	1993 £m	1992 £m	1991 £m	1990* £m
Banking business	**80,386**	86,147	88,663	86,283	83,657
Securities business	**6,630**	11,412	7,971	5,421	–
	87,016	97,559	96,634	91,704	83,657

* Loans and advances to banks and customers for 1992 and 1991 have been restated to reflect changes in UK accounting practice and, inter alia, now include placings and money at call previously shown as part of short-term funds. Restated comparative figures (including details of securities business loans and advances) for 1990 are not available and the figures shown for 1990 are presented on the previous basis.

Total loans and advances to customers

Barclays lendings are widely dispersed over customer categories within the United Kingdom, the main area of operation, and are also well spread geographically outside the United Kingdom. No one concentration of lendings, with the exception of home loans in the United Kingdom, accounts for more than 10% of total Group lendings and no individual country, other than the United Kingdom and the United States, accounts for more than 5% of total Group lendings.

Loans and advances in offices in the United Kingdom

Loans and advances in the United Kingdom decreased by 8% in 1994, reflecting the continuing high level of write-offs and weak loan demand in the corporate sector and the policy to decrease low-yielding or higher risk assets. This more than offset a rise in home loans, with fixed rate mortgages being the main area of growth in the personal sector. Overdrafts continued to fall as a percentage of total lendings, with small businesses, in particular, being encouraged to switch to term and fixed rate borrowing where this is appropriate.

Loans and advances in offices in Other European Union countries

Loans and advances in France, Spain and Germany account for over half of the total in Other European Union countries, with the balance being well spread over a number of countries. The increase in sterling terms is largely attributable to the increase in the value of many European currencies over the year.

Loans and advances in offices in the United States

Loans and advances in the United States fell by 25% in sterling terms, principally because of the Group's strategy to discontinue business which had been identified as unlikely to be of long-term interest to the Group.

The majority of home loans represented mortgages originated by BarclaysAmerican/Mortgage for securitisation. See Recent developments.

Loans and advances in offices in the Rest of the World

The decrease in loans and advances in the year arose largely as a result of business disposals, with exchange rate movements not being a significant factor.

Highly leveraged transactions

In the normal course of its business, the Group makes, and participates in, lendings to finance acquisitions, recapitalisations and leveraged buyouts that result in a high debt to equity ratio for the borrower. To the extent that, in these circumstances, the borrower's debt to total assets ratio exceeds 75%, or the transaction at least doubles the borrower's liabilities and results in a leverage ratio higher than 50%, and the total original financing package exceeds $20m, such lendings are generally classified by US banks as highly leveraged transactions (HLTs). It is estimated that, as at 31st December 1994, the Group had total aggregate outstandings of £1.2bn to 106 borrowers which have engaged in HLTs (1993 £1.3bn to 142 borrowers). Of the 1994 figure, working capital and trade-related outstandings comprised approximately £0.4bn (1993 £0.5bn).

At 31st December 1994, the Group had further firm commitments to lend approximately £0.7bn to these borrowers (1993 £0.8bn). Of this figure, £0.6bn was in respect of working capital and trade-related facilities (1993 £0.6bn).

Allowances held against HLTs as at 31st December 1994 amounted to £35m (1993 £50m). Of the aggregate outstandings, 67% were in the United States, compared with 57% at 31st December 1993. As at 31st December 1994, there has been no significant difference in the bad debt experience between such HLTs and the rest of the lending portfolio.

The above analysis, including comparatives, does not include amounts relating to Imry Holdings Limited which is a wholly-owned, but non-consolidated, Group subsidiary. See note 50 to the accounts for further details.

Provisions and allowances for bad and doubtful debts

The term 'provisions' denotes the charge to profit and loss, while 'allowances' is used to describe the accumulated balance sheet position created by such provisions and held against the value of the loan portfolio.

Provisioning policy

Lending managers continually review the quality of loans for which they are responsible and, after an assessment of all the relevant information about each one, a decision is taken on whether a specific provision should be raised in respect of it.

It is Barclays policy to establish, through charges against profit, a sufficient specific allowance to cover the estimated loss as soon as the recovery of a lending is identified as doubtful. Barclays continues to charge interest to a doubtful customer's account for collection purposes, but the interest is suspended and excluded from interest income in the profit and loss account. In addition, general allowances are raised to cover losses which are judged to be present in the loan portfolio at the balance sheet date, but have not been specifically identified as such. This allowance is adjusted by an appropriate charge or release of general provision during the year, based upon an evaluation of past and current loss rates and an analysis of internal credit gradings allocated to borrowing customers, refined to reflect the current economic climate in the markets in which the Group operates. The aggregate provisions which are made during the year (less amounts released and recoveries of bad debts previously written off) are charged against operating profit. Impaired lendings are written off in part, or in whole, when the extent of the loss incurred has been confirmed, the decision to do so being a matter of banking judgement.

The following tables have been divided between those allowances which have been raised in the normal course of business against the perceived credit risks associated with the lending portfolio and those allowances which have been raised in respect of country risk (ie that related to a country's difficulty in servicing its external debt, as evidenced by rescheduling or arrears of payment of principal or interest).

Analysis of allowances for bad and doubtful debts

			31st December		
	1994	1993	1992	1991	1990
Credit risk allowances	**£m**	£m	£m	£m	£m
Specific:					
United Kingdom	**1,112**	1,415	1,362	1,005	620
Other European Union	**488**	411	330	199	161
United States	**258**	479	336	244	146
Rest of the World	**113**	136	122	94	84
	1,971	2,441	2,150	1,542	1,011
General	**850**	789	690	468	393
	2,821	3,230	2,840	2,010	1,404
Specific allowances for country risk	**371**	534	605	542	795
	3,192	3,764	3,445	2,552	2,199
Average loans and advances for the year (excluding securities trading business)	**104,082**	110,530	107,876	108,254	101,139
(including securities trading business)	**121,764**	123,995	113,745	114,400	–

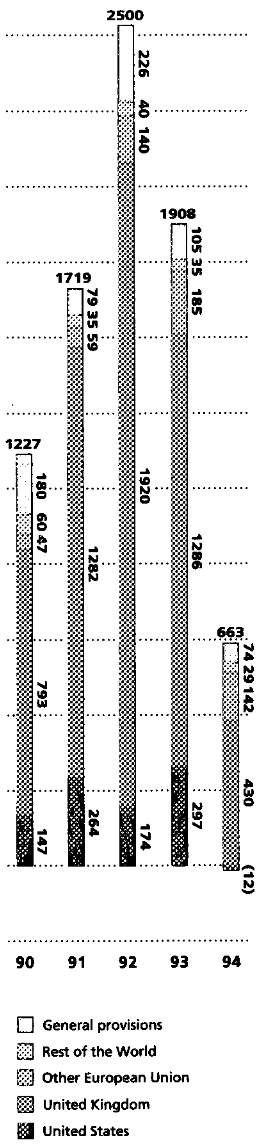
Ratios

	1994	1993	1992	1991	1990
			31st December		
	1994	1993	1992	1991	1990
Allowances at end of year as a percentage of loans and advances at end of year (excluding securities trading business):†	**%**	%	%	%	%
Specific allowance for credit risk	**1.90**	2.27	1.97	1.47	0.96
General allowance	**0.82**	0.73	0.63	0.45	0.37
	2.72	3.00	2.60	1.92	1.33
Specific allowance for country risk	**0.36**	0.50	0.55	0.52	0.76
	3.08	3.50	3.15	2.44	2.09
Allowances at end of year as a percentage of loans and advances at end of year (including securities trading business):					*
Specific allowance for credit risk	**1.70**	2.02	1.82	1.39	–
General allowance	**0.73**	0.65	0.59	0.42	–
	2.43	2.67	2.41	1.81	–
Specific allowance for country risk	**0.32**	0.44	0.51	0.49	–
	2.75	3.11	2.92	2.30	–
			Year ended 31st December		
	1994	1993	1992	1991	1990
Provisions as a percentage of average loans and advances for the year (excluding securities trading business):	**%**	%	%	%	%
Specific provisions for credit risk	**0.57**	1.63	2.11	1.51	1.03
General provisions	**0.07**	0.10	0.21	0.07	0.18
	0.64	1.73	2.32	1.58	1.21
Specific provisions for country risk	**(0.06)**	(0.04)	(0.03)	(0.20)	(0.05)
	0.58	1.69	2.29	1.38	1.16
Amounts written off (net of recoveries)	**1.08**	1.42	1.68	1.07	1.16
Provisions as a percentage of average loans and advances for the year (including securities trading business):					*
Specific provisions for credit risk	**0.48**	1.45	2.00	1.43	–
General provisions	**0.06**	0.09	0.20	0.07	–
	0.54	1.54	2.20	1.50	–
Specific provisions for country risk	**(0.05)**	(0.03)	(0.03)	(0.19)	–
	0.49	1.51	2.17	1.31	–
Amounts written off (net of recoveries)	**0.92**	1.26	1.59	1.01	–

† The ratio of the credit risk allowance for customer lendings at the end of the year as a percentage of the year-end loans and advances to customers, excluding securities trading business, was 3.50% (1993 3.76%).

* Restated comparative figures are not available. See page 42.

Credit risk provisions charge
£m



Movements in the allowances for bad and doubtful debts

	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
	Year ended 31st December				
Allowances for credit risk					
Allowances at beginning of year	**3,230**	2,840	2,010	1,404	863
Exchange and other adjustments	**(68)**	(16)	120	(26)	(78)
Amounts written off					
United Kingdom	**(821)**	(1,317)	(1,627)	(932)	(498)
Other European Union	**(87)**	(77)	(39)	(49)	(29)
United States	**(205)**	(186)	(156)	(124)	(104)
Rest of the World	**(37)**	(34)	(28)	(32)	(19)
	(1,150)	(1,614)	(1,850)	(1,137)	(650)
Recoveries	**146**	112	60	50	42
Sub total	**2,158**	1,322	340	291	177
Provisions charged against profit:					
New and increased specific provisions					
United Kingdom	**791**	1,505	2,078	1,433	874
Other European Union	**189**	225	157	80	61
United States	**97**	338	210	280	161
Rest of the World	**50**	67	62	59	70
	1,127	2,135	2,507	1,852	1,166
Releases of specific provisions					
United Kingdom	**(253)**	(148)	(111)	(112)	(52)
Other European Union	**(44)**	(35)	(16)	(20)	(12)
United States	**(79)**	(19)	(27)	(9)	(6)
Rest of the World	**(16)**	(18)	(19)	(21)	(7)
	(392)	(220)	(173)	(162)	(77)
Recoveries					
United Kingdom	**(108)**	(71)	(47)	(39)	(29)
Other European Union	**(3)**	(5)	(1)	(1)	(2)
United States	**(30)**	(22)	(9)	(7)	(8)
Rest of the World	**(5)**	(14)	(3)	(3)	(3)
	(146)	(112)	(60)	(50)	(42)
Net specific provisions	**589**	1,803	2,274	1,640	1,047
New general provisions*	**74**	105	226	79	180
Net charge to profit	**663**	1,908	2,500	1,719	1,227
Allowances at end of year	**2,821**	3,230	2,840	2,010	1,404
Allowances for country risk					
Allowances at beginning of year	**534**	605	542	795	1,480
Exchange and other adjustments	**17**	31	121	37	(65)
Amounts written off (net of recoveries)	**(119)**	(63)	(23)	(71)	(568)
Provisions charged against profit	**56**	57	31	4	7
Releases	**(106)**	(85)	(64)	(220)	(59)†
Recoveries	**(11)**	(11)	(2)	(3)	
Allowances at end of year	**371**	534	605	542	795
Total allowances for bad and doubtful debts	**3,192**	3,764	3,445	2,552	2,199

* An analysis of the movement in general provisions is shown in note 21 on page 100.

† Comparatives for 1990 cannot be calculated on the same basis as those for later years.

Review of credit risk provisions and allowances

Although gross new and increased provisions fell by 47% in 1994, they remained high at £1,127m. The largest proportion of the total charge continues to be in the United Kingdom.

A lower net charge was experienced in each of the main geographic areas of the world where the Group operates, but was most significant in the United Kingdom and in the United States. In addition to lower new and increased provisions, the net charge reflected significant amounts of provision releases and bad debt recoveries. Non-performing lendings remain high, however, especially in the property and construction sectors. The general allowance has been increased by £74m to £850m.

Overall, the net charge as a percentage of average loans and advances fell from 1.69% in 1993 to 0.58% in 1994, while the gross charge, before recoveries and releases, fell from 2.08% to 1.21%.

United Kingdom

In the UK Bank, the largest reduction in the charge was in respect of the corporate sector with the levels for property and construction, distribution and leisure, manufacturing and other services being cut by half, albeit still constituting the greatest proportion of the total.

Large corporate business in CIBS also experienced a marked improvement, with significant releases and recoveries generating a net credit to profit.

Other UK operations did not suffer any material bad debts in 1994.

Other European Union

Although provisions in continental Europe were 23% lower than in 1993, they remained high, particularly in France, where further charges were required against the corporate portfolio. In addition, one other significant provision of £65m was raised elsewhere. The general allowance has been increased for the region as a whole, reflecting continuing uncertainty over the speed and extent of economic recovery in the key sectors in which Barclays customers operate, especially in the French property market.

United States

In United States Transition, the provisions made in previous years have proved sufficient to permit the gradual disposal of the impaired loans and, in 1994, there was also an overall release of allowance.

Rest of the World

In Rest of the World, bad debts continued at the relatively low level experienced in 1993.

Credit risk provisions and allowances

	Net specific provision for the year			Specific allowances for credit risk at 31st December		
	1994	1993	1992	**1994**	1993	1992
United Kingdom:	**£m**	£m	£m	**£m**	£m	£m
Banks and other financial institutions	**(5)**	7	54	**5**	7	11
Agriculture, forestry and fishing	**11**	17	21	**16**	19	22
Manufacturing	**67**	105	103	**100**	123	99
Construction	**40**	104	171	**53**	70	79
Property	**47**	168	568	**138**	192	267
Energy and water	**–**	–	18	**2**	1	18
Wholesale and retail distribution and leisure	**121**	247	332	**129**	226	225
Transport	**(9)**	26	21	**37**	49	32
Postal and communication	**1**	1	20	**1**	1	–
Business and other services	**16**	192	194	**111**	192	159
Home loans	**34**	40	53	**82**	61	51
Other personal	**112**	323	337	**397**	404	367
Overseas residents	**(19)**	39	12	**6**	41	4
Finance lease receivables	**14**	17	16	**35**	29	28
	430	1,286	1,920	**1,112**	1,415	1,362
Foreign	**159**	517	354	**859**	1,026	788
	589	1,803	2,274	**1,971**	2,441	2,150

Analysis of amounts written off – credit risk

	Year ended 31st December				
	1994	1993	1992	1991	1990
United Kingdom:	**£m**	£m	£m	£m	£m
Banks and other financial institutions	**4**	7	36	30	58
Agriculture, forestry and fishing	**12**	20	12	10	5
Manufacturing	**83**	95	107	69	62
Construction	**76**	122	147	101	32
Property	**110**	236	381	127	27
Energy and water	**1**	21	–	–	
Wholesale and retail distribution and leisure	**203**	254	285	112	
Transport	**7**	12	29	16	123
Postal and communication	**2**	1	1	–	
Business and other services	**132**	179	181	134	
Home loans	**18**	33	39	28	175
Other personal	**146**	316	349	286	
Overseas residents	**19**	3	27	1	7
Finance lease receivables	**8**	18	33	18	9
	821	1,317	1,627	932	498
Foreign	**329**	297	223	205	152
	1,150	1,614	1,850	1,137	650

Interest in suspense

	Year ended 31st December				
	1994	1993	1992	1991	1990
Movements in interest in suspense	**£m**	£m	£m	£m	£m
At beginning of year	**161**	168	134	136	156
Net interest suspended during year	**20**	36	69	47	58
	181	204	203	183	214
Interest written off	**(41)**	(41)	(36)	(50)	(61)
Exchange adjustments	**3**	(2)	1	1	(17)
Interest in suspense at end of year	**143**	161	168	134	136

Doubtful interest is charged to the loan for collection purposes, but is suspended and excluded from interest income. In the balance sheet, loans and advances are presented net of suspended interest.

The decrease in the year primarily reflects the release of interest in suspense following the Brazilian and Polish Brady deals.

All interest in suspense at 31st December 1994 was in respect of loans and advances to customers (1993 £157m).

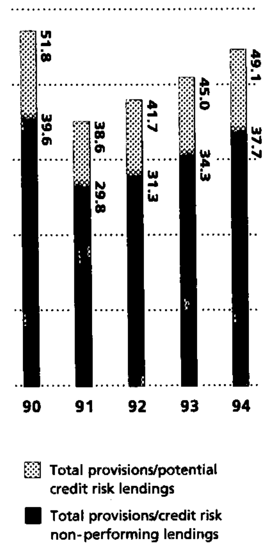
Potential credit risk lendings

The Securities and Exchange Commission (SEC) in the United States requires potential credit risk lendings to be analysed by categories which reflect US lending and accounting practices. These differ to some extent from those employed in the United Kingdom. In particular:

1 US banks may write off problem lendings more quickly than is the practice in the United Kingdom. As a result, Barclays may report a somewhat higher level of lendings than if it had followed such US practice and, similarly, a higher level of potential credit risk lendings.

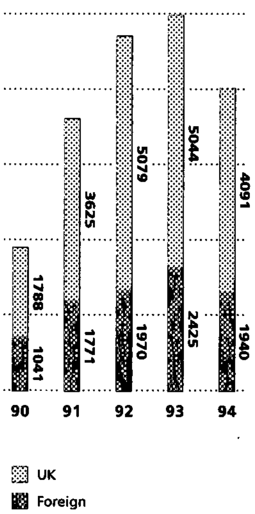
2 US banks typically stop accruing interest when loans become overdue by 90 days or more, or when recovery is doubtful. In accordance with the UK Statement on Recommended Practice on Advances, Barclays continues to charge interest to a doubtful customer's account for collection purposes, but the interest is suspended and excluded from interest income in the profit and loss account. This addition of interest continues until such time as its recovery is considered to be unlikely. While such practice does not affect net income in comparison with that followed in the United States, it again has the effect of increasing the reported level of potential credit risk lendings. The amount of this difference at 31st December 1994 was £143m (1993 £161m).

Provisions ratios
%



The following table presents the potential credit risk lendings in accordance with SEC guidelines. Additional categories of disclosure are included, however, to record lendings where interest continues to be accrued and where either interest is being suspended or specific provisions have been raised. Normal US banking practice would be to place such lendings on non-accrual status. The amounts are stated before deduction of the value of security held, the specific allowances raised against the lendings or interest suspended.

Credit risk non-performing lendings £m



Non-performing lendings

	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Non-accrual lendings:					
United Kingdom	**1,990**	2,906	3,300	2,128	943
Foreign – credit risk	**896**	1,185	1,374	1,298	705
Accruing lendings where interest is being suspended:					
United Kingdom	**327**	388	426	269	179
Foreign – credit risk	**382**	435	233	230	160
Foreign – country risk	**–**	194	402	362	342
Other accruing lendings against which provisions have been made:					
United Kingdom	**1,258**	1,200	721	737	396
Foreign – credit risk	**544**	729	269	134	71
Sub totals:					
United Kingdom	**3,575**	4,494	4,447	3,134	1,518
Foreign – credit risk	**1,822**	2,349	1,876	1,662	936
Foreign – country risk	**–**	194	402	362	342
Accruing lendings 90 days overdue, against which no provisions have been made:					
United Kingdom	**470**	497	609	430	263
Foreign – credit risk	**110**	69	63	72	18
Reduced rate lendings:					
United Kingdom	**46**	53	23	61	7
Foreign – credit risk	**8**	7	31	37	87
Total non-performing lendings:					
United Kingdom	**4,091**	5,044	5,079	3,625	1,788
Foreign – credit risk	**1,940**	2,425	1,970	1,771	1,041
Foreign – country risk	**–**	194	402	362	342
	6,031	7,663	7,451	5,758	3,171
Excluding country risk, total provision coverage of:	**%**	%	%	%	%
credit risk non-performing lendings	**49.1**	45.0	41.7	38.6	51.8
total potential credit risk lendings	**37.7**	34.3	31.3	29.8	39.6

Potential problem lendings

In addition to the data above, the following table shows lendings which are current as to payment of principal and interest, but where there exists serious doubt as to the ability of the borrower to comply with repayment terms in the near future (potential problem lendings).

	1994 £bn	1993 £bn	1992 £bn	1991 £bn	1990 £bn
United Kingdom	**1.5**	1.8	1.9	1.4	0.7
Foreign	**0.3**	0.5	0.4	0.2	0.2
	1.8	2.3	2.3	1.6	0.9

Potential problem lendings declined by some £0.5bn, with the majority of the reductions arising in the United Kingdom.

Potential credit risk lendings

The overall level of credit risk non-performing lendings decreased by a net £1.4bn or 19% in 1994, mainly because of write-offs in the year of £1.2bn, compared to an increase in 1993 over 1992 of £0.4bn or 6%.

United Kingdom	1994 £m	1993 £m	Movement £m
Credit risk non-performing lendings	**4,091**	5,044	(953)

The majority of the decrease in 1994 was accounted for by write-offs of £821m.

After adjusting for the effect of write-offs in the year, there remained a marginal decrease in total credit risk non-performing lendings in 1994 compared to an increase for 1993.

Most of the UK non-performing lendings over £1m continue to be in respect of borrowers in the property, construction, distribution and leisure sectors, although the amounts in these categories have fallen over the year by £575m. Of this decrease, £227m related to the distribution and leisure sectors.

During 1994, the Bank issued £150m of property index certificates which mature mainly at the end of 1995 and 1996 and which are regarded as a partial hedge in the event of future deterioration of property-related non-performing lendings.

Foreign	1994 £m	1993 £m	Movement £m
Credit risk non-performing lendings	**1,940**	2,425	(485)
Country risk non-performing lendings	**–**	194	(194)

The 20% decline in credit risk non-performing lendings is mainly accounted for by write-offs, which totalled £329m. There were decreases of £491m in the United States as a result of repayments, write-offs and asset sales and £59m in the Rest of the World, mainly because of the sale of the retail banking business in Australia. Offsetting these reductions, there was a small increase in the other European Union of £65m, arising mainly in France which continues to account for approximately half of the total European non-performing lendings.

Country risk

At 31st December 1994, the Group's exposure to borrowers in countries experiencing liquidity problems was £789m. This total, against which allowances of £365m are carried, excludes the majority of short-term debts and trade debts not affected by restrictions on payment. In accordance with US reporting practice, such exposures are not reported within potential credit risk lendings unless there are other factors which give rise to doubts about their collectability and at 31st December 1994, following Brady restructurings, there are no amounts reported in the above table for countries experiencing liquidity problems. In immediately prior periods, exposures have been included for Poland (1993 £97m, 1992 £93m) and for Brazil (1993 £84m, 1992 £110m).

Interest foregone

The following table shows the interest foregone in relation to non-performing lendings (excluding accruing lendings 90 days overdue).

	1994 £m	1993 £m	1992 £m
Interest income that would have been recognised under original contractual terms	**421**	583	562
Interest income included in net profit	**(70)**	(116)	(105)
Interest foregone	**351**	467	457

Property

It is not the normal practice in the United Kingdom for banks to take property onto their books in settlement of problem loans and, therefore, such property is not classified, as is the US practice, as 'other real estate owned'. Where formal insolvency proceedings are necessary, the property pledged to the Bank is sold by the receiver, administrator or liquidator, with the proceeds received by the Bank. Loans subject to insolvency proceedings are included within non-performing lendings to the extent that they are not written off. This treatment is also followed in the United Kingdom for borrowings which would be classified as 'in-substance foreclosure' under US reporting procedures.

At 31st December 1994, the value of lendings in the United Kingdom in excess of £5m where a receiver, administrator or liquidator had been appointed was approximately £100m (1993 £300m), against which allowances of approximately £30m (1993 £80m) are held. The valuation of these lendings is based on assessments by the independent insolvency practitioners concerned of the recovery likely to be achieved.

In the United States, at 31st December 1994, other real estate owned and borrowings which would be classified as in-substance foreclosure amounted to approximately £180m (1993 £280m) and are recorded at the lower of cost or market value.

Country risk exposure and related allowances

		Developing countries		Developed countries	
		1994 £m	1993 £m	1994 £m	1993 £m
Country risk exposure	(a, b)	**449**	657	**340**	592
Country risk allowances including suspended interest	(c, d)	**(229)**	(324)	**(136)**	(234)
Country risk exposure, net of allowances		**220**	333	**204**	358
Allowances as a percentage of exposure		**51%**	49%	**40%**	40%
Net exposure as a percentage of total assets		**0.1%**	0.2%	**0.1%**	0.2%
Net exposure as a percentage of Ordinary shareholders' funds – Barclays PLC		**3.6%**	6.4%	**3.3%**	6.9%

Notes

(a) Excluding £1,245m (1993 £1,118m) of trade debts that are current and not affected by restrictions on payment.

(b) Country risk exposure includes £10m (1993 £11m) acquired through exchanges of debts of different countries. The cost of these debts is £8m (1993 £9m).

(c) There was no suspended interest at 31st December 1994 (1993 £31m).

(d) In addition, an allowance of £6m (1993 £7m) is held in respect of the Group's share of similar lendings by other companies in which the Group has an interest.

Country risk exposure

At 31st December 1994, Barclays total exposure to countries classified as provisionable for transfer risks amounted to £2,034m (1993 £2,367m). This amount represents 1.3% of the Group's total assets. The largest exposures within this category were to Argentina £193m (1993 £153m), Brazil £339m (1993 £235m), Mexico £442m (1993 £471m), South Africa £389m (1993 £592m) and Venezuela £125m (1993 £253m).

A substantial portion (61%) of the overall exposure is comprised of voluntary short-term lendings largely for the finance of trade. These facilities are being serviced normally.

Total locked-in country risk exposure decreased by £460m in 1994 of which £208m and £252m related to developing and developed countries, respectively. The decrease was attributable in the main to reductions achieved through asset sales of £244m and repayments of £54m.

The largest locked-in exposures to developing countries, before taking account of allowances, were to Argentina £111m (1993 £122m), Brazil £69m (1993 £84m), Mexico £139m (1993 £144m), Poland £68m (1993 £97m) and Venezuela £86m (1993 £200m). Included within developed countries is locked-in exposure to South Africa of £204m (1993 £419m), which continued to make repayments in line with existing arrangements.

Total allowances against locked-in exposure stood at £365m at the end of 1994 (1993 £558m), representing 46% of the total at risk. This level of allowance compares favourably with the notional value of the portfolio measured by secondary market prices which at 31st December 1994 was estimated at 64% of face value. Of the total locked-in exposure, £284m ($444m, 36%) is collateralised by US Treasury zero coupon bonds issued as part of Brady restructurings. This security is designed to offset fully the principal due on maturity. The estimated current value of this collateral was £37m ($58m) at the end of 1994.

During the year, Barclays participated in Brady restructurings for Brazil and Poland. The Bank received bonds in exchange for principal and overdue interest for $93m in respect of Brazil and $107m for Poland.

Country risk allowances and interest in suspense

There was a further reduction of country risk allowance and suspended interest in 1994 of £193m, mainly as a result of asset sales and recoveries and a release of interest in suspense, following the Brazilian and Polish Brady deals.

Cross-border outstandings

The world-wide operations of the Barclays Group involve significant exposures in non-local currencies. These cross-border outstandings are controlled through a well-developed system of country limits, which are frequently reviewed to avoid concentrations of transfer, economic or political risks.

Cross-border outstandings, which exclude finance provided within the Group, are based on the country of domicile of the borrower or guarantor of ultimate risk and comprise loans and advances to customers and banks (including placings), finance lease receivables, interest bearing investments, acceptances and other monetary assets, denominated in currencies other than the borrower's local currency. At 31st December 1994, cross border outstandings and total assets included on-balance sheet amounts arising from off-balance sheet financial instruments. Comparative figures have not been restated.

At 31st December 1994, the countries where Barclays cross-border outstandings exceeded 1% of assets were Japan, France, the United States and Switzerland and consisted substantially of placings with banks due within one year. In this context, assets comprise total assets, as presented in the consolidated balance sheet, excluding long-term assurance fund assets, but including acceptances. On this basis, total assets amounted to £160,396m at 31st December 1994 (1993 £158,285m, 1992 £151,685m). Comparison between 1993 and 1992 is affected by the 13% appreciation of the yen against sterling.

Cross-border outstandings exceeding 1% of assets

	As % of assets	Total	Banks and other financial institutions	Governments and official institutions	Commercial industrial and other private sector
At 31st December 1994	%	£m	£m	£m	£m
Japan	**2.6**	**4,237**	**3,979**	**57**	**201**
France	**1.7**	**2,776**	**2,575**	**41**	**160**
United States	**1.1**	**1,705**	**1,091**	**–**	**614**
Switzerland	**1.1**	**1,685**	**1,444**	**103**	**138**
At 31st December 1993					
Japan	2.8	4,451	4,222	75	154
France	1.6	2,548	2,209	109	230
At 31st December 1992					
Japan	2.0	3,046	2,856	9	181
France	1.3	1,981	1,827	7	147

Cross-border outstandings between 0.75% and 1% of assets

At 31st December 1994, the Netherlands and Italy had cross-border outstandings of between 0.75% and 1% of total Group assets, with aggregate outstandings of £2,650m. At 31st December 1993, the aggregate outstandings in this category were £1,199m and related to Switzerland. At 31st December 1992, the corresponding aggregate outstandings were £2,410m and related to Italy and Sweden.

Trading activities

Most of the Group's trading activities are customer oriented. In anticipation of future customer demand, the Group maintains access to market liquidity by quoting bid and offer prices with other market makers and carries an inventory of capital market instruments including a variety of derivative and non-derivative (or 'cash') financial instruments. Positions are also taken in the interest rate, foreign exchange, debt, equity and commodity markets based on expectations of future market conditions. These activities constitute the proprietary trading business of the Group. Given the relationships between instruments and markets, trading strategies depend on both market-making and proprietary positions and are managed in concert in order to maximise trading related revenue. Trading positions and any offsetting hedges are established as appropriate to accommodate customer or Group requirements. For a description of the nature of derivative instruments used see page 62.

Dealing profits*

Income arises from the margins which are achieved through trading with customers and also from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. Derivatives used in trading are valued on a mark-to-market basis. The resulting income is included in dealing profits and are given below by major category.

	1994 £m	1993 £m	1992 £m
Interest rate related	**170**	307	175
Foreign exchange income	**89**	136	109
Equities and other	**125**	214	81
Total	**384**	657	365

* This is a prescribed heading under Schedule 9 to the Companies Act 1985, in which 'profit' does not conform to the more usual definition followed elsewhere in this document. The disclosure reflects dealing trading income, not including net interest income, before charging associated staff and other administrative expenses.

Risk

All instruments are subject to a variety of risks, including market risk. Market risk arises mainly from uncertainty about future prices of financial instruments and other instruments used in the Group's business.

Market risk is ultimately controlled by the Risk Management Committee of BZW, chaired by its Chief Executive, subject to overall product group limits established by the Group Treasurer. The limits are subject to the constraints determined by the Group Risk Policy Committee. BZW businesses which are allocated market risk limits are subject to daily monitoring, by their senior management and by a dedicated market risk management function in BZW, and are required to confirm their adherence to these limits at all times and to report daily to Group Treasury. There also is a regular report to the Group Risk Policy Committee on the use of these limits. Other Group businesses which are allocated market risk limits are subject to monitoring by their senior management and also report directly to Group Treasury.

The Group has established defined policies and standards throughout various levels of the organisation which are monitored regularly and updated as necessary in order to manage effectively market risk.

One of the key techniques for managing market risk is the estimation of possible losses that could arise as a result of adverse changes in market conditions. The Group has been implementing a 'Value at Risk' concept in the trading and asset and liability management activities to estimate the possible losses over an agreed time period, using a specified confidence level, based upon a number of assumptions. With the exception of equities, where the system has been in pilot test since the middle of 1994, all major product groups use a consistent value at risk measure for all products except options, for which risk is expressed using traditional sensitivity measures.

Value at Risk measures currently utilised by the Group calculate the market risk in each product group separately and measure them against the limits set by Group Treasury. The risk calculation at product group level includes a conservative estimate of the diversification benefit related to interest rate risk across currencies, but no consideration is taken of diversification of foreign exchange and other risk. For Group reporting purposes, each of the product groups' risk estimates are added together, without consideration for the effect of diversification.

Further developments are taking place to revise the Value at Risk methodology in order to take into account the benefits of diversification across all risk and product groups on a consistent basis. These changes are currently planned for completion during 1995. Value at Risk measures are only one tool used by the Group in managing market risk. In addition to senior management involvement, secondary techniques used by the Group to manage market risk include, but are not limited to, the establishment of limits on the sizes of positions, limits on the concentrations of instruments and stress testing within certain product groups.

During the year, the Group decreased its overall market risk profile to reduce the possibility of an adverse effect on profit from market movements during a period of difficult market conditions.

Trading instruments also create credit risk on the counterparty dealt with and these risks are controlled using a replacement cost technique.

Activities within the trading and treasury asset and liability management functions are also subject to credit and operational risk as discussed on page 36.

Derivatives

As discussed above, the use of derivatives is an integral part of the Group's trading activities. These instruments are also used, to a limited extent, to manage the Group's own exposure to fluctuations in interest and exchange rates in conjunction with its asset and liability management activities.

Derivative instruments are contracts or agreements whose value is derived from one or more underlying financial instruments or indices inherent in the contract or agreement. They include swaps, forward rate agreements, futures, options and combinations thereof and primarily affect the Group's net interest income, dealing profits, commissions received and other assets and liabilities.

The maturity analysis of the contracts or underlying principal amounts of over the counter (OTC) traded derivatives held for trading purposes as at 31st December 1994 is set out below.

	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than five years £m	Over five years £m	Total £m
Foreign exchange derivatives							
Forward foreign exchange	129,423	44,253	27,131	3,912	2,213	324	207,256
Currency swaps	774	1,160	1,400	5,147	12,732	4,939	26,152
OTC options bought	8,085	3,116	2,292	477	91	–	14,061
OTC options sold	8,419	3,314	2,079	563	76	–	14,451
SAFEs and other foreign exchange	63	1,722	2,110	573	–	–	4,468
Total	146,764	53,565	35,012	10,672	15,112	5,263	266,388
Interest rate derivatives							
Swaps	33,118	20,395	37,260	55,415	106,084	52,908	305,180
Forward rate agreements	16,712	37,280	32,458	24,960	396	–	111,806
OTC options bought	5,029	2,394	4,657	6,632	9,340	2,775	30,827
OTC options sold	6,740	3,220	7,510	6,750	9,969	2,982	37,171
Other interest rate contracts	296	–	–	–	6	27	329
Total	61,895	63,289	81,885	93,757	125,795	58,692	485,313
Equity and stock index derivatives							
OTC options bought	1,070	696	1,197	306	518	–	3,787
OTC options sold	1,119	649	1,247	902	414	–	4,331
Equity swaps and forwards	47	162	106	–	60	–	375
Total	2,236	1,507	2,550	1,208	992	–	8,493
Commodity derivatives							
OTC options bought	174	125	230	104	5	–	638
OTC options sold	228	193	263	114	5	–	803
Commodity swaps and forwards	308	731	1,369	388	236	119	3,151
Total	710	1,049	1,862	606	246	119	4,592

For a definition of the nature of derivative instruments see page 62.

Treasury asset and liability management

Treasury asset and liability management involves liquidity management and structural interest and exchange rate risk management through the use of both on- and off-balance sheet instruments. The policies for Group asset and liability management are set by the Treasury Committee, which is chaired by the Chief Executive. On a regular basis, Group Treasury reports to the Treasury Committee on the structural interest mismatch position of the Group and the maturity transformation of the Group's assets and liabilities. These are monitored within defined limits and corrective action is then taken where necessary.

Structural interest rate and exchange rate exposure

Barclays policy is to manage the volatility due to the effects of movements in interest rates and exchange rates on the structural positions inherent in the Group balance sheet.

The interest rate risk attached to the positions of the UK retail operations is assessed by UK Banking Services Treasury and monitored in Group Treasury. Particular attention is paid to the sterling element of the Group balance sheet, which accounted for just under 60% of the Group's assets and liabilities at 31st December 1994. There are substantial liabilities represented by interest free deposits as well as other interest free or fixed rate liabilities, including parts of the Group's loan capital and equity. The structural position arising from these balances is managed by the maintenance of a portfolio of assets with interest rates fixed for several years, including loans and advances to customers, debt securities and interest rate swaps and options. Similarly, mismatches of fixed rate assets and liabilities are managed through the use of interest rate swaps and other derivatives. Care is taken to ensure that hedging is not inflexible, as market circumstances and customer requirements can rapidly change the desirable portfolio structure.

Interest rate risk is measured by the use of techniques such as the construction of mismatch ladders, in which assets and liabilities in each currency are classified into maturity bands according to their next repricing date. The aggregate risk is converted into a value at risk figure and is managed by Group Treasury in accordance with guidelines and limits set by Treasury Committee. Other complementary techniques, such as simulation and duration analysis, are also used as a supplement to these approaches to assist in the quantification of risk.

Management of the funding of investments in overseas branches, subsidiaries and associated undertakings is located in Group Treasury, where the operation of the funding policy is regularly reviewed. Where appropriate, foreign currency investments are matched by borrowings in the same currency.

Interest rate sensitivity gap

The following table summarises the repricing profile of the Group's assets, liabilities and off-balance sheet exposures at 31st December 1994.

Interest rate sensitivity	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than five years	Over five years	Non interest bearing	Total
Assets:	£m	£m	£m	£m	£m	£m	£m
Treasury bills and other eligible bills	5,407	1,144	275	19	–	–	6,845
Loans and advances to banks	23,948	2,578	1,975	150	271	–	28,922
Loans and advances to customers	60,824	6,039	2,951	10,821	3,139	–	83,774
Debt securities and equity shares	14,124	539	607	1,569	762	2,533	20,134
Other assets	648	3	–	–	–	19,037	19,688
Total assets	104,951	10,303	5,808	12,559	4,172	21,570	159,363
Liabilities:							
Deposits by banks	23,105	2,216	1,143	330	141	72	27,007
Customer accounts	70,339	3,511	1,474	1,060	342	12,584	89,310
Debt securities in issue	4,664	1,626	691	1,012	855	–	8,848
Other liabilities	6,765	–	–	–	–	17,281	24,046
Loan capital and other subordinated liabilities	1,343	523	–	709	1,087	–	3,662
Minority interests and shareholders' funds	–	–	–	–	–	6,490	6,490
Total liabilities	106,216	7,876	3,308	3,111	2,425	36,427	159,363
Off-balance sheet items	(909)	(2,453)	(683)	3,499	546	–	–
Interest rate repricing gap	(2,174)	(26)	1,817	12,947	2,293	(14,857)	–

Total assets and liabilities exclude long-term assurance fund assets and liabilities attributable to policyholders. These are not relevant in considering the interest rate risk management of the Group. The 'Not more than three months' period includes certain short-term trading positions.

The table shows the hedging of the endowment effect, the net non-interest bearing balances, with fixed rate assets and off-balance sheet instruments. For a discussion of the management of structural exposures see page 58.

Hedging

The following table sets forth examples of certain activities undertaken by the Group, the related market risks associated with such activities and provides details of the types of derivatives that may be used in managing such risks.

Activity	Risk	Type of hedge
Hedging the sterling equivalent of weighted risk assets in foreign currencies.	Reduced risk asset ratio due to strengthening of foreign currencies against sterling.	Foreign currency transactions.
Fixed-rate mortgage lending.	Sensitivity to increase in interest rates.	Pay fixed interest rate swaps. Purchase interest rate caps.
Fixed-rate funding (eg medium-term note issuance).	Sensitivity to falls in interest rates.	Receive fixed interest rate swaps.
Fixed-rate asset investments.	Sensitivity to increase in interest rates.	Pay fixed interest rate swaps.
Firm foreign currency commitments (eg asset purchases and sales).	Sensitivity to changes in exchange rates between arranging a transaction and completion.	Foreign currency transactions.

Risk management activities employ interest rate swaps and other derivatives that are designated and effective as hedges.

The transactions resulting from the above activities are managed centrally by Group Treasury, and the net exposure is hedged with transactions to the market via independently managed Barclays dealing units, who treat these transactions as part of their normal trading activities, and third parties. Derivatives disclosure that follows relates both to internal and external counterparties.

These positions form part of an overall structural asset and liability management programme, which also includes on-balance sheet positions (see page 58 - Structural interest rate and exchange rate exposure).

The following tables relate only to the derivative components of this hedging programme which have been transferred to the market.

The reported figures do not take account of underlying balance sheet items being hedged, the net interest income thereon, or their mark-to-market values.

For interest rate swaps and cross currency interest rate swaps that are used in the management of the structural exposures the weighted average pay fixed rates and receive fixed rates by maturity date and nominal amount at 31st December 1994 were as follows:

	Pay fixed		Receive fixed	
Maturity date:	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %
Not more than three months	4,692	5.53	1,520	5.60
Over three months but not more than six months	2,503	5.67	1,116	6.25
Over six months but not more than one year	1,197	5.17	1,379	7.41
Over one year but not more than five years	4,981	7.61	7,974	8.03
Over five years	1,349	8.92	2,403	7.24
	14,722	6.54	14,392	7.44

The weighted average receive variable and pay variable rates by reset maturity date and nominal amount at 31st December 1994 were as follows.

	Receive variable		Pay variable	
Reset maturity date:	Nominal amount £m	Average rate %	Nominal amount £m	Average rate %
Not more than three months	13,840	4.85	10,076	4.60
Over three months but not more than six months	1,858	6.15	5,292	6.29
	15,698	5.00	15,368	5.18

The difference between the nominal asset and liability amounts is £976m in respect of pay and receive variable basis swaps.

The following table summarises the nominal values, fair values and book values of derivatives held for the purpose of managing the structural exposures as at 31st December 1994.

	Nominal value £m	Positive fair value £m	Negative fair value £m	Positive book value £m	Negative book value £m
Foreign exchange derivatives					
Forward foreign exchange	354	–	–	–	–
Currency swaps	809	11	12	19	3
OTC options bought	100	–	–	–	–
OTC derivatives	1,263	11	12	19	3
Exchange traded futures – bought	30	–	–	–	2
Total	1,293	11	12	19	5
Interest rate derivatives					
Swaps	29,310	200	474	213	207
Forward rate agreements	5,822	7	22	–	–
OTC options bought	720	18	–	–	–
OTC derivatives	35,852	225	496	213	207
Exchange traded futures – bought	1,797	2	–	–	–
Exchange traded futures – sold	1,483	–	–	–	–
Total	39,132	227	496	213	207

The table above includes only those derivative components of the Group's hedging programme which have been transferred to the market.

The nominal amounts of risk management OTC foreign exchange derivatives by currency and final maturity are as follows.

	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year £m	Total £m
£/US Dollar	136	–	–	201	337
US Dollar/Japanese Yen	–	–	–	349	349
Deutsche Mark/Japanese Yen	–	–	–	161	161
Other	78	30	14	294	416
	214	30	14	1,005	1,263

The structural management of the Group balance sheet comprises both on-balance sheet and derivative positions. The effect of the derivative positions, in isolation, on net interest income resulted in a credit of £21m in 1994. This included credits of £11m and £10m, for interest rate and exchange rate derivatives respectively.

Deferred profits and losses on hedging activities

Where derivatives are used to manage risk on transactions, any profits or losses arising on early termination of contracts, that modify the characteristics of designated assets and liabilities, are deferred and amortised into interest income or expense over the period being hedged.

The table below summarises the profits and losses unamortised, all of which are in respect of interest rate derivatives, at 31st December 1994:

	Under 1 year £m	1 to 5 years £m	Over 5 years £m	Total £m
Deferred profits being amortised	**10**	**1**	**–**	**11**
Deferred losses being amortised	**1**	**1**	**–**	**2**

Nature of derivative instruments

The Group participates both in exchange traded and OTC derivatives markets.

Exchange traded derivatives The Group buys and sells exchange traded financial instruments, primarily financial futures and options on financial futures. A financial future is an agreement to buy a standard unit of a financial instrument on a future date at a specified price or rate. The future is usually closed out prior to expiry by payment of the difference between the contract and the close-out price/rate. Some futures contracts provide for the delivery of physical financial assets in the case of settlement on expiry. An option on a financial future provides the holder with the right, but not the obligation, either to purchase or sell a specified number of futures contracts at a specified price on or before a specified date. Holders of exchange traded instruments provide margin daily with cash or other security at the exchange to which the holders look for ultimate settlement.

OTC traded derivatives The Group buys and sells financial instruments that are traded 'over-the-counter'. This encompasses all instruments that are not traded on a recognised exchange. In general, the terms and conditions of these transactions are tailored to the Group's customers' requirements, although the majority conform to normal market practice. In many cases industry standard documentation is used, often in the form of a master agreement with individual transaction confirmations.

A detailed description of types of exchange traded and OTC traded derivatives is set out below.

Foreign exchange derivatives The Group's principal exchange rate related contracts are forward foreign exchange contracts, currency swaps, OTC currency options and synthetic agreements for foreign exchange (SAFEs).

Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency usually on a specified future date at an agreed rate.

A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a future date. As compensation for assuming the exchange rate risk, the option writer generally receives a premium at the start of the option period.

A SAFE reflects all or most of the features of a forward foreign exchange contract except that it is settled net.

Interest rate derivatives The Group's principal interest rate related contracts are interest rate swaps, forward rate agreements and interest rate options including caps, floors and collars.

An interest rate swap is an agreement between two parties to exchange fixed and floating interest by means of periodic payments based upon notional principal amounts and the interest rates defined in the contract. Certain agreements are combined interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts.

A basis swap is a form of interest rate swap in which both parties exchange interest payments based on floating rates, where the floating rates are different in the underlying reference rate.

In a forward rate agreement, two parties agree a future settlement of the difference between an agreed and a future interest rate applied to a notional principal amount. The settlement, which generally occurs at the start of the contract period, is the discounted present value of the payment that would otherwise be made at the end of that period.

Interest rate options are contracts in return for a premium payment that provide the buyer with the right, but not the obligation, either to purchase or sell a financial instrument at a specified price or interest rate on or before a specified date.

A swap option is a form of interest rate option where the buyer acquires the right to enter into an interest rate swap as either the payer or receiver of the fixed rate.

A bond option is a form of interest rate option where the buyer acquires the right, but not the obligation, either to purchase or sell a specified nominal amount of a specific bond at a specified strike price. Certain bond options can be settled by physical delivery of a bond in exchange for the strike price whereas other bond options are settled by a cash payment reflecting the difference between the market price of the bond and the strike price.

Caps and floors (which are a type of interest rate option) obligate the seller to compensate the buyer for changes in interest rates respectively above or below the cap or floor reference rate, applied to a notional principal, while a collar is a combination of a cap and a floor.

Equity derivatives The Group's principal equity-related contracts are equity and stock index swaps and options (including warrants, which are options listed on an exchange).

An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying based on a fixed price and the other side paying based on the actual future price of the stock or stock index. No principal amounts are exchanged.

An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

Commodity derivatives The Group's principal commodity related contracts are swaps, forward rate agreements and options on commodities such as oil price indices, precious and base metals price indices.

A commodity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying based on a fixed price and the other side paying based on the actual future price of the commodity. No principal amounts are exchanged.

A commodity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified amount of a commodity at a specified price on or before a specified date.

Liquidity

The management of liquidity in Barclays is primarily directed towards ensuring that local funding requirements can be met, for example to replace existing funds as they mature or are withdrawn or to satisfy the demands of customers for additional borrowings.

The distribution of sources and maturities of deposits is managed actively in order to ensure access to funds and to avoid a concentration of funding needs at any one time or from any one source. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on reputation, the strength of earnings and the Group's financial position.

A substantial portion of Barclays assets in the United Kingdom, and in certain other retail banking areas, is funded with 'core deposits'. These important sources of liquidity are mainly current accounts and savings deposits. Although current accounts are repayable on demand and savings accounts are repayable at short notice, the spread by number and type of depositor helps to ensure against unexpected fluctuations and such accounts form a stable deposit base for the Group's operations and liquidity needs.

Liquidity management also involves control over asset maturities and the volume and quality of holdings of cash and short-term funds. In addition, in evaluating its liquidity position, management has regard to undrawn loan commitments, the usage of overdraft facilities and the possible impact of certain outstanding contingent liabilities, such as standby letters of credit and guarantees.

The responsibility for liquidity rests with local management at each location, subject to overall control by and regular reporting to Group Treasury. Depending on the size and complexity of the treasury operation, the strategic control of liquidity and balance sheet management is delegated to a local asset and liability committee comprised of senior managers.

Reporting takes the form of a cash flow measurement of liquidity based on principles agreed by the Bank of England. Each operation is required to maintain sufficient access to liquid funds, in terms of maturing assets and proven capacity to borrow in the money markets, to ensure that maturing liabilities can be repaid and commitments to lend honoured. Special attention is paid to projections of cash flow for the next day, the next week and the next month and a sufficient reserve of marketable assets is maintained to protect against unforeseen cash flow volatility. The positions are scrutinised daily to prevent future problems, with particular emphasis being placed on the need to monitor unmatched medium-term loans and commitments.

Results by nature of income/expense

	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Interest receivable	**9,979**	11,085	12,968	14,552	15,822
Interest payable	**6,293**	7,210	9,288	10,978	12,399
Profit/(loss) on redemption of loan capital	**(60)**	22	–	–	–
Net interest income	**3,626**	3,897	3,680	3,574	3,423
Fees and commissions receivable	**2,910**	2,744	2,538	2,237	1,863
Less: fees and commissions payable	**(211)**	(223)	(171)	(168)	(132)
Dealing profits	**384**	657	365	346	224
Other operating income	**186**	302	273	273	262
Operating income	**6,895**	7,377	6,685	6,262	5,640
Administrative expenses – staff costs	**2,680**	2,728	2,472	2,379	2,132
Administrative expenses – other	**1,655**	1,772	1,616	1,663	1,428
Depreciation and amortisation	**237**	314	253	233	210
Operating expenses	**4,572**	4,814	4,341	4,275	3,770
Operating profit before provisions	**2,323**	2,563	2,344	1,987	1,870
Provisions for bad and doubtful debts	**602**	1,869	2,465	1,500	1,175
Provisions for contingent liabilities and commitments	**–**	49	8	4	–
Provisions	**602**	1,918	2,473	1,504	1,175
Operating profit/(loss)	**1,721**	645	(129)	483	695
Profit/(loss) on disposal of Group undertakings	**107**	–	(82)	–	174
Write-down of surplus properties	**(4)**	(8)	(60)	–	–
Income from associated undertakings	**35**	24	27	47	29
Profit/(loss) on ordinary activities before tax	**1,859**	661	(244)	530	898
Tax on profit/(loss) on ordinary activities	**608**	282	43	237	332
Profit/(loss) on ordinary activities after tax	**1,251**	379	(287)	293	566
Profit attributable to minority interests	**(72)**	(69)	(58)	(54)	(37)
Profit/(loss) for the financial year attributable to the members of Barclays PLC	**1,179**	310	(345)	239	529
Dividends	**(343)**	(246)	(243)	(338)	(335)
Profit/(loss) retained for the financial year	**836**	64	(588)	(99)	194
Earnings/(loss) per Ordinary Share	**72.4p**	19.2p	(21.5)p	15.0p	33.5p
Dividends per Ordinary Share	**21.0p**	15.2p	15.2p	21.2p	21.2p
Dividend cover (times)	**3.4**	1.3	–	0.7	1.6
Average US dollar exchange rate used in preparing the above	**1.53**	1.50	1.77	1.76	1.78

Consolidated balance sheet

Assets	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Loans and advances to banks and customers*	**112,696**	117,078	114,579	108,066	108,302
Other assets	**44,497**	43,794	40,940	32,439	28,240
	157,193	160,872	155,519	140,505	136,542
Infrastructure	**2,170**	2,287	2,443	2,519	2,741
	159,363	163,159	157,962	143,024	139,283
Long-term assurance fund assets attributable to policyholders	**3,040**	2,892	1,940	1,468	1,143
Total assets	**162,403**	166,051	159,902	144,492	140,426
Liabilities					
Deposits by banks, customer accounts and debt securities in issue	**125,165**	133,288	126,393	118,965	115,369
Other liabilities	**24,046**	19,672	21,772	14,461	14,587
	149,211	152,960	148,165	133,426	129,956
Capital resources					
Undated loan capital	**1,979**	2,053	1,390	1,164	1,133
Dated loan capital	**1,562**	2,130	2,375	1,982	1,467
Other subordinated liabilities	**121**	131	170	225	220
Minority interests	**329**	677	683	565	475
Shareholders' funds	**6,161**	5,208	5,179	5,662	6,032
	10,152	10,199	9,797	9,598	9,327
	159,363	163,159	157,962	143,024	139,283
Long-term assurance fund liabilities to policyholders	**3,040**	2,892	1,940	1,468	1,143
Total liabilities and shareholders' funds	**162,403**	166,051	159,902	144,492	140,426
Tier 1 ratio	**7.0%**	5.9%	5.4%	5.8%	5.7%
Risk asset ratio	**10.4%**	9.7%	9.0%	8.6%	8.2%
Year-end US dollar exchange rates used in preparing the above	**1.56**	1.48	1.51	1.87	1.93

Note

The financial information on pages 66 and 67 is extracted from the published accounts for the last five years, restated where appropriate to accord with the current accounting policies of the Group.

* Excludes loans subject to non-recourse finance arrangements for 1994 and 1993. Comparatives for 1990 – 1992 are not available.

Monetary and fiscal policies

The earnings of Barclays are affected by general domestic and overseas economic conditions and, in the United Kingdom, by the monetary and fiscal policies of the British government and regulatory authorities. The Bank of England, the government-owned central bank, influences conditions in the money and credit markets, which affect interest rates, the growth in lendings, the distribution of lending between various industry sectors and the growth of deposits. In this connection, banks in the United Kingdom are required to maintain, in non-interest bearing accounts at the Bank of England, a non-operational cash balance of 0.35% of eligible liabilities, which are sterling deposits less amounts on loan to other approved monetary institutions.

Monetary and fiscal policies have had a significant effect on the operations and profitability of UK banks in the past and are expected to do so in the future. Similarly, the monetary and fiscal policies of governments in other countries where Barclays operates affect the operations and profitability of the Group in those countries. The effect such policies may have on future lending volumes and earnings cannot be accurately predicted.

Exchange Rate Mechanism and European Monetary Union

Following turmoil in the currency markets in the summer of 1992, the United Kingdom withdrew from the Exchange Rate Mechanism (ERM) in September 1992; Italy also withdrew and some other members devalued their currencies within the ERM. In August 1993, following further turmoils within the ERM, the agreed bands within which exchange rates between member currencies can fluctuate were widened to +/- 15% (ie a 30% band).

The UK government has stated that sterling will only re-enter the ERM when economic conditions are right.

Over the longer term, the proposed establishment of a European Monetary Union (EMU), under the provisions of the treaty signed at Maastricht in 1992, is intended to replace the ERM; it involves the creation of a single currency, managed by a single European Central Bank. The treaty came into force on 1st November 1993; Stage II of the Treaty commenced on 1st January 1994, the principal feature of which was the creation of the European Monetary Institute, charged with responsibility for the technical preparations for the final stage of EMU (especially the instruments, procedures and rules needed for the Single Monetary Policy), strengthening co-operation and co-ordination among the monetary authorities of member states, monitoring the functioning of the European Monetary System and facilitating the use of the European Currency Unit (ECU), including the smooth functioning of the ECU clearing system; it may also provide advice on monetary policy.

The final stage of EMU is intended to be established in 1997 if a majority of countries meet the stringent economic convergence criteria (relating to inflation, interest rates, exchange rate stability and public sector debts) by that time; otherwise, it may start by 1st January 1999 among whichever countries meet the criteria. It will start with locked exchange rates and a single currency, the ECU, will be introduced subsequently which would replace national currencies.

The establishment of the EMU will have significant effects on foreign exchange and bond markets and would entail major changes in operations and systems internal to banks and in inter-bank payments systems.

It is possible that it would also require the development of a common approach towards banking supervision among the member countries. It is not possible at the present time to say when or whether the United Kingdom would join such a Union.

Supervision and regulation

United Kingdom

In common with their counterparts in the United States and Japan, banks in the United Kingdom are supervised on a functional, rather than an institutional, basis, but do not face the statutory impediments to transacting securities business inherent in the US and Japanese regulatory systems. Thus a bank may directly undertake a wider range of business in the United Kingdom than in the United States or Japan, but, as a result, will find it necessary to meet the requirements of a number of regulators.

Banking business in the United Kingdom has been supervised by the Bank of England for many years, under the authority of various statutes (the banking acts). The most important of these is the Banking Act 1987, which strengthened supervision in a number of areas.

The main provisions of the banking acts include a requirement for deposit-taking businesses to be licensed by the Bank of England, detailed criteria for the authorisation of banking institutions and a requirement to report large exposures. They also define the roles in the supervisory framework for a Board of Banking Supervision and for auditors. The former advises the Banking Supervision Division of the Bank of England on the exercise of its duties and the latter are empowered to provide the Bank of England with independent confirmation of the adequacy of accounting and other records, systems of control and the accuracy of supervisory information. The banking acts also provide for the control of bank names, descriptions and advertisements and the establishment of a deposit protection scheme. Under the scheme, which is similar in concept to the US Federal Deposit Insurance Corporation system, depositors with a failed institution will receive 75% of their protected sterling deposits from a fund, subject to a maximum payment of £15,000 per qualifying deposit. The scheme is funded by levies shared among all institutions authorised under the banking acts. A new European Community (EC) directive on depositor protection is due to be implemented in 1995, which provides for the introduction of a modified version of the current scheme (see European Union on page 71).

The requirements of the banking acts are being increasingly supplemented by the implementation of EC directives. In response to these, as well as in the performance of its regulatory functions, the Bank of England has developed a number of formal codes in consultation with the banks. These relate, inter alia, to capital adequacy (see Capital resources), liquidity and foreign currency exposures, consolidated supervision, the wholesale markets, large exposures, the adequacy of accounting and other records and control systems, loan transfers and securitisation, advertising and the Bank of England's relationship with the auditors of banks. Further codes are in the course of development.

The Bank of England's approach to supervision involves a good understanding by senior staff in its Banking Supervision Division of the business of the banks for whose supervision they are responsible and of the key business risk areas involved. This understanding is made possible by the filing of regular and ad hoc reports, frequent consultations between the Bank of England and senior management of the banks and visits by supervisory staff to operating areas of the banks.

The regular reports include operating statements, information concerning operational practices and organisational changes, periodic prudential returns of capital adequacy, large exposures, liquidity, lendings analysed by industry sector and geographical area and other analyses of sterling and foreign currency assets and deposits.

The eurocurrency activities of all banks operating in the United Kingdom are closely monitored by the Bank of England, although, because of the international character of the eurocurrency market, there exists no overall regulatory authority governing its activities. The major proportion of Barclays eurocurrency transactions are booked in London, the world's leading eurocurrency centre.

Securities business and other investment services are supervised within a framework established under the authority of the Financial Services Act 1986 (the FSA). Responsibility for exercising the regulatory powers under the FSA is vested in HM Treasury. These powers have been largely delegated to the Securities and Investments Board (SIB), a private sector body. SIB has handed down certain powers to a number of self-regulatory organisations (SROs) and recognised professional bodies, which authorise and supervise individual securities and investment businesses.

The burden of multiple regulation, arising from functional supervision, has been reduced, to a degree, by the existence of a number of 'lead regulator' agreements between the Bank of England, on the one hand, and SIB and certain SROs on the other, whereby the Bank of England monitors compliance with SIB or SRO capital requirements for securities and investment business carried on within banking groups. The monitoring of compliance with the conduct of business rules for securities and investment business remains with the relevant FSA regulator.

The UK securities trading business of Barclays is conducted mainly through specialist subsidiary companies of Barclays de Zoete Wedd Holdings Limited, which are subject to supervision by the SROs of which they are members. The capital adequacy requirements of the SROs are designed to cover market and credit risk and are more detailed than those of the Bank of England, which mainly address credit risk; in particular, they call for calculations of position risk, of which debt and equity price risk forms the major component, which must be submitted at frequent intervals.

With the objective of creating a single SRO for business with private investors, the Personal Investment Authority (PIA) was conceived in 1992 as a replacement for two existing SROs and to take over some of the regulatory responsibilities undertaken by the other SROs and SIB itself. The PIA was finally authorised by SIB in July 1994. With the aim of achieving an improvement in the standards of investment regulation, members of existing SROs have not simply transferred to the PIA but have had to apply afresh. Various companies within the Barclays Group have been accepted for membership of the PIA.

SIB continues to regulate directly some investment business and is legally obliged to act as regulator of last resort. However, following a review by SIB of its regulatory responsibilities, on which it reported to HM Treasury in May 1993, and the creation of the PIA, SIB is now seeking to withdraw from direct regulation in order to concentrate on the supervision of the SROs and other regulatory bodies in the exercise of their functions under the FSA.

The top tier of the FSA regulatory structure is formed by SIB's ten Statements of Principle which underpin SIB's Core Rules.

Both the Principles and Core Rules are designed to be a general statement of the high standards of conduct expected of all securities and investment businesses in the United Kingdom. The second tier consists of the detailed SRO rule books. SIB has to approve the content of SRO rule books before they are brought into use.

Protection of private investors against default by firms authorised by an SRO or SIB is provided up to a limit of £48,000 per investor by the Investors Compensation Scheme, which is financed by levies on SRO members and firms directly authorised by SIB.

The Criminal Justice Act 1993 which came into force in the early part of 1994 has made some important changes to existing UK law on insider dealing and money laundering. The Act widened the definitions of an insider and inside information and extended the existing UK legislation on money laundering to cover the proceeds of general crime rather than just those from drug trafficking and terrorist activities. A financial institution is now obliged to establish and maintain procedures and training programmes to guard against its business and the financial system as a whole being used for money laundering.

European Union

Within the European Union (EU) (formerly the European Community), the creation of a single financial market at the end of 1992 has involved continued negotiations among member states towards establishing greater freedom in the cross-border securities business and a harmonised institutionally based regulatory environment, with emphasis on the role of the home country regulator. The Second Banking Co-ordination Directive established a framework for the mutual recognition of the EU's member state supervision of banks, enabling a bank authorised in one EU member state to carry out banking and investment business on a branch or service basis in other EU member states. The equivalent measure for securities houses carrying out investment business, the Investment Services Directive, was adopted in May 1993, for implementation by 31st December 1995.

Supporting the Second Banking Co-ordination Directive are the Solvency and Own Funds Directives, which establish a sufficient minimum harmonisation of regulatory capital regimes to enable banks to operate throughout the EU under their authorisation granted by the regulators of the home member state. A further directive, the Capital Adequacy Directive, was adopted in March 1993 and is due to be implemented simultaneously with the Investment Services Directive. The Capital Adequacy Directive prescribes minimum capital requirements for the investment business of banks and securities houses and amends certain of the directives mentioned above. In general the Directive adopts a similar approach to capital adequacy as that already applying under the FSA. The Bank of England has recently issued a consultative paper on its proposed implementation of the directive and final details of the new capital requirements are due to be issued during 1995.

The EC Consolidated Supervision Directive, which widened the scope of the Bank of England's supervision to include UK securities and investment businesses within banking groups, and the EC Bank Accounts Directive, were both implemented in 1993. The Large Exposures Directive, which largely formalised the existing approach adopted by the Bank of England, was implemented on 1st January 1994.

The member states of the EU have adopted, by majority voting, a directive on depositor protection which is intended to establish common minimum standards for compensation of depositors; the directive is being challenged by the German authorities in the European Court of Justice and a judgement is expected by mid-1995. A proposed directive for Investor Protection is currently under negotiation.

Other proposals for directives include: a directive specifying new responsibilities for auditors, especially when fraud is suspected; a directive to specify the legal regime to be applied when banks are wound up; and a directive on the Consolidated Supervision of Financial Conglomerates embracing both banking and insurance.

Barclays is closely monitoring these and other developments, as European legislation is having an increasingly significant impact on the supervision and regulation of the Group's activities. However, it is generally supportive of the adoption of common measures and standards by European regulators.

Rest of the World

In the United States, Barclays PLC, Barclays Bank PLC and certain US subsidiary undertakings, branches and agencies of the Bank are subject to a comprehensive regulatory structure involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956, as amended, and the Foreign Bank Supervision Enhancement Act of 1991. Such laws and regulations impose limitations on the types of businesses, and the ways in which they may be conducted, in the United States and on the location and expansion of banking business there.

Proposals for reform of some aspects of the current regulatory structure were introduced in the House of Representatives at the beginning of 1995. Barclays will be following the progress of these proposals.

Barclays operates in many other countries and its overseas offices and subsidiary and associated undertakings are subject to reserve and reporting requirements and controls imposed by the relevant central banks and regulatory authorities.

Code of banking practice

The voluntary Code of Banking Practice agreed by UK banks, building societies and card issuers took effect in March 1992 and the second edition came into effect on 28th March 1994. Barclays has adopted the Code, which sets out the standards of good banking practice to be observed by the Bank when dealing with customers in the United Kingdom. The Code covers, inter alia, the use of confidential information, losses arising from the misuse of payment and credit cards, the handling of customer complaints, and pre-notification of charges.

Barclays is committed to the Code of Banking Practice and will be introducing pre-notification of charges to personal customers before the end of 1996.

Barclays introduced a Code of Business Banking for corporate customers in 1991, setting out levels of service and terms of business and fulfilled a commitment to introduce pre-notification of charges to business customers in December 1992.

Directors and senior executive officers – Barclays PLC and Barclays Bank PLC

Chairman

Andrew Robert Fowell Buxton (age 55) was appointed Chairman on 1st January 1993. He joined Barclays in 1963 and was appointed to the Board in 1984. He became Vice-Chairman in 1985, Managing Director in 1988 and Chief Executive in May 1992. He is a non-executive director of SmithKline Beecham p.l.c.

Deputy Chairman and Chairman, BZW and Corporate and Institutional Banking Services

Sir Peter Middleton GCB (age 60) joined the Board in 1991 as a Deputy Chairman and Chairman of BZW. He also became Chairman of Corporate and Institutional Banking Services upon its formation in May 1994. Prior to joining Barclays he was Permanent Secretary to HM Treasury, a position held since 1983. He is a non-executive director of Bass PLC, General Accident plc and North West Water Group PLC.

Chief Executive

John Martin Taylor (age 42) was appointed to the Board on 1st November 1993 and became Chief Executive on 1st January 1994. Before joining Barclays he was Chairman and Chief Executive of Courtaulds Textiles plc and he is a non-executive director of WH Smith Group plc.

Vice-Chairman and Chairman, UK Banking Services

Francis Alastair Lavie Robinson (age 57) held a number of senior positions before joining the Board in 1990. He was appointed a Vice-Chairman in May 1992, Chairman, UK Banking Services in May 1994 and is a non-executive director of London House for Overseas Graduates.

Chief Executive, BZW

David Band (age 52) joined the Board in 1988 on becoming Chief Executive of BZW. He was previously Head of JP Morgan's operations in the UK and Europe and a Deputy Chairman of The Securities and Futures Authority Limited.

Finance Director

Oliver Henry James Stocken (age 53) joined Barclays Merchant Bank in 1979 and held a number of senior positions in BZW before joining the Board in 1993 as Finance Director. He is a non-executive director of Steel Burrill Jones Group plc.

Non-executive Directors

Mary Elizabeth Baker (age 58) joined the Board in 1988, having served on the Board of Barclays Bank U.K. Limited since 1983. She is President of Women in Management and a non-executive director of Avon Cosmetics Ltd, MFI Furniture Group Plc and Camelot Group PLC.

Sir Derek Birkin TD (age 65) is non-executive Chairman of The RTZ Corporation PLC. He joined the Board in January 1990 and is a non-executive director of Merck & Co, Inc. and Carlton Communications Plc and an advisory director of Unilever.

Sir Denys Henderson (age 62) joined the Board in 1983, having been on the Board of Barclays Bank PLC (formerly Barclays Bank International Ltd.) since 1981. Shortly to retire as Chairman of Imperial Chemical Industries PLC and of Zeneca Group PLC, he is Chairman of The Rank Organisation Plc and a non-executive director of The RTZ Corporation PLC.

The Lord Lawson of Blaby PC (age 62) was Chancellor of the Exchequer from 1983 to 1989 and previously Secretary of State for Energy. He joined the Board in February 1990 and is Chairman of Central Europe Trust Company Ltd.

Sir Nigel Mobbs DL (age 57) is Chairman and Chief Executive of Slough Estates plc, Chairman of Kingfisher plc and his other directorships include Aims of Industry, Charterhouse Holdings Ltd (USA) and Howard de Walden Estates. He joined the Board in 1979 and the Board of Barclays Bank PLC in 1985. He has been Chairman of the Audit Committee since 1987.

Shijuro Ogata (age 67) joined the Board in 1991, having served as Deputy Governor of the Japan Development Bank and as Deputy Governor for International Relations of the Bank of Japan. Based in Tokyo, he is a non-executive director of Fuji Xerox Company Ltd and non-executive Chairman of Barclays Trust & Banking Co (Japan) Ltd.

Jan Peelen (age 55) joined the Board in 1991. He is a director of Unilever, a former Chairman of Van den Bergh en Jurgens in Holland and a former President of Industrias Gessy Lever in Brazil.

The Lord Wright of Richmond GCMG (age 63) joined the Board in 1991 having retired as Head of the Diplomatic Service earlier that year. He is a non-executive director of BAA plc, The British Petroleum Company p.l.c. and De·La Rue plc and an advisory director of Unilever.

Group General Counsel and Group Secretary
Howard Trust (appointed in 1995)

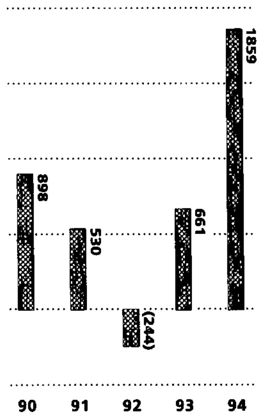
Chief Accountant
Nicholas J Brittain (appointed in 1986)

Senior Executive Officers – Barclays Bank PLC	Officer since
Donald Brydon OBE – Deputy Chief Executive, BZW	1994
Joseph De Feo – Director, Group Operations and Technology	1990
William Gordon – Managing Director, UK Banking Services	1987
Carlos Martinez de Campos – Chief Executive, European Retail Banking Group	1992
Graham Pimlott – Chief Executive, Corporate and Institutional Banking Services and Chief Executive, Merchant Banking Division, BZW	1994
John Spencer – Deputy Chief Executive, BZW (resigned 31st December 1994)	

Profit attributable

The profit attributable to shareholders for the year amounted to £1,179m compared with the 1993 profit of £310m.

Profit/(loss) before tax
£m



Second interim dividends

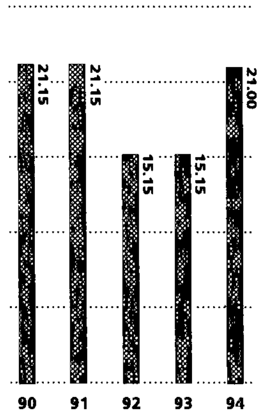
Second interim dividends for the year ended 31st December 1994 of 13p per Ordinary Share and of 7p per Staff Share have been declared by the Directors. The second interim dividends will be paid on 16th May 1995 in respect of the Ordinary Shares registered at the close of business on 30th March 1995 and of the Staff Shares so registered on 31st December 1994. No further dividends in respect of the year to 31st December 1994 are proposed.

With the first interim dividends of 8p per Ordinary Share and of 7p per Staff Share that were paid on 13th October 1994, the total distribution for the year 1994 is 21p per Ordinary Share (1993 15.15p) and 14p (1993 14p) per Staff Share. The dividends for the year absorb a total of £343 million (1993 £246 million), leaving a retained profit of £836 million (1993 £64 million).

Share dividends

Share dividends were offered in place of the above cash dividends on the basis of one new Ordinary Share at 550p for every 63.5838 Ordinary Shares held in respect of the second interim dividend for 1993 paid on 13th May 1994 and one new Ordinary Share at 554.2p for every 69.275 Ordinary Shares held in respect of the first interim dividend for 1994 paid on 13th October 1994. More than 30,000 shareholders took advantage of these offers and 2,272,576 shares were issued in lieu of cash dividends. A share dividend in respect of the second interim dividend for 1994 is being offered to shareholders.

Dividends per share
Pence



Share and loan capital

Ordinary share capital was also increased by 8,449,092 shares during the year as a result of the exercise of options under the SAYE and executive share option schemes.

1,497,152 shares at 542p per share were issued as a result of the operation of the Company's 1991 UK Profit Sharing Schemes.

Notes 39 and 40 to the accounts contain details of the repurchase and redemption of loan capital by the Bank and other wholly-owned subsidiary undertakings.

Barclays PLC acquired 11,500,000 new £1 Ordinary Shares in Barclays Bank PLC during 1994 at a cost of £47 million.

Substantial shareholdings

Substantial shareholdings notified to the company comprise the Prudential Corporation plc group's interests in 51,538,537 Ordinary Shares (3.19%) and Barclays Pension Funds Trustees Limited's non-beneficial interest, as trustee of the Group's main pension fund, in 753,465 Staff Shares (86.11%).

Activities

The activities of the Group are described on pages 6 to 10 and the development of the Group's business during the year is analysed in the Financial review, which starts on page 12.

Properties

The Bank commenced occupation of the new Group headquarters at 54 Lombard Street, London.

Freehold and long-leasehold properties of the Group in the United Kingdom have been reviewed by professionally qualified staff on the basis of open market value for existing use. A similar review of overseas properties has been carried out by professionally qualified external valuers. For both UK and overseas properties, the open market value of these properties is not substantially different from their book value.

Audit Committee

Sir Nigel Mobbs DL, *Chairman*
The Lord Lawson of Blaby PC
Shijuro Ogata
The Lord Wright of Richmond GCMG

The Audit Committee comprising non-executive Directors of the Company meets regularly with the Group's senior financial management, the external auditors and the internal audit department to consider, inter alia, the nature and scope of the audit and the reporting accountants' reviews (performed under the Companies Act 1985 and the Banking Act 1987), compliance reports and the effectiveness of the Group's systems of internal control.

Remuneration and Nominations Committee

Sir Denys Henderson, *Chairman*
Mary Baker
Sir Derek Birkin TD
Sir Nigel Mobbs DL
Jan Peelen

The Remuneration and Nominations Committee comprising non-executive Directors, which reports to the Board of Barclays Bank PLC, meets when necessary and makes recommendations on the remuneration of executive Directors and other senior Group employees and approves any distribution under the Company's profit sharing schemes to eligible UK employees. When meeting to consider the nomination of prospective Directors, the Chairman of Barclays Bank PLC and one other executive Director may attend as ex-officio members.

The Executive Committee

The Executive Committee of Barclays Bank PLC meets weekly and performs Group management functions. It comprises Martin Taylor (Chairman), Alastair Robinson (Deputy Chairman), David Band, Donald Brydon, Joseph De Feo, William Gordon, Carlos Martinez de Campos, Graham Pimlott and Oliver Stocken.

Board membership changes

The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical.

The Lord Camoys DL and Sir James Spooner retired from the Board of Directors on 1st April and 5th May 1994 respectively. Mrs Mary Baker, Mr David Band and Sir Denys Henderson retire by rotation at the annual general meeting and offer themselves for re-election. Mr Band has a service agreement terminable by the Group on one year's notice.

Terms of office of Directors

Currently one fourth (or the nearest whole number below one-fourth) of the Directors of Barclays PLC are required to retire by rotation at each annual general meeting, together with Directors newly appointed since the previous annual general meeting in accordance with power given to the Board. The Directors retiring by rotation and the newly appointed Directors are eligible to stand for re-election.

Employment contracts

The Group currently has service agreements with its executive Directors and senior executive officers. Competitive salaries are set under these contracts which generally provide for a notice period from the Group of one year and for retirement on the sixtieth birthday of the individual involved. Non-executive Directors have no service contracts with the Group and do not participate in the Group's pension, share option or other short and medium term incentive schemes. Unless otherwise agreed, non-executive Directors normally retire at the first annual general meeting following their sixty fifth birthday.

Remuneration

Information on emoluments of Directors of Barclays PLC, in accordance with the Companies Act 1985 and the Cadbury Code of Best Practice, is given in note 57 to the accounts.

For US disclosure purposes, the aggregate emoluments of all Directors and senior executive officers of Barclays PLC (18 persons) for the year ended 31st December 1994 amounted to £3,620,000 (1993 £4,396,000). In addition, the aggregate amount set aside, for the year ended 31st December 1994, to provide pension benefits for the Directors and senior executive officers amounted to £353,000 (1993 £360,000). The aggregate emoluments of all Directors and senior executive officers of Barclays Bank PLC (24 persons) for the year ended 31st December 1994 amounted to £7,193,000 (1993 £7,237,000). In addition, the aggregate amount set aside by the Bank and its subsidiary undertakings, for the year ended 31st December 1994, to provide pension benefits for the Directors and officers amounted to £526,000 (1993 £442,000).

Directors' and officers' liability insurance

Directors' and officers' liability insurance cover is maintained for the benefit of the Group and the Directors and officers of the Company and its subsidiary undertakings in the United Kingdom and overseas.

Directors' interests

Directors' interests in the shares of the Group on 3lst December 1994 (as defined by the Companies Act 1985 and according to the register maintained thereunder) are shown in note 58 to the accounts. The register will be available for inspection at the annual general meeting. At no time during the year did any Director of the Company have an interest in a contract entered into by a Group company which was of significance in relation to the Group's business.

Secretary

Howard Trust, Group General Counsel, was appointed also Group Secretary on 9th February 1995 following the retirement of Michael Atterbury.

Personnel

The total number of Group employees at 31st December 1994 was 94,800. The average number of persons employed by the Group in 1994, including part-time personnel but excluding persons working wholly or mainly outside the United Kingdom, was 66,758 and their aggregate remuneration in the year, including profit sharing, was £1,443 million. The latter figures exclude 1,161 representatives of Barclays Life Assurance Company Limited, whose total remuneration was £28 million.

Community involvement

The Group continued to support the community, with world-wide contributions totalling over £7.5 million. UK charitable donations amounted to £1.8 million (1993 £1.0 million). UK charities and other voluntary organisations also benefited from a variety of sponsorships. The Group made no political donations in the United Kingdom during 1994.

Employee involvement

Employee involvement is encouraged through Save-As-You-Earn and profit sharing schemes. Consultation with staff is extremely important. There are regular exchanges through staff consultative committees, culminating in the annual staff meeting at which the Chairman or Chief Executive presides. This allows staff at all levels to discuss key issues with senior management.

Equal opportunities

The Group continues to develop progressive policies and practices to demonstrate its commitment to Equal Opportunities for all its staff. It supports the 'Opportunity 2000' initiative which aims to improve the quantity and quality of opportunities for women in the workplace.

The Group has become a member of the National Mentoring Consortium, an initiative to provide volunteer managers to act as mentors to ethnic minority undergraduates.

Barclays actively supports the Department of Employment's 'two tick' campaign, and is a core sponsor and active member of the Employers Forum on Disability which promotes, advises and shares information across industry and commerce on the best ways of providing equality of opportunity for people with disabilities.

Close company provisions

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company and there has been no change in this respect since 31st December 1994.

The auditors

Price Waterhouse have signified their willingness to continue in office and a resolution re-appointing them as auditors and authorising the Directors to determine their remuneration will be proposed at the annual general meeting.

The annual general meeting

The annual general meeting will be held at The Queen Elizabeth II Conference Centre on 4th May 1995 and a notice convening the meeting is included in a separate letter to shareholders dated 5th April 1995. In addition to the ordinary business, shareholder consent will be sought for the reinstatement of authority for the Company to purchase its own shares, for the renewal of the Board's authority to allot shares and for the adoption of new Articles of Association for the Company.

Shareholders are invited to complete and return the form of proxy in the pre-paid envelope provided. Completion of the form of proxy will not prevent shareholders from attending and voting at the annual general meeting if subsequently they find they are able to do so.

For the hard of hearing, induction loops will be available and the meeting will be signed. The meeting location has access for wheelchairs.

Questions at the annual general meeting

In order to improve the effectiveness of the annual general meeting, shareholders intending to ask a question are requested to register their name and the subject of their question at one of the question points in the hall. Shareholders will be asked to use one of the microphones in the hall when their question is called.

By order of the Board
Howard Trust Secretary
6th March 1995

Cadbury Code of Best Practice

The Group complies, and has complied throughout the accounting period, with the Code of Best Practice issued in 1992 by the Committee on the Financial Aspects of Corporate Governance (Cadbury Committee).

This Annual Report includes all the disclosures currently required by the Code.

Going concern

The Directors confirm they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing the accounts.

Internal control

The Directors have responsibility for maintaining an effective system of internal control which provides reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. In this context, the Directors have regard to what, in their judgement, is appropriate to the Group's business, to the materiality of the financial risks inherent in the business and to the relative costs and benefits of implementing specific controls.

The Group's business involves the acceptance and management of a range of risks and the nature of these risks means that events may occur which give rise to unanticipated losses. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring. It is possible that internal controls can be circumvented or overridden. Further, because of changes in conditions, internal control system effectiveness may vary over time.

The Directors have established an organisational structure with defined responsibility for internal control in each of the Group's businesses. Responsibilities and authorities are set out in the Group controls manual. There are established procedures and information systems in place for regular budgeting and reporting of financial information and for risk management. Further details of risk management procedures are given in the Financial review, commencing on pages 36 and 55.

The system of internal financial and operational controls is also subject to regulatory supervision in the United Kingdom and overseas, as explained under Supervision and regulation on pages 69 to 72.

The effectiveness of the Group's internal control systems is reviewed periodically by the Audit Committee, whose membership and main activities are set out on page 76. Separate audit committees are also established in certain subsidiary businesses in the United Kingdom and overseas.

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' reports set out on page 82, 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 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that, in preparing the accounts on pages 83 to 136 and 140 to 148, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report by the auditors to the Directors of Barclays PLC on corporate governance

In addition to our audit of the accounts we have reviewed your statement on page 80 concerning the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of opinion We carried out our review having regard to the Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

Opinion In our opinion your statements on internal control and on going concern on page 80 have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and are not inconsistent with the information of which we are aware from our audit work on the accounts.

In our opinion based on enquiry of certain Directors and officers of the Group, and examination of relevant documents, your statement on page 80 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.

Price Waterhouse
Chartered Accountants and Registered Auditors
London, England, 6th March 1995

UK audit report to the members of Barclays PLC

We have audited the accounts on pages 83 to 136 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 83 and 84.

Respective responsibilities of Directors and auditors As described on page 81, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 1994 and of the profit of the Company and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants and Registered Auditors
London, England, 6th March 1995

US audit report to the boards of Directors and shareholders of Barclays PLC and Barclays Bank PLC

We have audited the consolidated financial statements of Barclays PLC and its subsidiary undertakings on pages 83 to 136 and Barclays Bank PLC and its subsidiary undertakings on pages 83 to 136 and 140 to 148 inclusive. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall accounts presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of Barclays PLC and its subsidiary undertakings and Barclays Bank PLC and its subsidiary undertakings at 31st December 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended 31st December 1994, in conformity with accounting principles generally accepted in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated net income or loss for each of the three years in the period ended 31st December 1994 and the determination of the consolidated shareholders' equity at 31st December 1994 and 1993 to the extent summarised in note 61 and note g to the consolidated financial statements.

Price Waterhouse
Chartered Accountants and Registered Auditors
London, England, 6th March 1995

Summary of significant accounting policies

a Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain properties and investments. They are prepared in accordance with applicable accounting standards of the Accounting Standards Board (ASB) and pronouncements of its Urgent Issues Task Force (UITF) and with the Statements of Recommended Accounting Practice (SORPs) issued by the British Bankers' Association. The requirements of Financial Reporting Standard 4 'Capital Instruments' and Financial Reporting Standard 5 'Reporting the Substance of Transactions' have been implemented in these accounts.

Other than as described under Changes in accounting policy on page 84, there have been no significant changes in accounting policies compared with the previous year.

b Consolidation and format

The consolidated accounts have been prepared in compliance with Sections 230, 255, 255A and 255B of, and Schedule 9 to, the Companies Act 1985 (the Act). The profit and loss account and balance sheet of Barclays PLC have been prepared in compliance with Section 226 of, and Schedule 4 to, the Act.

The consolidated accounts include the accounts of Barclays PLC and its subsidiary undertakings made up to 31st December, except in the case of Barclays Bank of Canada, whose accounts are made up to 31st October. Details of the principal subsidiary undertakings are given in note 50.

c Goodwill

Goodwill arising on the acquisition of subsidiary and associated undertakings, being the excess of cost over fair value of the Group share of net tangible assets acquired, is charged against reserves in the year of acquisition. In the event of a subsequent disposal, any goodwill previously charged directly against reserves is written back and is reflected in the profit or loss on disposal.

d Interests in associated undertakings

An associated undertaking is generally one in which the Group's interest is more than 20% and less than 50%. Consolidated profit includes income from interests in associated undertakings based on accounts made up to dates not earlier than six months before the balance sheet date. Interests in associated undertakings are included in the consolidated balance sheet at the Group share of the book value of the net tangible assets of the undertakings concerned.

e Shareholders' interest in the long-term assurance fund

A value is placed on the shareholders' interest in the in-force policies of the long-term assurance fund of Barclays Life Assurance Company Limited. This value is a prudent estimate, based on the advice of a qualified actuary, of the net present value of the profits inherent in such policies, using a discount rate of 12½% per annum. Changes in the value are included in the profit and loss account, grossed up for notional tax.

f Bad and doubtful debts

Specific provisions are made against advances when, in the opinion of the Directors, credit risks or economic and political factors make recovery doubtful. In addition, general provisions are raised, based on an evaluation of the portfolios of advances and other exposures, in respect of losses which, although not specifically identified, are known from experience to be present in any such portfolio. The aggregate provisions which are made during the year (less amounts released and recoveries of bad debts previously written off) are charged against operating profit. If the collection of interest is considered to be doubtful, it is suspended and excluded from interest income in the profit and loss account. Bad debts are written off in part, or in whole, when a loss has been confirmed.

g Purchased mortgage servicing rights (PMSRs)

PMSRs are stated at cost less provision for amortisation. The rate of amortisation is determined by the expected life of the mortgages and is reassessed periodically to reflect actual and anticipated prepayment experience. The amount of the amortisation is deducted from the fees and commissions receivable in the profit and loss account.

h Debt securities and equity shares

Debt securities and equity shares are stated at market value, apart from investment debt securities and equity shares, which are stated at cost less any provision for diminution in value. Investment securities are intended for use on a continuing basis by the Group and have been identified as such. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts on purchase over periods to redemption.

i Depreciation

Depreciation is provided on equipment on a straight line basis over 5 years. The cost of adapting freehold and long-leasehold properties to the Group's needs, together with fixed plant included in those properties, is depreciated over 10 years. From 1st January 1994, the book value of buildings, after deducting both of these items and the value of the land element, is being depreciated over 50 years, following a reassessment of the effective lives of properties in the United Kingdom. Previously, any depreciation attributable to the remainder of the book values of such properties was viewed as immaterial in the context of the Group accounts and not provided. Leasehold properties with less than 50 years to run are depreciated on a straight line basis over the remaining period of the lease.

j Off-balance sheet instruments

Transactions in off-balance sheet instruments are marked to market and the resultant profits and losses are included in dealing profits, except those in respect of specifically designated hedging transactions which are taken to profit in accordance with the accounting treatment of the underlying transaction. Profits and losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and are recognised in income or as adjustments to carrying amounts when the hedged transaction occurs. Profits and losses on early terminations of contracts that modify the characteristics of designated assets or liabilities are deferred and are amortised as an adjustment to the yield of the related assets or liabilities over their remaining lives. Notional amounts of the contracts are not recorded on the balance sheet.

k Pensions and other post-retirement benefits

The Group's main pension scheme covers some 70% of the Group's employees and is a funded defined benefit scheme. Staff do not make contributions for basic pensions. The pension cost relating to this scheme is assessed in accordance with the advice of a qualified actuary, using the projected unit method. Variations from the regular cost are allocated over the average remaining service lives of current employees.

Since 1993, the cost of providing post-retirement health care has been accrued in the accounts on a similar basis. The previously unprovided liability identified on implementation is being spread over the expected service lives of the relevant current employees.

l Finance lease receivables

Finance lease receivables are included in loans and advances to customers at the cost of the equipment less amounts charged against rentals to date. Net leasing income under finance leases is taken to profit using an actuarial method which gives a constant periodic return on the net cash investment.

m Deferred tax

Deferred tax is provided at the estimated rates at which future tax will become payable on all timing differences between the accounting and tax treatment of income and expense where, in the opinion of the Directors, it is probable that a liability to tax will crystallise.

n Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at rates of exchange ruling on the balance sheet date. Overseas profits and losses are expressed in sterling at average rates of exchange for the year. Profits arising in areas experiencing hyper-inflation are adjusted to recognise its effect on the worth of the working capital employed.

Translation differences, arising from the application of closing rates of exchange to the opening net assets held overseas and to related foreign currency borrowings, are taken directly to reserves. All other exchange profits and losses, which arise from normal trading activities, are included in operating profit.

o Loan fees

Fee income relating to loans and advances is recognised in the profit and loss account to match the cost of providing a continuing service, together with a reasonable profit margin, except where the fee is charged in lieu of interest when it is recognised on a level yield basis over the life of the advance.

US GAAP

Significant differences exist between accounting principles generally accepted in the United Kingdom and those generally accepted in the United States, and their approximate effect on attributable profit for each of the three years ended 31st December 1994, 1993 and 1992, and on shareholders' funds at 31st December 1994 and 1993, is set out in note 61 on page 130 and note g on page 148.

Changes in accounting policy

Under FRS 5, leases are now categorised as finance leases when the substance of the agreement is that of a financing transaction and the lessee assumes substantially all of the risks and benefits relating to the asset. All other leases are categorised as operating leases. The Group's lease on a property in Wall Street, New York, which was previously accounted for as an operating lease, has now been reclassified as a finance lease. The change has been treated as a prior period adjustment and the profit and loss accounts and balance sheets for previous years have been restated. Further details are given in note 16.

Analyses by geographical segments and classes of business

The analyses by geographical segment are generally based on the location of the office recording the transaction.

In note 60, the global swaps business is included within the United Kingdom segment. Foreign UK-based comprises activities in the United Kingdom with overseas customers, including sovereign lendings, and the main foreign exchange trading business arising in the United Kingdom. Of the £12bn of assets reported under this heading in 1994, it is estimated that £4bn relates to customers domiciled in Other European Union countries and £1bn relates to customers domiciled in the United States.

United States includes business conducted through the Bahamas and the Cayman Islands.

The world-wide activities of Barclays are highly integrated and, accordingly, it is not possible to present geographical segment information without making internal allocations, some of which are necessarily subjective. The results of each geographical segment and class of business reflect the benefit of earnings on an appropriate proportion of shareholders' funds, allocated generally by reference to weighted risk assets.

Note 60 to the accounts presents an analysis of the results by classes of business representing the main groups of products and services supplied by the Group.

Total assets and total revenues are stated after elimination of intra-group assets and revenues. Intra-group transactions are undertaken on normal commercial terms.

At 31st December 1994 and 31st December 1993 no single country, apart from the United Kingdom and the United States, accounted for more than 10% of total assets or total revenues. In 1994, only the United Kingdom accounted for more than 10% of the total income before tax.

Disposals

The Group made the following major disposals of interests in subsidiary and associated undertakings in 1994:

	Date
Factoring operation of Barclays Commercial Corporation	28th February 1994
Australian retail banking business	5th April 1994
Part interest in 3i Group plc	18th July 1994
Interpayment Services Limited	24th November 1994
Barclays McConnell Limited	30th November 1994

The effect of these disposals on the profit for the year is shown in note 11 to the accounts.

Additionally, the Group completed the sale of the business of Barclays Business Credit, the US asset-based lending operation, to Shawmut National Corporation on 31st January 1995. This business contributed profits of £53m in 1994. On the same date, the Group signed an agreement to sell, subject to certain conditions, the mortgage servicing portfolio and servicing facilities of BarclaysAmerican/Mortgage to Norwest Mortgage, Inc.

Consolidated profit and loss account Barclays PLC

For the year ended 31st December 1994

	Note	**1994 £m**	1993 £m	1992 £m
Interest receivable:	1			
Interest receivable and similar income arising from debt securities		**676**	722	716
Other interest receivable and similar income		**9,303**	10,363	12,252
		9,979	11,085	12,968
Interest payable	2	**6,293**	7,210	9,288
Profit/(loss) on redemption of loan capital	3	**(60)**	22	–
Net interest income		**3,626**	3,897	3,680
Fees and commissions receivable		**2,910**	2,744	2,538
Less: fees and commissions payable		**(211)**	(223)	(171)
Dealing profits	4	**384**	657	365
Other operating income	5	**186**	302	273
Operating income		**6,895**	7,377	6,685
Administrative expenses – staff costs	6	**2,680**	2,728	2,472
Administrative expenses – other	8	**1,655**	1,772	1,616
Depreciation and amortisation	9	**237**	314	253
Operating expenses		**4,572**	4,814	4,341
Operating profit before provisions		**2,323**	2,563	2,344
Provisions for bad and doubtful debts	10	**602**	1,869	2,465
Provisions for contingent liabilities and commitments	38	**–**	49	8
Provisions		**602**	1,918	2,473
Operating profit/(loss)		**1,721**	645	(129)
Profit/(loss) on disposal of Group undertakings	11	**107**	–	(82)
Write-down of surplus properties	12	**(4)**	(8)	(60)
Income from associated undertakings		**35**	24	27
Profit/(loss) on ordinary activities before tax		**1,859**	661	(244)
Tax on profit/(loss) on ordinary activities	13	**608**	282	43
Profit/(loss) on ordinary activities after tax		**1,251**	379	(287)
Minority interests – equity		**(16)**	(14)	(13)
Minority interests – non-equity	14	**(56)**	(55)	(45)
Profit/(loss) for the financial year attributable to the members of Barclays PLC (Net income)		**1,179**	310	(345)
Dividends	45	**(343)**	(246)	(243)
Profit/(loss) retained for the financial year		**836**	64	(588)

Earnings/(loss) per £1 Ordinary Share	15	**72.4p**	19.2p	(21.5)p

The Board of Directors approved the accounts set out on pages 83 to 136 on 6th March 1995.

Statement of total recognised gains and losses Barclays PLC

For the year ended 31st December 1994

	Note	**1994 £m**	1993 £m	1992 £m
Profit/(loss) for the financial year attributable to the members of Barclays PLC		**1,179**	310	(345)
Exchange rate translation differences		**38**	(77)	36
Write-down of properties against revaluation surplus		**–**	(7)	–
Revaluation of interest in associated undertakings		**25**	–	–
Loss on redemption of preference shares		**(18)**	–	–
Other items		**1**	5	2
Total recognised gains/(losses) relating to the year		**1,225**	231	(307)
Prior year adjustment	16	**(104)**	–	–
		1,121	231	(307)

Historical cost profits and losses Barclays PLC

For the year ended 31st December 1994

	1994 £m	1993 £m	1992 £m
Reported profit/(loss) on ordinary activities before tax	**1,859**	661	(244)
Write-down of surplus properties	**4**	8	60
Realisation of property revaluation gains of previous years	**12**	14	53
Difference between historical cost and actual depreciation charges	**(3)**	(2)	(3)
Historical cost profit/(loss) on ordinary activities before tax	**1,872**	681	(134)
Historical cost profit/(loss) retained after tax, minority interests and dividends.	**849**	84	(478)

Consolidated balance sheet Barclays PLC

As at 31st December 1994

	Note	1994 £m	1994 £m	1993 £m	1993 £m
Assets					
Cash and balances at central banks			**800**		910
Items in course of collection from other banks			**2,651**		2,824
Treasury bills and other eligible bills	17		**6,845**		5,953
Loans and advances to banks	18		**28,922**		23,253
Loans and advances to customers	19		**83,774**		93,825
Loans subject to non-recourse finance arrangements	23	**659**		257	
Less: non-returnable finance		**(650)**		(254)	
			9		3
Debt securities	24		**17,893**		19,598
Equity shares	25		**2,241**		2,368
Interests in associated undertakings	26		**43**		207
Tangible fixed assets	27		**2,127**		2,080
Other assets	29		**12,549**		10,560
Prepayments and accrued income	30		**1,509**		1,578
			159,363		163,159
Long-term assurance fund assets attributable to policyholders	31		**3,040**		2,892
Total assets			**162,403**		166,051

Andrew Buxton Chairman
Oliver Stocken Finance Director

Consolidated balance sheet Barclays PLC

As at 31st December 1994

	Note	1994 £m	1994 £m	1993 £m	1993 £m
Liabilities					
Deposits by banks	32		**27,007**		30,980
Customer accounts	33		**89,310**		89,905
Debt securities in issue	34		**8,848**		12,403
Items in course of collection due to other banks			**1,459**		1,587
Other liabilities	35		**19,835**		15,585
Accruals and deferred income	36		**1,933**		1,791
Provisions for liabilities and charges – deferred tax	37		**460**		415
Provisions for liabilities and charges – other	38		**146**		153
Dividend	45		**213**		141
Subordinated liabilities:					
Undated loan capital – convertible to preference shares	39		**320**		338
Undated loan capital – non-convertible	39		**1,659**		1,715
Dated loan capital – non-convertible	40		**1,562**		2,130
Other subordinated liabilities – non-convertible	41		**121**		131
			152,873		157,274
Minority interests and shareholders' funds					
Minority interests – equity			**50**		44
Minority interests – non-equity	14		**279**		633
Called up share capital	42	**1,636**		1,624	
Share premium account		**1,098**		1,063	
Revaluation reserve		**62**		51	
Other statutory reserve		**320**		–	
Profit and loss account		**3,045**		2,470	
Shareholders' funds – equity	43		**6,161**		5,208
			6,490		5,885
			159,363		163,159
Long-term assurance fund liabilities to policyholders	31		**3,040**		2,892
Total liabilities and shareholders' funds			**162,403**		166,051

	Note	1994 £m	1993 £m
Memorandum items	51		
Contingent liabilities:			
Acceptances and endorsements		**1,493**	3,696
Guarantees and assets pledged as collateral security		**6,289**	7,459
Other contingent liabilities		**4,744**	5,680
		12,526	16,835
Commitments – sale and option to resell transactions		**229**	5
Commitments – standby facilities, credit lines and other		**42,838**	41,871
		43,067	41,876

Consolidated statement of changes in reserves Barclays PLC

For the year ended 31st December 1994

	1994 £m	1993 £m	1992 £m
Share premium account			
At beginning of year	**1,063**	1,033	1,015
Premium arising on shares issued	**35**	30	18
At end of year	**1,098**	1,063	1,033
Revaluation reserve			
At beginning of year	**51**	65	84
Exchange rate translation differences	**1**	(8)	6
Write-down of property against revaluation surplus	**–**	(7)	–
Revaluation of interest in associated undertakings	**25**	–	–
Realisation of revaluation surplus	**(16)**	(7)	(25)
Other items	**1**	8	–
At end of year	**62**	51	65
Other statutory reserve			
At beginning of year	**–**	–	–
Redemption of preference shares of subsidiary undertaking	**320**	–	–
At end of year	**320**	–	–
Profit and loss account			
At beginning of year as previously stated	**2,470**	2,471	3,042
Prior year adjustment	**–**	–	(78)
At beginning of year as restated	**2,470**	2,471	2,964
Profit/(loss) retained	**836**	64	(588)
Exchange rate translation differences	**37**	(69)	30
Redemption of preference shares of subsidiary undertaking	**(320)**	–	–
Loss on redemption of preference shares	**(18)**	–	–
Goodwill arising on acquisitions	**(3)**	(3)	(4)
Goodwill written back on disposals	**27**	3	42
Realisation of revaluation surplus	**16**	7	25
Other items	**–**	(3)	2
At end of year	**3,045**	2,470	2,471
Total reserves	**4,525**	3,584	3,569

Notes

The Group operates in a number of countries subject to regulations under which a local subsidiary undertaking has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that is restricted by these regulations, but the consolidated profit retained and other reserves of overseas subsidiary and associated undertakings at 31st December 1994 totalled £119m (1993 deficit £64m, 1992 £114m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

Goodwill amounting to £489m (1993 and 1992 £513m) has been charged against reserves in the current and prior years in respect of acquisitions. This amount is net of any goodwill attributable to subsidiary undertakings disposed of prior to the balance sheet date.

Consolidated cash flow statement Barclays PLC

For the year ended 31st December 1994

	Note	1994 £m	1994 £m	1993 £m	1993 £m	1992 £m	1992 £m
Net cash inflow/(outflow) from operating activities	53		**10,200**		6,745		(2,114)
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(321)**		(309)		(296)	
Dividends received from associated undertakings		**63**		9		12	
Ordinary dividends paid		**(271)**		(201)		(339)	
Preference dividends paid by subsidiary undertaking		**(56)**		(55)		(45)	
Dividends paid to minority shareholders		**(9)**		(7)		(15)	
Net cash outflows from returns on investment and servicing of finance			**(594)**		(563)		(683)
Tax paid			**(311)**		(92)		(59)
Investing activities:							
Capital expenditure		**(367)**		(261)		(308)	
Acquisition of minority interests		**(6)**		(23)		–	
Sale of property and equipment		**78**		68		149	
Purchase of investment securities		**(4,902)**		(4,406)		(1,349)	
Redemption of investment securities		**2,419**		1,469		847	
Sale of investment securities		**2,051**		534		508	
Purchase of associated undertakings		**(1)**		(1)		(3)	
Sale of subsidiary and associated undertakings	54	**404**		14		73	
Net cash outflow from investing activities			**(324)**		(2,606)		(83)
Net cash inflow/(outflow) before financing			**8,971**		3,484		(2,939)
Financing:	55						
Issue of loan capital and other subordinated liabilities		**–**		819		16	
Redemption of loan capital and other subordinated liabilities		**(611)**		(515)		(8)	
Redemption of preference shares in subsidiary undertaking		**(338)**		–		–	
Issue of Ordinary Shares		**47**		44		29	
Net cash (outflow)/inflow from financing			**(902)**		348		37
Increase/(decrease) in cash and cash equivalents	56		**8,069**		3,832		(2,902)

Profit and loss account and changes in reserves	1994 £m	1993 £m	1992 £m
Interest income	**2**	2	2
Operating expenses:			
Management charge from subsidiary undertaking	**2**	2	2
Operating profit	**–**	–	–
Dividends from subsidiary undertaking	**343**	162	327
Profit on ordinary activities before tax	**343**	162	327
Tax on profit on ordinary activities	**–**	–	–
Profit on ordinary activities after tax	**343**	162	327
Dividends	**(343)**	(246)	(243)
Profit/(loss) retained by Barclays PLC	**–**	(84)	84
Profit/(loss) retained by subsidiary undertakings	**882**	133	(674)
Profit/(loss) retained by associated undertakings	**(46)**	15	2
Profit/(loss) retained for the financial year	**836**	64	(588)
Premium arising on shares issued	**35**	30	18
Other movements in investment in Barclays Bank PLC	**70**	(79)	76
Profit and loss account and other reserves brought forward	**3,584**	3,569	4,063
Profit and loss account and other reserves carried forward	**4,525**	3,584	3,569

Balance sheet	Note	1994 £m	1993 £m
Fixed assets			
Investment in Barclays Bank PLC	44	**6,161**	5,208
Current assets			
Amounts falling due within one year:			
Due from subsidiary undertaking		**18**	4
Cash at bank and in hand:			
Balance with subsidiary undertaking		**195**	137
		213	141
Current liabilities			
Amounts falling due within one year:			
Dividend		**(213)**	(141)
Net current assets		**–**	–
Assets less current liabilities		**6,161**	5,208
Capital and reserves			
Called up share capital	42	**1,636**	1,624
Share premium account		**1,098**	1,063
Revaluation reserve		**2,546**	1,640
Profit and loss account		**881**	881
Shareholders' funds – equity		**6,161**	5,208

Andrew Buxton Chairman
Oliver Stocken Finance Director

1 Interest receivable

	1994 £m	1993 £m	1992 £m
Treasury bills and other eligible bills	**382**	478	579
Loans and advances to banks	**1,221**	1,466	1,654
Loans and advances to customers	**6,150**	6,882	8,503
Lease receivables	**444**	538	655
Interest receivable and similar income arising from debt securities			
listed	**415**	596	534
unlisted	**261**	126	182
	8,873	10,086	12,107
Securities trading assets	**1,106**	999	861
	9,979	11,085	12,968

2 Interest payable

	1994 £m	1993 £m	1992 £m
Deposits by banks	**1,380**	1,706	1,770
Customer accounts			
current and demand accounts	**176**	203	435
savings accounts	**834**	880	1,553
other time deposits – retail	**904**	1,208	1,768
other time deposits – wholesale	**1,072**	1,204	1,704
Debt securities in issue	**512**	719	935
Loan capital and other subordinated liabilities	**317**	319	295
	5,195	6,239	8,460
Securities trading liabilities	**1,098**	971	828
	6,293	7,210	9,288

Prior years figures have been restated, see note 16.

3 Profit/(loss) on redemption of loan capital

The early redemption of \$700m and DM250m of dated loan capital has resulted in a loss of £60m. In 1993, the repurchase of \$299m undated loan capital resulted in a profit of £22m.

4 Dealing profits*

	1994 £m	1993 £m	1992 £m
Interest rate related	**170**	307	175
Foreign exchange income	**89**	136	109
Equities and other	**125**	214	81
	384	657	365

* This is a prescribed heading under Schedule 9 to the Companies Act 1985, in which 'profit' does not conform to the more usual definition followed elsewhere in this document. The disclosure reflects dealing trading income, not including net interest income, before charging associated staff and other administrative expenses.

Of the total dealing profits, £78m was earned from securities (1993 £249m, 1992 £123m).

Income from certain retail foreign exchange transactions, previously reported as part of dealing profits, is now reported as fees and commissions receivable in order to reflect better the nature of this income. As a result, both fees and commissions receivable and dealing profits for the year ended 31st December 1993 and 1992 have been restated by £124m and £126m, respectively, but there has been no impact on profit before tax.

Certain amounts reported as Foreign exchange income for the first half of 1994 have now been included in Interest rate related or Equities and other. The restated amounts were Interest rate related £73m; Foreign exchange income £54m; Equities and other £66m.

5 Other operating income

	1994 £m	1993 £m	1992 £m
Dividend income from equity shares – listed	**35**	18	9
– unlisted	**7**	7	13
Profit on disposal of investment securities	**18**	17	18
Increase in shareholders' interest in the long-term assurance fund	**12**	107	67
Other income	**114**	153	166
	186	302	273

6 Administrative expenses – staff costs

	1994 £m	1993 £m	1992 £m
Salaries and accrued incentive payments	**2,055**	2,071	1,934
Social security costs	**195**	195	182
Pension costs	**117**	113	117
Post-retirement health care	**39**	18	5
Profit sharing	**76**	26	–
Other staff costs	**198**	305	234
	2,680	2,728	2,472

Staff costs include £46m (1993 £195m, 1992 £102m) of costs relating to staff reductions and relocations.

Average number of employees

The average number of persons employed by the Group world wide during the year, excluding temporary staff, was made up as follows:

	1994	1993	1992
Managers	**18,400**	17,800	18,800
Clerical staff	**72,500**	75,700	81,600
Others	**4,800**	5,500	6,500
	95,700	99,000	106,900
In addition, the average number of representatives of Barclays Life Assurance Company, whose remuneration is reflected in the valuation of the long-term assurance fund, was:	**1,200**	1,500	1,500

7 Pensions, post-retirement benefits, profit sharing and other staff costs

Pensions

The majority of UK employees are members of the Barclays Bank (1964) Pension Fund (the 1964 Fund). The payments made every year to the trust fund are determined on an actuarial basis designed to provide sufficient resources during the working life of full-time employees to pay pensions to them after their retirement and, after their death, to surviving spouses or dependants. Such pensions are based on pensionable salaries (excluding allowances, bonuses and overtime) at or near retirement age, normally 60, and are related to the length of service with the Bank before retirement. Pensions are limited to a maximum of two-thirds of salary for 40 years' service or more. Pensions to surviving spouses of former staff are paid at the rate of 50% of the staff member's pension, or potential pension in the case of death before retirement. Staff do not make contributions for basic pensions, but may make voluntary contributions on a regular basis to purchase additional service qualification where less than 40 years' service will have been completed by normal retirement age or to secure pensions based on fringe benefits which are not normally included in the calculation of pensionable salary. The pension funds of certain other subsidiaries are similarly constituted.

The total pension cost for the Group was £117m (1993 £113m, 1992 £117m), of which £72m (1993 £76m, 1992 £77m) related to the 1964 Fund, £22m (1993 and 1992 £20m) to other UK schemes and £23m (1993 £17m, 1992 £20m) to overseas schemes. Formal actuarial valuations of the 1964 Fund are carried out triennially, the latest completed being as at 30th September 1992, with the main assumptions being reviewed annually. The principal actuarial assumptions adopted at that valuation were that, over the long term, the annual rate of return on new investments would be 2½% higher than the annual increase in total pensionable remuneration, 4½% higher than the annual increase in present and future pensions in payment and 4½% higher than the annual increase in dividends receivable. The market value of the 1964 Fund at the date of the valuation was £5,315m and the actuarial value of the assets was sufficient to cover 119% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the 1964 Fund takes account of the surplus disclosed by the valuation.

Note 61 provides additional disclosures required by US Statement of Financial Accounting Standards No. 87.

Post-retirement benefits

Certain pensioners, mainly in the United Kingdom and the United States, are covered against the cost of private health care on similar terms to staff. In addition, certain members of staff may also become eligible for this benefit on retirement. Members of staff in the United Kingdom who had not satisfied the relevant criteria before 1st January 1991 are not eligible to receive this benefit upon retirement.

There are some 7,600 pensioners currently covered under this scheme. In addition, there are some 13,100 members of staff who may become eligible if they remain with the Group until retirement.

In order to control future cost rises, increases in costs incurred by Barclays Bank PLC in the United Kingdom each year are currently limited to the movements in the Retail Price Index with members meeting any additional costs.

In 1994, there was a one-off charge of £18m in relation to the United States.

Profit sharing scheme

Barclays has operated a profit sharing scheme since 1974. Participants in the 1991 schemes (which consolidated the 1974 and 1979 schemes) are employees of the Bank, including executive Directors and employees of most of its UK subsidiary undertakings, but excluding Directors and staff employed in BZW. Participants can elect to take their entitlement either in cash after deduction of income tax or in Ordinary Shares of Barclays PLC of the equivalent current market value. Up to a certain annual value (currently £3,000 or 10% of salary, if greater, with a maximum of £8,000), entitlements in the form of shares can be held by trustees for between two and five years in order to obtain a tax advantage for the participant.

Other staff costs

Other employee costs comprise medical health insurance, social welfare taxes, staff transfer and other sundry staff costs.

8 Administrative expenses – other

	1994 £m	1993 £m	1992 £m
Property and equipment expenses			
Hire of equipment	**36**	42	36
Property rentals	**204**	211	192
Other property and equipment expenses	**553**	554	482
	793	807	710
Other administrative expenses			
Stationery, postage and telephones	**225**	236	237
Advertising	**143**	111	102
Travel	**112**	98	88
Legal, professional and consultancy	**161**	167	141
Other	**221**	353	338
	1,655	1,772	1,616

Legal, professional and consultancy fees include auditors' remuneration and expenses amounting to £4.5m (1993 £4.7m, 1992 £4.1m). Also included are fees and expenses paid to the Group's main auditors for non-audit work as analysed below.

Non-audit fees	1994 £m	1993 £m	1992 £m
Regulatory and accounting related work	**2.0**	2.1	2.3
Tax advice	**0.1**	0.4	0.5
Consultancy assignments	**3.4**	3.8	4.5
Insolvency related activities	**0.8**	0.9	0.8
	6.3	7.2	8.1

£4.1m (1993 £5.3m, 1992 £6.0m) of non-audit fees related to the United Kingdom.

9 Depreciation and amortisation

	1994 £m	1993 £m	1992 £m
Property depreciation	**74**	58	54
Equipment depreciation	**158**	180	186
Loss on sale of equipment	**5**	6	13
	237	244	253
Provision for diminution in the value of the Bank's head office in Paris	**–**	70	–
	237	314	253

Property depreciation for 1994 includes a charge of £10m in respect of the Group's UK freehold and long-leasehold properties following a reassessment of their effective lives.

10 Provisions for bad and doubtful debts

	1994	1993	1992
Specific provisions – credit risk:	**£m**	£m	£m
United Kingdom	**430**	1,286	1,920
Other European Union	**142**	185	140
United States	**(12)**	297	174
Rest of the World	**29**	35	40
	589	1,803	2,274
General provisions – credit risk	**74**	105	226
Specific provisions – country risk	**(61)**	(39)	(35)
	602	1,869	2,465

Further information is given in the provisions and allowances for bad and doubtful debts section on page 44 of the Financial review and in note 21.

11 Profit/(loss) on disposal of Group undertakings

	1994 £m	1993 £m	1992 £m
Net profit/(loss) on disposal of Group undertakings	**107**	–	(82)

The net profit on disposal of Group undertakings included £93m and £46m relating to profits on disposals of subsidiary and associated undertakings, respectively. Losses on disposals of subsidiary undertakings were £32m. The net total of £107m was arrived at after charging £27m in respect of goodwill on acquisition, previously written off directly to reserves. The tax payable on the gains amounted to £26m.

The profit on disposal of subsidiary undertakings was mainly attributable to the profits arising on the sale of the business of Barclays Commercial Corporation, the Group's US factoring operation (£63m), and the retail banking business in Australia (£24m). The profit on disposal of associated undertakings resulted from the sale of part of the Group's shareholding in 3i Group plc. The losses on disposal of subsidiary undertakings arose largely through the sale of Interpayment Services Limited, the Group's travellers cheques business, and Barclays McConnell Limited in Canada. Up to the date of sale, these businesses contributed £5m to Group profit before tax in 1994.

In 1992, the Group sold the business of Barclays Bank of New York and also the shareholding in Allied Trust Bank. The loss included £42m goodwill on acquisition.

12 Write-down of surplus properties

UK properties which are surplus to current operational requirements have been written down to their current estimated market value.

13 Tax

	1994 £m	1993 £m	1992 £m
The charge for tax assumes a United Kingdom corporate tax rate of 33% (1993 and 1992 33%) and comprises:			
Current tax			
United Kingdom	**481**	254	(66)
Overseas	**84**	116	74
Total current tax	**565**	370	8
Deferred tax charge/(credit)			
United Kingdom	**66**	(42)	16
Overseas	**(41)**	(47)	7
Total deferred tax	**25**	(89)	23
Associated undertakings, including overseas tax of £4m (1993 £4m, 1992 £9m)	**18**	1	12
Total charge	**608**	282	43

Available overseas tax credits of £37m (1993 £47m, 1992 £37m) have been applied to reduce UK tax in accordance with UK legislation. Current tax in the United Kingdom includes £34m (1993 £53m, 1992 £35m) in respect of notional tax on franked investment income and on the shareholders' interest in the long-term assurance fund.

Analysis of deferred tax charge/(credit):

	1994 £m	1993 £m	1992 £m
Leasing transactions	**(27)**	26	102
Short-term and other timing differences	**52**	(115)	(79)
	25	(89)	23

Further information is provided in the tax section on page 25 of the Financial review.

14 Minority interests (non-equity)

Non-equity minority interests in the balance sheet and the profit and loss account comprise non-cumulative dollar-denominated Preference Shares issued by Barclays Bank PLC of $437m (1993 and 1992 $937m) and the dividend payments made in respect of them.

15 Earnings per £1 Ordinary Share – Barclays PLC

Earnings per £1 Ordinary Share is based upon the results after deducting tax, profit attributable to minority interests and dividends on Staff Shares. Earnings amounted to £1,179m (1993 £310m, 1992 loss £345m) and are related to the weighted average of Ordinary Shares in issue during the year of 1,629 million (1993 1,616 million, 1992 1,603 million). The exercise of existing options granted under the Executive and SAYE Share Option Schemes would not have a material effect on earnings per Ordinary Share.

See note 61 for approximate earnings per £1 Ordinary Share calculated in accordance with the accounting principles generally accepted in the United States.

16 Prior year adjustment

Under FRS 5, which has been implemented in these accounts, the Group's lease on a property in Wall Street, New York, which was previously accounted for as an operating lease, has now been reclassified as a finance lease.

As a result of the change, this leasehold property has been recognised as an asset and, at 1st January 1994, had a restated book value of £43m, with a net finance lease obligation of £147m, and had a remaining term of 18 years. The net charge to shareholders' funds of £104m arising from this prior year adjustment principally results from depreciation and a provision for diminution in the property value which arose prior to 1990. Comparative figures have been restated with the effect that shareholders' funds have been reduced by £100m and £78m at 1st January 1993 and 1st January 1992, respectively. The result for 1994 has been reduced by £3m (1993 and 1992 £3m and £2m, respectively).

17 Treasury bills and other eligible bills

	1994 £m	1993 £m
Treasury bills	**4,034**	4,775
Other eligible bills	**2,811**	1,178
	6,845	5,953
Treasury bills and other eligible bills comprise:		
Banking business	**6,845**	5,767
Securities business	**–**	186
	6,845	5,953

Treasury bills and other eligible bills are mainly short term in maturity with a book value not materially different from market value.

The total amount of treasury bills and other eligible bills included above which are subject to sale and repurchase agreements was £247m at 31st December 1994 (1993 £421m).

18 Loans and advances to banks

Repayable	**1994 £m**	**1994 £m**	1993 £m	1993 £m
on demand		**5,248**		2,686
not more than three months		**18,639**		13,451
over three months but not more than one year		**3,677**		5,918
over one year but not more than five years		**1,052**		823
over five years		**399**		566
		29,015		23,444
Less:				
Allowances (mainly country risk)	**(93)**		(187)	
Interest in suspense	**–**		(4)	
		(93)		(191)
		28,922		23,253

18 Loans and advances to banks (continued)

Loans and advances to banks comprise:	**1994 £m**	1993 £m
Banking business	**23,463**	21,364
Securities business	**5,552**	2,080
	29,015	23,444
By geographical area		
United Kingdom	**14,492**	12,240
Other European Union	**4,213**	3,843
United States	**6,556**	4,024
Rest of the World	**3,754**	3,337
	29,015	23,444

At 31st December 1994, there were loans and advances to banks outstanding from associated undertakings of £2m (1993 £1m).

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £705m at 31st December 1994 (1993 £571m).

Additional analyses are provided within the loans and advances, provisions and allowances for bad and doubtful debts and potential credit risk lendings sections on pages 38 to 52 of the Financial review.

19 Loans and advances to customers

Repayable	**1994 £m**	**1994 £m**	1993 £m	1993 £m
on demand		**15,241**		15,897
not more than three months		**18,950**		25,320
over three months but not more than one year		**8,690**		10,614
over one year but not more than five years		**17,242**		20,536
over five years		**26,893**		25,192
		87,016		97,559
Less:				
Allowances	**(3,099)**		(3,577)	
Interest in suspense	**(143)**		(157)	
		(3,242)		(3,734)
		83,774		93,825
Loans and advances to customers comprise:				
Banking business		**75,249**		80,657
Securities business		**6,630**		11,412
Finance lease receivables		**5,137**		5,490
		87,016		97,559
By geographical area				
United Kingdom		**64,558**		70,472
Other European Union		**8,617**		8,350
United States		**9,328**		12,392
Rest of the World		**4,513**		6,345
		87,016		97,559

At 31st December 1994 and 31st December 1993, there were no loans and advances to customers outstanding from associated undertakings.

Assets acquired in the year for letting under finance leases amounted to £795m (1993 £1,140m).

Additional analyses are provided within the loans and advances, provisions and allowances for bad and doubtful debts and potential credit risk lendings sections on pages 38 to 52 of the Financial review.

Leasing balances are stated in the balance sheet after deducting £2,614m (1993 £2,503m) of unearned charges and interest.

20 Exposures to countries experiencing liquidity problems

	Developing countries		Developed countries	
	1994	1993	**1994**	1993
	£m	£m	**£m**	£m
Country risk exposure (a, b)	**449**	657	**340**	592
Country risk allowances including suspended interest (c, d)	**(229)**	(324)	**(136)**	(234)
Country risk exposure, net of allowances	**220**	333	**204**	358
	%	%	**%**	%
Allowance as a percentage of exposure	**51**	49	**40**	40
Net exposure as a percentage of total assets	**0.1**	0.2	**0.1**	0.2
Net exposure as a percentage of shareholders' funds	**3.6**	6.4	**3.3**	6.9

(a) Excluding £1,245m (1993 £1,118m) of trade debts that were current and not affected by restrictions on payment.

(b) Country risk exposure includes £10m (1993 £11m) acquired through exchanges of debts of different countries. The cost of these debts was £8m (1993 £9m).

(c) There was no suspended interest at 31st December 1994 (1993 £31m).

(d) In addition, an allowance of £6m (1993 £7m) was held in respect of the Group's share of similar lendings by other companies in which the Group has an interest.

21 Allowances for bad and doubtful debts

Movements in allowances for bad and doubtful debts	**1994 Specific £m**	**1994 General £m**	**1994 Total £m**	1993 Specific £m	1993 General £m	1993 Total £m
Allowances at beginning of year	**2,975**	**789**	**3,764**	2,755	690	3,445
Acquisitions and disposals	**(42)**	**(8)**	**(50)**	(11)	–	(11)
Exchange and other adjustments	**4**	**(5)**	**(1)**	32	(6)	26
	2,937	**776**	**3,713**	2,776	684	3,460
Provision for the year, net of recoveries of £157m (1993 £123m)	**528**	**74**	**602**	1,764	105	1,869
Amounts written off, net of recoveries	**(1,123)**	**–**	**(1,123)**	(1,565)	–	(1,565)
Allowances at end of year	**2,342**	**850**	**3,192**	2,975	789	3,764

Allowances at 31st December	**1994**	1993
Specific allowances – credit risk:	**£m**	£m
United Kingdom	**1,112**	1,415
Other European Union	**488**	411
United States	**258**	479
Rest of the World	**113**	136
	1,971	2,441
General allowances – credit risk	**850**	789
	2,821	3,230
Specific allowances – country risk	**371**	534
	3,192	3,764

'Allowances' is used to describe the accumulated balance sheet amount created by bad debt provisions and held against the value of the loan portfolio.

22 Interest in suspense

Movement in interest in suspense	1994 £m	1993 £m
At beginning of year	**161**	168
Net interest suspended during year	**20**	36
	181	204
Interest written off	**(41)**	(41)
Exchange and other adjustments	**3**	(2)
At end of year	**143**	161
Applicable to		
Loans and advances to banks	**–**	4
Loans and advances to customers	**143**	157
	143	161
Loans and advances where interest is being suspended at end of year		
Before allowances	**709**	1,017
After allowances	**265**	551

23 Loans subject to non-recourse financing arrangements

These comprise portfolios of mortgage and personal consumer loans, the principal benefits of which were acquired from the Bank by special purpose securitisation companies. No gain or loss was recognised on the transfer.

Barclays PLC and its subsidiaries are not obliged to support any losses that may be suffered by the floating rate noteholders and do not intend to provide such support. Additionally, the floating rate notes were issued on the basis that noteholders are only entitled to obtain payment, as to both principal and interest, to the extent that the securitisation companies' respective available resources, including funds due from customers in respect of the securitised loans, are sufficient, and that noteholders have no recourse whatsoever to the Group.

The Bank has made an interest bearing subordinated loan to each of the securitisation companies repayable on final redemption of the floating rate notes. The Bank receives payments from the securitisation companies in respect of fees for loan administration services and also under the terms of interest rate swaps written between the Bank and the securitisation companies to hedge their respective exposures to movements in interest rates arising from these transactions. In all cases the effect of the interest rate swaps between the Bank and the securitisation companies, in conjunction with certain interest rate swaps with third parties, is that the securitisation companies swap all or part of the interest flows receivable from customers in respect of the securitised loans into variable rate interest flows which are designed broadly to match the interest payable to floating rate noteholders.

The Bank has no right to repurchase the benefit of any of the securitised loans and no obligation to do so, other than in certain circumstances where the Bank is in breach of warranty.

Information about the securitisations involved is set out in the table below.

			Outstanding at 31st December 1994		
Securitisation company	Types of loans	Date of securitisation	Customer loans £m	Non-returnable finance £m	Subordinated loans made by the Bank £m
Gracechurch Personal Loan Finance (No.1) PLC	Consumer loans	2nd November 1993	107	104	3
Gracechurch Mortgage Finance (No.2) PLC	Personal mortgages	28th April 1994	257	253	4
Gracechurch Mortgage Finance (No.3) PLC	Personal mortgages	14th July 1994	295	293	2
			659	650	9

All the issued shares in Gracechurch Personal Loan Finance (No.1) PLC are held beneficially by Gracechurch Receivable (Holdings) Limited. All the shares in the other securitisation companies listed above are held beneficially by Gracechurch Mortgage (Holdings) Limited. All the shares in both Gracechurch Receivable (Holdings) Limited and Gracechurch Mortgage (Holdings) Limited are held by Royal Exchange Trust Company Limited. The Group does not own, directly or indirectly, any of the share capital of the securitisation companies or their parent companies.

In addition, loans and advances to customers at 31st December 1994 includes £94m (1993 £109m) of mortgage loans transferred to Gracechurch Mortgage Finance PLC where the linked presentation has not been used.

24 Debt securities

Investment securities:	1994 Balance sheet £m	Gross unrealised gains £m	Gross unrealised losses £m	1994 Valuation £m	1993 Balance sheet £m	Gross unrealised gains £m	Gross unrealised losses £m	1993 Valuation £m
UK government	**2,323**	**–**	**(31)**	**2,292**	2,045	50	–	2,095
other government	**1,883**	**2**	**(14)**	**1,871**	2,100	36	(1)	2,135
other public bodies	**274**	**1**	**(7)**	**268**	67	2	–	69
other issuers	**1,032**	**18**	**(5)**	**1,045**	970	64	(3)	1,031
	5,512	**21**	**(57)**	**5,476**	5,182	152	(4)	5,330
Other securities:								
UK government	**1,872**	**–**	**–**	**1,872**	1,617	–	–	1,617
other government	**3,794**	**–**	**–**	**3,794**	4,711	–	–	4,711
other public bodies	**65**	**–**	**–**	**65**	318	–	–	318
bank and building society certificates of deposit	**3,778**	**–**	**–**	**3,778**	5,344	–	–	5,344
other issuers	**2,872**	**–**	**–**	**2,872**	2,426	–	–	2,426
	17,893	**21**	**(57)**	**17,857**	19,598	152	(4)	19,746

All investment securities are classified as 'available for sale' under US GAAP. All Other securities are classified as trading securities under US GAAP.

Debt securities comprise:	1994 Balance sheet £m	1994 Valuation £m	1993 Balance sheet £m	1993 Valuation £m
Banking business	**11,526**	**11,490**	12,861	13,009
Securities business	**6,367**	**6,367**	6,737	6,737
	17,893	**17,857**	19,598	19,746
Listed on a recognised UK stock exchange	**4,643**	**4,624**	4,265	4,353
Listed elsewhere	**6,925**	**6,918**	4,935	4,969
Unlisted:				
certificates of deposit	**3,778**	**3,778**	5,344	5,344
other	**2,547**	**2,537**	5,054	5,080
	17,893	**17,857**	19,598	19,746

Movements in investment securities	1994 Cost £m	1994 Provisions £m	1994 Balance sheet £m
At beginning of year	**5,193**	**(11)**	**5,182**
Exchange adjustments	**7**	**(3)**	**4**
Acquisitions	**4,810**	**(13)**	**4,797**
Redemption of investment securities	**(2,419)**	**–**	**(2,419)**
Sale of investment securities	**(1,960)**	**–**	**(1,960)**
Provisions released	**–**	**1**	**1**
Transfers	**13**	**–**	**13**
Provisions written off	**(4)**	**4**	**–**
Amortisation of discounts and premiums	**(106)**	**–**	**(106)**
At end of year	**5,534**	**(22)**	**5,512**

The valuation of listed securities is at mid-market prices and that of unlisted securities is based on the Directors' estimate.

Other securities comprise dealing securities and short-term certificates of deposit and are principally valued at market value.

The total value of debt securities at 31st December 1994 includes investment securities which are subject to sale and repurchase agreements of £4,225m (1993 £5,794m), subordinated debt securities of £12m (1993 £23m) and unamortised net premium on available for sale securities of £425m (1993 £23m). The value of securities due within one year at 31st December 1994 was £5,548m (1993 £5,947m). The Group had no holdings of securities issued by associated undertakings at 31st December 1994 or 31st December 1993.

24 Debt securities (continued)

Barclays PLC holds, as an investment, British government stock with a book value of £0.1m (1993 £0.1m). As part of its normal market making activities, BZW holds positions in Barclays Bank PLC's loan capital and Barclays PLC's Ordinary Shares.

Gross gains of £3m and gross losses of £3m were realised on the sale and redemption of investment securities. Other debt securities are marked to market and all profits and losses are deemed realised. There were no transfers of investment securities to other securities in 1994.

The cost of Other securities is not available and would be unreasonably expensive to obtain.

See pages 35 and 36 of the Financial review for the valuation and maturity analysis of book value of investment securities.

25 Equity shares

	1994 Balance sheet £m	1994 Valuation £m	1993 Balance sheet £m	1993 Valuation £m
Investment securities	**235**	**399**	166	181
Other securities	**2,006**	**2,006**	2,202	2,202
	2,241	**2,405**	2,368	2,383
Equity shares comprise:				
Banking business	**256**	**420**	202	217
Securities business	**1,985**	**1,985**	2,166	2,166
	2,241	**2,405**	2,368	2,383
Listed on a recognised UK stock exchange	**1,214**	**1,306**	941	944
Listed elsewhere	**548**	**577**	1,203	1,213
Unlisted	**479**	**522**	224	226
	2,241	**2,405**	2,368	2,383

If listed, investment securities are classified as being 'available for sale' under US GAAP. All Other securities are classified as trading securities under US GAAP.

Movements in investment securities	1994 Cost £m	1994 Provisions £m	1994 Balance sheet £m
At beginning of year	**174**	**(8)**	**166**
Exchange adjustments	**6**	**(4)**	**2**
Acquisitions	**92**	**(9)**	**83**
Sale of investment securities	**(73)**	**–**	**(73)**
Transfers	**62**	**(2)**	**60**
Provisions made	**–**	**(3)**	**(3)**
Provisions written off	**(4)**	**4**	**–**
At end of year	**257**	**(22)**	**235**

The total value of equity shares included above which are subject to sale and repurchase agreements was £nil at 31st December 1994 (1993 £7m).

Gross unrealised gains on investment equity shares amounted to £164m (1993 £15m). There were no unrealised losses in either year.

Gross gains of £18m were realised on the sale of investment securities. Other equity securities are marked to market and all profits and losses are deemed realised. There were no transfers of investment securities to other securities in 1994.

The cost of Other securities is not available and would be unreasonably expensive to obtain.

26 Interests in associated undertakings

Share of net assets	1994 £m	1993 £m
At beginning of year	**207**	188
Exchange and other adjustments	**25**	(2)
Acquisitions	**1**	1
Disposals	**(55)**	(5)
Transfers	**(89)**	10
Profit retained	**(46)**	15
At end of year	**43**	207

Associated undertakings, all of which are unlisted, included £25m in respect of banks (1993 £41m)

Dividend income from associated undertakings amounted to £63m (1993 £9m).

On a historical cost basis, the Group's interest in associated undertakings at 31st December 1994 amounted to £31m (1993 £63m).

The reduction in the value of interests in associated undertakings in the year is mainly attributable to the sale of part of the Group's shareholdings in 3i Group plc. During the year, the Group's holding reduced from 18.2% to 8.3% and has been reclassified as an investment.

27 Tangible fixed assets

Cost or valuation	Property 1994 £m	Equipment 1994 £m	Property 1993 £m	Equipment 1993 £m
At beginning of year	**2,030**	**1,400**	2,027	1,378
Acquisition and disposals of Group undertakings	**(1)**	**(5)**	7	(2)
Exchange and other adjustments	**12**	**(7)**	(40)	(39)
Additions at cost	**126**	**238**	97	164
Sale of assets	**(60)**	**(146)**	(46)	(101)
Fully depreciated assets written off	**(1)**	**(77)**	–	–
Write-down of surplus properties	**(4)**	**–**	(15)	–
At end of year	**2,102**	**1,403**	2,030	1,400
Accumulated depreciation and diminution in value				
At beginning of year	**434**	**916**	317	833
Acquisitions and disposals of Group undertakings	**–**	**(3)**	–	(3)
Exchange and other adjustments	**3**	**(3)**	(4)	(26)
Charge for year	**74**	**158**	128	180
Sale of assets	**(13)**	**(110)**	(7)	(68)
Fully depreciated assets written off	**(1)**	**(77)**	–	–
At end of year	**497**	**881**	434	916
Cost or valuation				
At valuation				
1979 to 1993	**1,100**	**–**	1,096	–
At cost	**1,002**	**1,403**	934	1,400
	2,102	**1,403**	2,030	1,400
Accumulated depreciation	**(497)**	**(881)**	(434)	(916)
Net book value	**1,605**	**522**	1,596	484

27 Tangible fixed assets (continued)

Balance sheet value of property	1994 £m	1993 £m
Freehold	**1,100**	1,120
Leasehold over 50 years unexpired	**106**	120
Leasehold up to 50 years unexpired	**237**	236
Assets in the course of construction	**162**	120
	1,605	1,596
Historical cost of property		
At cost	**1,822**	1,699
Accumulated depreciation and diminution in value	**(474)**	(465)
Net book value	**1,348**	1,234

All equipment is valued at depreciated cost. The net book value of property occupied by the Group for its own use was £1,479m at 31st December 1994 (1993 £1,566m). The net book value included £39m (1993 £43m) in respect of property held under finance leases, on which the depreciation charge was £2m (1993 £3m). The net book value included £4m (1993 £4m) in respect of equipment held under finance leases, on which the depreciation charge was £3m (1993 £2m). The book value of property at 31st December 1994 included £375m (1993 £424m) in respect of land.

The write-down of surplus properties in 1994 of £4m (1993 £8m) was charged to the profit and loss account. Additionally, in 1993, a £7m write-down in respect of overseas property was charged against the revaluation reserve.

The depreciation charge for 1993 included £70m in respect of permanent diminution in the value of the Bank's head office in Paris.

28 Commitments for capital expenditure not provided in these accounts

At 31st December 1994, commitments for capital expenditure under contract amounted to £48m (1993 £51m). Capital expenditure authorised, but not yet contracted, totalled £87m (1993 £26m).

29 Other assets

	1994 £m	1993 £m
Balances arising from off-balance sheet financial instruments	**8,862**	6,725
Items in transit	**462**	435
Purchased mortgage servicing rights	**128**	180
Shareholders' interest in the long-term assurance fund	**369**	361
London Metal Exchange warrants and other metals trading positions	**1,489**	1,649
Sundry debtors	**1,239**	1,210
	12,549	10,560

30 Prepayments and accrued income

	1994 £m	1993 £m
Accrued interest and commission	**1,357**	1,422
Prepayments	**152**	156
	1,509	1,578

31 Long-term assurance fund

The long-term assurance fund assets attributable to policyholders comprise:	1994 £m	1993 £m
Assets		
Investments	**3,013**	2,861
Group undertakings	**24**	32
Other debtors	**31**	41
	3,068	2,934
Current liabilities	**28**	42
	3,040	2,892

32 Deposits by banks

Repayable	1994 £m	1993 £m
on demand	**1,305**	1,796
not more than three months	**21,410**	25,234
over three months but not more than six months	**2,411**	2,074
over six months but not more than one year	**1,364**	1,118
over one year but not more than five years	**387**	529
over five years	**130**	229
	27,007	30,980
By geographical area		
United Kingdom	**15,971**	15,699
Other European Union	**5,384**	6,107
United States	**3,044**	6,507
Rest of the World	**2,608**	2,667
	27,007	30,980
Deposits by banks comprise:		
Banking business	**24,931**	28,005
Securities business	**2,076**	2,975
	27,007	30,980

Deposits by banks at 31st December 1994 includes £1m due to associated undertakings (1993 £1m). Deposits by banks are mostly over £25,000.

A further analysis of deposits by banks is given within the Deposits section on page 33 of the Financial review.

33 Customer accounts

Repayable	1994 £m	1993 £m
on demand	**31,101**	36,836
not more than three months	**52,194**	48,216
over three months but not more than six months	**2,781**	1,720
over six months but not more than one year	**1,589**	1,576
over one year but not more than five years	**933**	760
over five years	**712**	797
	89,310	89,905

33 Customer accounts (continued)

By geographical area	1994 £m	1993 £m
United Kingdom	**68,652**	69,085
Other European Union	**7,714**	7,964
United States	**6,667**	6,101
Rest of the World	**6,277**	6,755
	89,310	89,905

By type	1994 £m	1993 £m
In offices in the United Kingdom		
current and demand accounts – interest free	**10,340**	10,734
current and demand accounts – interest bearing	**9,936**	8,477
savings accounts	**22,110**	21,791
other time deposits – retail	**10,598**	12,372
other time deposits – wholesale	**15,668**	15,807
In offices outside the United Kingdom		
current and demand accounts – interest free	**2,244**	3,264
current and demand accounts – interest bearing	**5,105**	4,995
savings accounts	**977**	871
other time deposits	**12,332**	11,594
	89,310	89,905

Customer accounts comprise:	1994 £m	1993 £m
Banking business	**80,904**	80,096
Securities business	**8,406**	9,809
	89,310	89,905

There were no customer accounts repayable to associated undertakings at 31st December 1994 or 31st December 1993.

Deposits in offices in the United Kingdom received from non-residents amounted to £17,533m (1993 £18,141m).

Other time deposits in the United Kingdom and the United States are mostly over £25,000.

A further analysis of customer accounts is provided within the Deposits section on page 33 of the Financial review.

34 Debt securities in issue

	1994 £m	1993 £m
Bonds and medium term notes repayable:		
within one year	**75**	24
one year and over	**836**	753
	911	777
Other debt securities in issue repayable:		
not more than three months	**4,485**	9,293
over three months but not more than one year	**1,955**	1,292
over one year but not more than five years	**624**	597
over five years	**873**	444
	8,848	12,403

Debt securities at 31st December 1994 included certificates of deposit of £6,738m (1993 £9,322m) and commercial paper of £887m (1993 £2,050m). There were no balances due to associated undertakings at 31st December 1994 or 31st December 1993.

35 Other liabilities

	1994 £m	1993 £m
Obligations under finance leases payable:		
not more than one year	**70**	77
over one year but not more than five years	**125**	158
over five years	**255**	284
	450	519
Less: future finance charges	**198**	230
	252	289
Balances arising from off-balance sheet financial instruments	**8,092**	5,241
Short positions in securities	**6,765**	5,834
Current tax	**660**	444
Sundry creditors	**3,721**	3,438
Items in transit	**345**	339
	19,835	15,585
Short positions in securities comprise:		
Treasury bills and other eligible bills	**1,022**	292
Debt securities – government	**4,766**	3,240
Debt securities – other public sector	**39**	674
Debt securities – other	**345**	509
Equity shares	**593**	1,119
	6,765	5,834

36 Accruals and deferred income

	1994 £m	1993 £m
Accrued interest and commission	**809**	848
Other accruals and deferred income	**1,124**	943
	1,933	1,791

37 Deferred tax

Account is taken of timing differences between the accounting and tax treatment of certain items where, in the opinion of the Directors, it is probable that a liability to tax will crystallise. Deferred tax liabilities provided in the accounts are computed at the estimated rates at which future tax will become payable. The movements on deferred tax during the year were:

	1994 £m	1993 £m
At beginning of year	**415**	508
Exchange and other adjustments	**20**	(4)
Charge/(credit) to profit and loss account	**25**	(89)
At end of year	**460**	415
Deferred tax at 31st December:		
Leasing transactions	**689**	729
Other timing differences	**(229)**	(314)
	460	415

Potential tax liabilities not provided in the accounts in respect of leasing transactions are computed at estimated future tax rates and amounted to £195m (1993 £201m).

No tax is provided on capital gains which might arise on the disposal of Group subsidiary or associated undertakings at their balance sheet amounts. Furthermore, no provision is made for tax on capital gains which might arise on the disposal of properties at their balance sheet amounts, as the Directors are of the opinion that, in view of the substantial number of properties involved and the law relating to rollover relief, the likelihood of any such material tax liability arising is remote and no useful purpose would be served by attempting to quantify it.

38 Other provisions for liabilities and charges

	Contingent liabilities and commitments £m	Other £m	Total £m
At beginning of year	**79**	**74**	**153**
Exchange and other adjustments	**(8)**	**1**	**(7)**
Charge to profit and loss account	**–**	**30**	**30**
Amounts utilised or written off	**(17)**	**(13)**	**(30)**
At end of year	**54**	**92**	**146**

Provisions for contingent liabilities and commitments include provisions against losses on direct credit substitutes such as guarantees, letters of credit and acceptances.

Other provisions and charges include post-retirement health care liabilities accrued of £45m (1993 £12m).

See also Provisions for contingent liabilities and commitments on page 24 of the Financial review.

39 Undated loan capital

Undated loan capital, issued by the Bank for the development and expansion of the Group's business and to strengthen its capital base, comprised:

	1994 £m	1993 £m
Non-convertible		
Junior Undated Floating Rate Notes ($247m)	**158**	167
Undated Floating Rate Primary Capital Notes Series 1 ($511m)	**326**	346
Undated Floating Rate Primary Capital Notes Series 2 ($743m)	**475**	502
Undated Floating Rate Primary Capital Notes Series 3	**200**	200
9.875% Undated Subordinated Notes	**300**	300
9% Permanent Interest Bearing Capital Bonds	**100**	100
7.875% Undated Subordinated Notes	**100**	100
	1,659	1,715
Convertible to preference shares		
8% Convertible Capital Notes, Series E ($500m)	**320**	338

Security and subordination

None of the Bank's undated loan capital is secured.

The Junior Undated Floating Rate Notes (the Junior Notes) rank behind the claims against the Bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital. All other issues of undated loan capital rank pari passu with each other and behind the claims of the holders of the Junior Notes.

Interest

The Junior Notes, the Undated Floating Rate Primary Capital Notes Series 1 (the Series 1 Notes) and the Undated Floating Rate Primary Capital Notes Series 2 (the Series 2 Notes) bear interest fixed in advance for periods of six months. At 31st December 1994, the rates were $6\frac{3}{8}$% (1993 $3\frac{13}{16}$%) on the Junior Notes, $5\frac{7}{16}$% (1993 $3\frac{5}{8}$%) on the Series 1 Notes and $5\frac{7}{16}$% (1993 $3\frac{9}{16}$%) on the Series 2 Notes. The Undated Floating Rate Primary Capital Notes Series 3 (the Series 3 Notes) bear interest at rates fixed in advance for periods of three months and, at 31st December 1994, the rate was $6\frac{1}{2}$% (1993 $6\frac{5}{16}$%). In each case, interest is fixed at $\frac{1}{4}$% or $\frac{1}{2}$% above rates determined by reference to the London Inter-Bank Offered Rate (LIBOR) for each interest period. In the case of the Series 3 Notes, the rate will rise to 0.7% above LIBOR in October 1999 and 1% above LIBOR in October 2009.

The interest rates on the 9.875% Undated Subordinated Notes (the 9.875% Notes) and the 7.875% Undated Subordinated Notes (the 7.875% Notes) are fixed until May 2008 and October 2003 respectively. The interest rates on the 8% Convertible Capital Notes, Series E (the Series E Notes) and the 9% Permanent Interest Bearing Capital Bonds (the 9% Bonds) are fixed for the life of those issues.

The Bank is not obliged to make a payment of interest on its undated loan capital (other than the Junior Notes) if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC or, in certain cases, any class of preference shares of the Bank. Interest not so paid becomes payable if such a dividend is subsequently paid or in certain other circumstances. No payment of principal or any interest may be made unless the Bank satisfies a specified solvency test.

Interest on undated loan capital amounted to £130m (1993 £97m).

39 Undated loan capital (continued)

Repayment and conversion

The Junior Notes are repayable, at the option of the Bank, in whole or in part on any interest payment date. The Series 1 Notes, the Series 2 Notes and the Series 3 Notes are repayable in each case, at the option of the Bank, in whole on any interest payment date. The 9.875% Notes are repayable, at the option of the Bank, in whole in May 2008 or any fifth anniversary thereafter. The 9% Bonds are repayable, at the option of the Bank, in whole at any time and the 7.875% Notes are so repayable at any time up to and including October 2003 or on any tenth anniversary thereafter.

The Series E Notes are repayable at par, at the option of the Bank, in whole on any interest payment date falling in or after April 2003 and are convertible, at the option of the Bank, into 40,000,000 Non-cumulative Dollar-denominated Preference Shares of the Bank. The Series E Notes have been registered under the US Securities Act of 1933. The other issues of undated loan capital, which were made in the eurocurrency market, have not been so registered.

In addition, each issue of undated loan capital is repayable, at the Bank's option, in whole for certain tax reasons, either at any time or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest.

In 1993, the Bank repurchased $299m of Junior Notes, Series 1 Notes and Series 2 Notes at a discount of $34m (£22m).

40 Dated loan capital – non-convertible

Dated loan capital, which is raised by the Bank and its finance subsidiaries for the development and expansion of the Group's business, comprised:

	Repayment terms	1994 £m	1993 £m
The Bank			
10¼% Senior Subordinated Bonds 1997		**250**	250
12¾% Senior Subordinated Bonds 1997		**200**	200
8.8% Subordinated Redeemable Bonds 1998 (FFr 600m)		**72**	69
9.5% Subordinated Redeemable Bonds 2001 (FFr 350m)		**42**	40
Floating Rate Senior Subordinated Bonds 2001	(a)	**50**	50
Floating Rate Unsecured Capital Loan Stock 2006	(a, b)	**5**	6
16% Unsecured Capital Loan Stock 2002/07	(a)	**100**	100
12% Unsecured Capital Loan Stock 2010		**25**	25
Floating Rate Unsecured Capital Loan Stock 2010	(a, c)	**1**	1
Barclays Overseas Investment Company B.V. (BOIC)			
6% Guaranteed Bonds 1996 (Yen 40,000m)		**256**	242
8⅛% Unsecured Bearer Bonds 1983/98 (DM250m)		**–**	97
Guaranteed Floating Rate Notes 2001 (Ecu 105m)	(a)	**81**	79
Guaranteed Notes 2007 (Yen 15,000m)	(a)	**96**	91
Barclays North American Capital Corporation (BNACC)			
11⅝% Guaranteed Capital Notes 2003 ($165m) (1993 - $400m)	(a)	**106**	271
10½% Guaranteed Capital Notes 2017 ($123m) (1993 - $400m)	(a)	**79**	271
9¾% Guaranteed Capital Notes 2021 ($312m) (1993 - $500m)	(a)	**199**	338
		1,562	2,130

	1994 £m	1993 £m
Repayable		
not more than one year	**–**	19
over one year but not more than two years	**256**	19
over two years but not more than five years	**522**	820
over five years	**784**	1,272
	1,562	2,130

40 Dated loan capital – non-convertible (continued)

None of the Group's dated loan capital is secured. The debt obligations of the Bank, BOIC and BNACC rank ahead of the interests of holders of their equity. Dated loan capital of the Bank has been issued on the basis that the claims thereunder are subordinated to the claims of depositors and other unsecured unsubordinated creditors. Loan capital issued by BOIC and BNACC carries the guarantee of the Bank, which is subordinated on a similar basis. All loan capital issued by BOIC and BNACC have been on-lent to the Bank on a subordinated basis.

Floating rate loan capital issues (other than the Guaranteed Notes 2007 and the Floating Rate Unsecured Capital Loan Stock 2010) bear interest at rates fixed in advance for periods of six months. At 31st December 1994, the rates were 7.58125% (1993 5.8625%) on the Floating Rate Senior Subordinated Bonds 2001, 6 15/16% (1993 5 3/16%) on the Floating Rate Unsecured Capital Loan Stock 2006 and 6.77% (1993 7.7075%) on the Guaranteed Floating Rate Notes 2001. The coupons of the Guaranteed Notes 2007 have been swapped until March 2002, resulting in an interest rate payable until then of LIBOR plus 40 basis points (2.775% at 31st December 1994, 2.5875% at 31st December 1993). After that date, the coupon will be LIBOR plus 115 basis points. Both rates are fixed in advance for periods of three months. The Floating Rate Unsecured Capital Loan Stock 2010 bears interest at rates fixed in advance for periods of three months and, at 31st December 1994, the rate was 6 3/8% (1993 5 5/16%).

Interest on loan capital with a final maturity within five years amounted to £71m (1993 £75m).

During the year, BOIC redeemed all the 8 1/8% Unsecured Bearer Bonds 1983/98 and BNACC repurchased $235m (£151m) 11 5/8% Guaranteed Capital Notes 2003, $277m (£178m) 10 1/2% Guaranteed Capital Notes 2017 and $188m (£118m) 9 3/4% Guaranteed Capital Notes 2021 at a total loss of £60m.

The notes issued by BNACC have been registered under the US Securities Act of 1933. The debt obligations of the Bank and BOIC, which were issued in non US markets, have not been so registered.

Repayment terms

Unless otherwise indicated, the Group's dated loan capital outstanding at 31st December 1994 is redeemable only on maturity subject, in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law.

(a) Repayable at the option of the issuer, prior to maturity, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole.
(b) Holders of the Floating Rate Unsecured Capital Loan Stock 2006 have certain cumulative rights to call for redemption of their holdings.
(c) Holders of the Floating Rate Unsecured Capital Loan Stock 2010 have certain rights to call for the redemption of their holdings.
(d) There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

41 Other subordinated liabilities

Repayable	**1994 £m**	1993 £m
not more than one year	**32**	–
over one year but not more than two years	**–**	34
over two years but not more than five years	**62**	65
over five years	**27**	32
	121	131

Other subordinated liabilities comprise long-term borrowings of subsidiary undertakings, which are subordinated in respect of the claims of depositors and others against those subsidiaries.

42 Called up share capital

The authorised share capital of Barclays PLC is £2,000m (1993 £2,000m), comprising 1,999 million (1993 1,999 million) Ordinary Shares of £1 each and 1 million (1993 1 million) Staff Shares of £1 each.

Called up share capital, allotted and fully paid	**1994 £m**	1993 £m	1992 £m
Ordinary Shares:			
At beginning of year	**1,623**	1,609	1,598
Issued to staff under profit sharing schemes	**1**	–	–
Issued to staff under the SAYE Share Option Scheme (see below)	**8**	11	7
Issued under Share Dividend Scheme	**2**	2	4
Issued under Executive Share Option Scheme	**1**	1	–
At end of year	**1,635**	1,623	1,609
Staff Shares	**1**	1	1
	1,636	1,624	1,610

It is not yet possible to quantify the amount which will be issued in 1995 under the Share Dividend Scheme in respect of the second interim dividend for the year. Profit sharing allocations will be met by purchases of ordinary shares in the open market.

58.6 million (1993 59.6 million) options are outstanding under the terms of the SAYE Share Option Scheme and 3.6 million (1993 2.9 million) options are outstanding under the terms of the Executive Share Option Scheme, enabling certain Directors and members of staff to subscribe for Ordinary Shares between 1995 and 2004, at prices ranging from 259p to 550p per share.

43 Shareholders' funds

	Consolidated £m	**Barclays PLC £m**	**Associated undertakings £m**
At beginning of year as previously stated	**5,312**	**5,312**	**144**
Prior year adjustment	**(104)**	**(104)**	**–**
At beginning of year as restated	**5,208**	**5,208**	**144**
Proceeds of shares issued (net of expenses)	**47**	**47**	**–**
Loss on redemption of preference shares	**(18)**	**–**	**–**
Exchange rate translation differences	**38**	**–**	**–**
Goodwill arising on acquisitions	**(3)**	**–**	**–**
Goodwill written back on disposals	**27**	**–**	**–**
Revaluation of associated undertakings	**25**	**–**	**25**
Revaluation of investment in subsidiary undertaking	**–**	**906**	**–**
Disposals	**–**	**–**	**(42)**
Transfers	**–**	**–**	**(69)**
Other items	**1**	**–**	**–**
Profit /(loss) retained	**836**	**–**	**(46)**
At end of year	**6,161**	**6,161**	**12**

The shareholders' funds of Barclays PLC included share premium account of £1,098m (1993 £1,063m), profit and loss account of £881m (1993 £881m) and a revaluation reserve of £2,546m (1993 £1,640m). The revaluation reserve arises from the revaluation of the investment in Barclays Bank PLC.

44 Investment in Barclays Bank PLC

The investment in Barclays Bank PLC is stated in the balance sheet at Barclays PLC's share of the book value of the net tangible assets of Barclays Bank PLC, as the Directors are of the opinion that this fairly represents the value of the investment. The net increase of £953m during the year comprised the cost of additional shares of £47m and an increase of £906m in other net tangible assets of Barclays Bank PLC. The cost of the investment was £3,166m (1993 £3,119m).

In the consolidated balance sheet, outstanding Preference Shares issued by Barclays Bank PLC ($437m) (1993 $937m) are included in minority interests at their sterling equivalent of £279m (1993 £633m). In the consolidated profit and loss account, dividends on the Preference Shares of £56m (1993 £55m) are included in profit attributable to minority interests. Further details of the rights of holders of preference shares are given in note a to the Barclays Bank PLC accounts on page 146.

Details of principal subsidiary undertakings, held through Barclays Bank PLC, are shown in note 50.

45 Dividends

	1994 £m	1993 £m	1992 £m
On Ordinary Shares			
First interim dividend	**130**	105	147
Second interim dividend	**213**	141	96
	343	246	243
	(pence per share)		
First interim dividend	**8.00**	6.50	9.15
Second interim dividend	**13.00**	8.65	6.00
	21.00	15.15	15.15

Dividends amounting to £0.1m are payable on the Staff Shares, which carry a fixed dividend of 14% per annum unless no dividend is paid for the year on the Ordinary Shares.

46 Leasing activities

Aggregate amounts received and receivable during the year under finance leases were £1,164m (1993 £1,386m), including interest income of £444m (1993 £538m).

47 Assets and liabilities denominated in sterling and foreign currencies

	1994 £m	1993 £m
Denominated in sterling	**90,923**	95,500
Denominated in currencies other than sterling	**71,480**	70,551
Total assets	**162,403**	166,051
Denominated in sterling	**95,182**	95,197
Denominated in currencies other than sterling	**67,221**	70,854
Total liabilities	**162,403**	166,051

48 Future rental commitments under operating leases

At 31st December 1994, the Group held various leases on land and buildings, many for extended periods, and other leases for equipment.

Annual commitments under non-cancellable operating leases expiring:	**1994 Property £m**	**1994 Equipment £m**	1993 Property £m	1993 Equipment £m
not more than one year	**8**	**6**	5	11
over one year but not more than five years	**24**	**11**	23	5
over five years	**133**	**–**	129	1
	165	**17**	157	17

The following aggregate rental payments outstanding at 31st December 1994 fall due as follows:

	Year ended 31st December					Total
	1995 £m	1996 £m	1997 £m	1998 £m	1999 £m	thereafter £m
Aggregate rental payments	182	163	150	144	138	1,777

The rentals for leasehold land, buildings and equipment included in operating expenses for the year ended 31st December 1994 amounted to £240m (1993 £253m, 1992 £228m).

Prior years figures have been restated, see note 16.

49 Trading assets and liabilities of securities business

The Companies Act 1985, as amended, requires that the trading assets and liabilities of the securities business of BZW are analysed across the balance sheet captions used for the Group's banking businesses. These assets and liabilities comprise:

Assets	**1994 £m**	1993 £m
Long positions at market value	**8,378**	9,086
Securities purchased under agreements to resell	**8,438**	7,357
Deposits with Stock Exchange money brokers and others as collateral for stock borrowing	**1,011**	1,588
Market and client debtors	**2,715**	4,564
	20,542	22,595
Included in the balance sheet as:		
Treasury bills and other eligible bills	**–**	186
Loans and advances to banks	**5,552**	2,080
Loans and advances to customers	**6,630**	11,412
Debt securities	**6,367**	6,737
Equity shares	**1,985**	2,166
Other	**8**	14
	20,542	22,595
Liabilities		
Short positions at market value	**6,765**	5,834
Securities sold under agreements to repurchase	**6,096**	5,763
Secured loans from Stock Exchange money brokers and others	**1,482**	2,584
Market and client creditors	**3,080**	4,583
	17,423	18,764
Included in the balance sheet as:		
Deposits by banks	**2,076**	2,975
Customer accounts	**8,406**	9,809
Other liabilities		
short positions	**6,765**	5,834
other	**176**	146
	17,423	18,764

The above amounts do not include the assets and liabilities of other trading businesses, such as those relating to money market, metals and foreign exchange.

50 Subsidiary undertakings

Country of registration or incorporation	Principal subsidiary undertakings	Percentage of equity capital held
England	Barclays Bank PLC – ordinary shares	100*
England	Barclays de Zoete Wedd Holdings Limited	100
England	Barclays Financial Services Limited	100
England	Barclays Mercantile Business Finance Limited	100
Guernsey	Barclays Finance Company (Guernsey) Limited	100
Jersey	Barclays Bank Finance Company (Jersey) Limited	100
Jersey	Barclays Private Bank and Trust Limited	100*
Italy	Barclays Financial Services Italia SpA	100
France	Barclays de Zoete Wedd Société de Bourse SA	97.9
Spain	Barclays Bank SA	99.7
Botswana	Barclays Bank of Botswana Limited	74.9
Kenya	Barclays Bank of Kenya Limited	68.5
Zimbabwe	Barclays Bank of Zimbabwe Limited	65.7*
USA	Barclays de Zoete Wedd Securities Inc.	100*
Canada	Barclays Bank of Canada (year end: 31st October)	100
Switzerland	Barclays Bank (Suisse) SA	100*
Japan	Barclays Trust and Banking Company (Japan) Limited	100

The country of registration or incorporation is also the principal area of operation for each of the above undertakings. Investments in these undertakings are held directly by Barclays Bank PLC except where marked *.

Barclays Bank PLC also has in issue 34,920,000 (1993 54,920,000) Non-cumulative Dollar-denominated Preference Shares of $0.01 each, none of which are held by Barclays PLC.

In 1992, the Group acquired a 100% interest in Imry Holdings Limited (Imry), a company registered in England, as a result of enforcing security against a loan to Chester Holdings (UK) Limited, the parent company of Imry. The interest is held exclusively with a view to subsequent resale and therefore has not been consolidated. Had Imry been consolidated, there would have been no material effect on total assets, shareholders' funds or profit before tax of the Group in either 1994 or 1993.

The Group holds all the issued shares of Imry and all of the £100m zero coupon preference shares in its subsidiary, Imry Jersey Limited. The shareholdings were valued at £56m at 31st December 1994 (1993 £56m). Imry's accounts are made up to 31st March. At 31st December 1994, the unaudited capital and reserves of Imry amounted to £91m (1993 £79m) and total assets amounted to £333m (1993 £330m). The unaudited profit before taxation of Imry for the 12 months ended 31st December 1994 was £12m (1993 £8m). There were outstandings of £83m (1993 £81m) due to the Group, secured by a fixed and floating charge on the assets of Imry. Interest payments by Imry to the Bank in the year amounted to £5m. There were no other material transactions between Imry and the Group during the year.

51 Off-balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments, including interest rate and currency swaps, financial futures contracts, forward contracts for the purchase and sale of foreign currencies and option contracts (all commonly known as derivatives), the nominal amounts for which are not reflected in the consolidated balance sheet.

Under internationally accepted banking supervision practice for the calculation of the credit risk associated with such off-balance sheet items, the contract or underlying principal amounts are initially converted to credit risk equivalents by applying specified conversion factors. In the case of interest and exchange rate related contracts, an assessment of the amounts at risk is arrived at by calculating the replacement cost at current market rates of all contracts where counterparty failure would result in loss. A further factor is then required to be added, representing potential increases in the amounts at risk arising from future movements in interest and exchange rates during the remaining lives of the contracts, and the resultant amounts are then risk weighted according to the nature of the counterparty. Exchange rate related contracts with an original maturity of 14 days or less are not required to be risk weighted.

As required by US Statement of Financial Accounting Standards (SFAS) No. 105, the following table summarises the nominal principal amount of financial instruments with off-balance sheet risk as at 31st December. For contingent liabilities and commitments, the off-balance sheet credit risk represents the contract amount. For derivatives the credit risk generally represents the replacement cost and is reflected on the balance sheet as an asset *after taking account of legal right of set-off.* Contracts with third-parties only are included in the table below, which excludes exchange traded contracts and OTC options sold which are not subject to significant credit risk. Details of positive and negative fair values are shown on page 118.

	1994 Contract or underlying principal amount £m	**1994 Risk weighted amount £m**	1993 Contract or underlying principal amount £m	1993 Risk weighted amount £m
Contingent liabilities				
Acceptances and endorsements	**1,493**		3,696	
Guarantees and assets pledged as collateral security	**6,289**		7,459	
Other contingent liabilities	**4,744**		5,680	
Off-balance sheet credit risk	**12,526**	**7,541**	16,835	9,153
Commitments				
Commitments arising out of sale and option to resell transactions	**229**		5	
Other commitments:				
documentary credits and other short-term trade-related transactions	**696**		772	
forward asset purchases and forward forward deposits placed	**403**		266	
undrawn note issuance and revolving underwriting facilities	**234**		523	
undrawn formal standby facilities, credit lines and other commitments to lend				
over one year	**10,369**		11,129	
in one year or less	**31,136**		29,181	
Off-balance sheet credit risk	**43,067**	**5,131**	41,876	5,714
Exchange rate contracts				
Foreign exchange contracts	**207,431**		200,275	
Currency swaps	**26,511**		17,846	
Other exchange rate related contracts (including SAFEs)	**18,529**		31,424	
	252,471	**2,083**	249,545	1,828
Replacement cost of exchange rate contracts	**3,778**	**–**	3,999	–

51 Off-balance sheet financial instruments, contingent liabilities and commitments (continued)

Interest rate contracts	1994 Contract or underlying principal amount £m	1994 Risk weighted amount £m	1993 Contract or underlying principal amount £m	1993 Risk weighted amount £m
Interest rate swaps	**308,361**		230,883	
Forward rate agreements	**116,445**		92,483	
Caps, collars and floors	**30,831**		30,077	
Other interest rate related contracts	**329**		5,499	
	455,966	**1,906**	358,942	2,418
Replacement cost of interest rate contracts	**4,170**	**–**	3,742	–

As an active participant in the world's international banking markets, the Group has a significant concentration of off-balance sheet items with the banking industry, as shown in note 63.

There were £1,263m contract amount of Group exchange rate contracts and £35,852m of Group interest rate contracts which were made for asset and liability management purposes with independently managed Barclays dealing units and third parties.

Nature of instruments
For a discussion of the nature of derivative financial instruments see page 62 of the Financial review – nature of derivative instruments.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange which have been paid and subsequently rediscounted.

Guarantees and assets pledged as collateral security are generally written by a bank to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction-related customs and performance bonds, and are, generally, short-term commitments to third parties which are not directly dependent on the customers' creditworthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements. In particular, the Group may withdraw from its contractual obligations for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer. Most commitments expire without being fully drawn upon and hence the cash requirements of such commitments are considerably less than the commitment limits that are reported.

Documentary credits commit the Group to make payments to third parties on production of documents which are usually reimbursed immediately by customers.

Other commitments include forward asset purchases, forward forward deposits placed and undrawn note issuance and revolving underwriting facilities.

Accounting treatment of credit-related instruments
The Group treats credit-related instruments as contingent liabilities and these are not shown on the balance sheet unless and until the Group is called upon to make a payment under the instrument. Assets arising from payments to a third party where the Group is awaiting reimbursement from the customer are shown on the balance sheet, together with any necessary provision. Beginning in 1993, fees received for providing these instruments are taken to profit over the life of the instrument and reflected in fees and commissions receivable, whereas in prior years, fees were taken to profit as received.

51 Off-balance sheet financial instruments, contingent liabilities and commitments (continued)

Risks

For credit-related instruments, the credit risk is the full contractual amount of these instruments. For most derivatives, the credit risk is normally the positive market value of the instruments, net of any legally enforceable right of set-off, which is usually much less than the notional amounts. The Group regards those exchange traded financial instruments, which require margining on a daily basis, as having minimum credit risk. The Group controls credit and market risk relating to off-balance sheet instruments in the same way as it does for on-balance sheet instruments.

Cash requirements

The Group holds collateral in respect of credit-related instruments where this is considered desirable, given the customer's financial position and the overall banking relationship. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future liabilities.

The cash requirement of a credit related instrument has the same features as the risk, set out above.

For a further discussion of the nature and management of credit risks and market risks, see risk management and treasury asset and liability management on pages 36 and 58 in the Financial review.

As required by SFAS No. 119, the tables set out below analyse the contract or underlying principal amounts and positive and negative fair values of derivative financial instruments held or issued for trading purposes at 31st December 1994, *excluding any legal right of set off.*

	Contract or underlying principal amount £m	Positive fair value £m	Negative fair value £m
Foreign exchange derivatives			
Forward foreign exchange	**207,256**	**2,459**	**2,081**
Currency swaps	**26,152**	**1,000**	**1,128**
OTC options bought	**14,061**	**312**	**–**
OTC options sold	**14,451**	**–**	**321**
SAFEs and other foreign exchange	**4,468**	**3**	**3**
OTC derivatives	**266,388**	**3,774**	**3,533**
Exchange traded futures – bought	**147**	**–**	**–**
Exchange traded futures – sold	**85**	**–**	**–**
Exchange traded options – bought	**6**	**–**	**–**
Exchange traded options – sold	**6**	**–**	**–**
Total	**266,632**	**3,774**	**3,533**
Interest rate derivatives			
Swaps	**305,180**	**6,214**	**5,879**
Forward rate agreements	**111,806**	**179**	**158**
OTC options bought	**30,827**	**437**	**–**
OTC options sold	**37,171**	**–**	**456**
Other interest rate contracts	**329**	**–**	**–**
OTC derivatives	**485,313**	**6,830**	**6,493**
Exchange traded futures – bought	**53,511**	**33**	**33**
Exchange traded futures – sold	**51,164**	**35**	**36**
Exchange traded options – bought	**7,055**	**8**	**–**
Exchange traded options – sold	**2,461**	**–**	**9**
Total	**599,504**	**6,906**	**6,571**

51 Off-balance sheet financial instruments, contingent liabilities and commitments (continued)

Equity and stock index derivatives	Contract or underlying principal amount £m	Positive fair value £m	Negative fair value £m
OTC options bought	3,787	238	–
OTC options sold	4,331	–	310
Equity swaps and forwards	375	1	–
OTC derivatives	8,493	239	310
Exchange traded futures – bought	994	20	8
Exchange traded futures – sold	1,365	1	27
Exchange traded options – bought	5,658	84	–
Exchange traded options – sold	2,454	–	49
Total	18,964	344	394
Commodity derivatives			
OTC options bought	638	92	–
OTC options sold	803	–	48
Commodity swaps and forwards	3,151	360	23
OTC derivatives	4,592	452	71
Exchange traded futures – bought	10,973	5	2
Exchange traded futures – sold	11,484	1	196
Exchange traded options – bought	748	67	–
Exchange traded options – sold	528	–	12
Total	28,325	525	281

These tables include only the fair values of derivative instruments and do not take account of the mark-to-market values of on-balance sheet trading instruments.

52 Legal proceedings

On 29th April 1994, the Administrators of British & Commonwealth Holdings PLC (B&C), appointed under the Insolvency Act 1986, issued proceedings against a Group subsidiary, Barclays de Zoete Wedd Limited (BZW), for alleged breaches of duty in connection with the 1988 acquisition by B&C, advised by BZW, of Atlantic Computers Plc. B&C is claiming damages, which it calculates at up to some £500m, plus interest. BZW will vigorously defend these proceedings.

Barclays is party to various other legal proceedings, the ultimate resolution of which is not expected to have a material adverse effect on the financial position of the Group or the results of its operations.

53 Reconciliation of operating profit to net cash flow from operating activities

	1994 £m	1993 £m	1992 £m
Operating profit/(loss)	**1,721**	645	(129)
Provisions for bad and doubtful debts	**602**	1,869	2,465
Decrease/(increase) in net interest and commission receivable	**25**	138	(176)
Depreciation and amortisation	**232**	308	240
Net profit on disposal of fixed assets and investments	**(10)**	(14)	(32)
Loss/(profit) on redemption of loan capital	**60**	(22)	–
Increase in value of the long-term assurance fund	**(12)**	(107)	(67)
Interest on dated and undated loan capital and other subordinated liabilities	**317**	319	295
Net cash flow from trading activities	**2,935**	3,136	2,596
Net (decrease)/increase in deposits and debt securities	**(7,153)**	7,647	1,752
Net increase/(decrease) in accrued expenses and other credit balances	**4,478**	(2,155)	7,653
Net decrease/(increase) in loans and advances	**8,548**	(217)	(4,940)
Net (increase)/decrease in other assets and prepayments	**(1,972)**	1,947	(6,548)
Net decrease/(increase) in other debt securities and equity shares	**2,682**	(5,753)	(1,358)
Net change in items in transit	**27**	(5)	440
Net decrease/(increase) in treasury and other eligible bills	**680**	2,032	(2,026)
Other non-cash movements	**(25)**	113	317
Net cash inflow/(outflow) from operating activities of Barclays PLC	**10,200**	6,745	(2,114)

54 Sale of subsidiary and associated undertakings during the year

	1994 £m	1993 £m	1992 £m
Goodwill written back	**27**	3	42
Advances and other accounts	**1,225**	101	1,297
Deposits and other borrowings	**(951)**	(91)	(1,194)
Net assets disposed of	**301**	13	145
Net profit/(loss) on disposal	**103**	1	(72)
Settled by net cash received	**404**	14	73

55 Changes in financing during the year

Barclays PLC	Undated loan capital £m	Dated loan capital £m	Other sub-ordinated liabilities £m	Ordinary Shares £m	Barclays Bank PLC Preference Shares £m	Share premium £m
At beginning of year	**2,053**	**2,130**	**131**	**1,624**	**633**	**1,063**
Exchange rate and other movements	**(74)**	**(18)**	**(9)**	–	**(34)**	–
Loss on redemption of loan capital	–	**60**	–	–	–	–
Loss on redemption of preference shares	–	–	–	–	**18**	–
Net cash (outflow)/inflow from financing	–	**(610)**	**(1)**	**12**	**(338)**	**35**
At end of year	**1,979**	**1,562**	**121**	**1,636**	**279**	**1,098**

During the year, the Bank redeemed $500m of Preference Shares at a total cost of £338m.

56 Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents are short-term highly liquid investments, which are readily convertible into known amounts of cash without notice, and which were within three months of maturity when acquired.

	1994 £m	1993 £m	Change £m
Cash and balances at central bank	**800**	910	(110)
Treasury bills and other eligible bills	**3,471**	1,869	1,602
Loans and advances to banks	**16,566**	10,123	6,443
Loans and advances to customers	**3,253**	3,504	(251)
Certificates of deposit	**1,203**	790	413
	25,293	17,196	8,097

	1994 £m	1994 £m	1993 £m	1993 £m	1992 £m	1992 £m
Balance at beginning of year		**17,196**		13,343		15,084
Net increase/(decrease) in cash and cash equivalents before the effect of exchange rate movements	**8,069**		3,832		(2,902)	
Effect of exchange rate movements	**28**		21		1,161	
		8,097		3,853		(1,741)
Balance at end of year		**25,293**		17,196		13,343

57 Directors' emoluments

The aggregate emoluments of the Directors of Barclays PLC set out below are disclosed in accordance with Part I of Schedule 6 to the Companies Act 1985 and the Cadbury Code of Best Practice.

	1994 £000	1993 £000
Salaries	**1,787**	1,638
Pension contributions (a, b, c)	**339**	346
Fees	**258**	309
Bonuses payable in respect of 1994 (d)	**797**	1,189
Long term share scheme	**483**	984
Benefits	**57**	56
Amounts payable to third parties for Directors' services	**–**	24
Other	**8**	4
	3,729	4,550

Notes

(a) In addition, pensions in respect of management services of former Directors amount to £128,461 (1993 £126,301).

(b) For Directors who are members of the Group's main UK pension scheme, the pension contributions shown above have been calculated using the current contribution rate of 7.5% of pensionable salary. This rate reflects the benefit of the surplus in the scheme without which it would be approximately 19%. For Directors who are members of the BZW pension scheme, the corresponding rates are 10% and 15.2%

(c) Pension contributions include £26,000 (1993 £22,000) for the Chairman, Mr Buxton and £23,000 (1993 £23,000) for the highest paid Director, Mr Band.

(d) For Directors on Barclays Bank PLC service contracts, bonuses payable include amounts to be allocated under the UK profit sharing scheme.

(e) Emoluments include amounts payable by subsidiary undertakings and by other companies where services are undertaken in the interests of the Group.

57 Directors' emoluments (continued)

The numbers of Directors (other than current executive Directors) whose emoluments, excluding pension contributions, fall within the undermentioned limits are:

	1994	1993
£5,001 – £10,000	**1**	2
£15,001 – £20,000	**–**	3
£20,001 – £25,000	**6**	3
£25,001 – £30,000	**–**	2
£40,001 – £45,000	**1**	1
£45,001 – £50,000	**1**	–
£55,001 – £60,000	**–**	1
£60,001 – £65,000	**1**	–
£80,001 – £85,000	**–**	1
£225,001 – £230,000	**–**	1
£480,001 – £485,000	**–**	1

Emoluments of executive Directors

The emoluments of the Chairman (Mr Buxton) and the current executive Directors, excluding pension contributions, amount to:

	Basic salary	**Bonus in respect of 1994**	**Long term share scheme**	**Other benefits**	**Total 1994**	Total 1993
	£000	**£000**	**£000**	**£000**	**£000**	£000
D Band	**225**	**300**	**240**	**11**	**776**	1,415
ARF Buxton	**350**	**100**	**59**	**14**	**523**	441
Sir Peter Middleton	**260**	**82**	**50**	**10**	**402**	350
FAL Robinson	**220**	**56**	**32**	**6**	**314**	273
OHJ Stocken	**190**	**90**	**72**	**10**	**362**	439
JM Taylor	**500**	**169**	**30**	**11**	**710**	204

Mr Stocken and Mr Taylor were appointed to the Board on 1st May 1993 and 1st November 1993 respectively. As from 1st January 1995, Mr Stocken moved from a BZW to a Barclays Bank PLC service contract. His salary was increased to £250,000 per annum from that date. There have been no other changes in the salaries of executive Directors since the salary review as at 1st January 1994.

Remuneration policy

Overall objectives The overall objective of the Group's executive remuneration policy is to provide a competitive package which enables the Group to attract, motivate, reward and retain a management group of senior executives of a high quality. The Remuneration and Nominations Committee, which is made up entirely of non-executive Directors, sets the remuneration of executive Directors, all of whom have service agreements terminable by the Group on one year's notice, and takes into account corporate and individual performance and market data. In addition to a basic salary, the remuneration package of executive Directors and senior executives includes participation in a range of short- and medium-term incentive schemes. Together these schemes are designed to meet the overall objectives of the remuneration policy and further details are set out below.

57 Directors' emoluments (continued)

UK profit sharing scheme A profit sharing scheme was first established in 1974. Two schemes are in force under which a total of up to 5% of consolidated net profits (before tax and extraordinary items) may be distributed to eligible employees and executive Directors in cash, after deduction of income tax, or in shares in the Company as described on page 95.

Bonus scheme and long term share scheme Directors on Barclays Bank PLC service contracts (Mr Buxton, Sir Peter Middleton, Mr Robinson and Mr Taylor) qualify for incentive payments based on team and individual performance. Team performance was, in 1994, linked to the Group's level of achievement over a range of measures including operating income and profit before tax. Individual performance is determined through regular appraisal. Awards comprise a cash bonus and a provisional allocation under an employee share scheme (known as the long term share scheme). The level of the cash bonus and the value of any provisional allocation which may be granted under the long term share scheme is subject to an overall maximum, expressed as a percentage of annual salary.

Directors on BZW service contracts (Mr Band and, up to 31st December 1994, Mr Stocken) qualify for incentive payments based on their individual performance, market considerations and profit before tax. Awards comprise a cash bonus and a provisional allocation to the long term share scheme.

The long term share scheme ensures that the medium term incentive is related closely to the overall performance of the Barclays Group. Under the scheme, Ordinary Shares in Barclays PLC are purchased in the market by the independent trustee of a discretionary trust (known as the Barclays Group Employees' Benefit Trust). The trustee may make provisional allocations, which do not give rise to any entitlement, of such shares to eligible executives which may normally be released, subject to certain conditions, in equal numbers at the end of three, four and five years. At the end of the fifth year a share bonus equal to 20% of the number of shares provisionally allocated may, in normal circumstances, be released to an executive.

In March 1994, payments were made to the Barclays Group Employees' Benefit Trust and five provisional allocations in respect of 112,991 shares were made to Directors in respect of bonuses accrued in 1993 and reported as emoluments in that year. The amounts shown for the long term share scheme in 1994 represent payments which are expected to be made to the trustee for the provisional allocation of shares in 1995, including the 20% share bonus.

Share option schemes Two schemes are maintained, an SAYE Share Option Scheme and an Executive Share Option Scheme. The SAYE Scheme is designed to encourage eligible employees and executive Directors in the United Kingdom to enter into monthly savings contracts and to use the savings at the expiry of a fixed term, normally five or seven years, to subscribe for shares in the Company. The Executive Share Option Scheme is currently available to certain senior executives and executive Directors of the Group with grants being approved by the Board on the recommendation of the Remuneration and Nominations Committee. The options are normally exercisable between three and ten years from the date of grant at the market price at that date. There are currently 98 past and present executive Directors and employees who hold options under the Scheme.

Pension arrangements Messrs Band, Buxton, Robinson and Stocken are entitled to pensions of two-thirds of their pensionable salary at retirement at age 60, these pensions being funded from the Group's main pension scheme or the BZW pension scheme.

For those of the above executive Directors who joined the Group after the age of 20, additional years of service have been granted to them, to be earned over the period of their actual service in the Group.

An accrual of 17.5% of his annual salary is made on behalf of Mr Taylor for the provision of his pension, part of which is funded by the Group's main pension scheme up to the level of the earnings cap, with the balance being accrued on his behalf outside the pension scheme.

Sir Peter Middleton is entitled to a pension on retirement of one-sixtieth of his final pensionable salary for each year of service together with a fixed sum of £12,990 per annum. Part of his entitlement is being funded by the Group's main scheme up to the level of the earnings cap, with the balance being accrued on his behalf outside the pension scheme.

All executive Directors' arrangements include dependants' pensions and lump sums in the event of death in service.

58 Directors' options and shareholdings

Options to acquire Ordinary Shares of Barclays PLC

	Number of options					Market price at		
	At 1st January 1994	During the year Granted	Exercised	At 31st December 1994	Exercise price £	exercise date £	Dates from which exercisable	Latest expiry date
D Band	104,216	–	–	104,216	2.88	–	now	23/08/98
	59,900	–	–	59,900	5.01	–	27/08/96	26/08/03
	–	40,000	–	40,000	5.50	–	31/08/97	30/08/04
ARF Buxton	55,389	–	55,389	–	2.99	5.43	n/a	n/a
	74,582	–	–	74,582	2.88	–	now	23/08/98
	70,100	–	–	70,100	3.71	–	now	29/08/00
	–	70,000	–	70,000	5.50	–	31/08/97	30/08/04
	3,973*	–	–	3,973	2.72-4.45	–	01/11/97	30/04/01
Sir Peter Middleton	234,300	–	–	234,300	3.67	–	24/03/95	23/03/02
	–	32,000	–	32,000	5.50	–	31/08/97	30/08/04
FAL Robinson	22,533	–	–	22,533	3.65	–	now	02/09/97
	50,654	–	–	50,654	2.88	–	now	23/08/98
	54,400	–	–	54,400	3.71	–	now	29/08/00
	39,900	–	–	39,900	5.01	–	27/08/96	26/08/03
	–	40,000	–	40,000	5.50	–	31/08/97	30/08/04
	3,221*	704	–	3,925	3.23-4.90	–	01/11/96	30/04/00
OHJ Stocken	39,022	–	–	39,022	3.16	–	now	22/03/97
	85,800	–	–	85,800	5.01	–	27/08/96	26/08/03
	–	14,700	–	14,700	5.44	–	31/03/97	30/03/04
	–	15,000	–	15,000	5.50	–	31/08/97	30/08/04
	3,449*	795	1,114	3,130	2.72-4.90	5.86	01/11/95	30/04/02
JM Taylor	–	196,900	–	196,900	5.44	–	31/03/97	30/03/04

* SAYE options. Other options were granted under the Executive Share Option Scheme.

The mid-market price of the shares at 30th December 1994 was 611p (1993 636p), the highest mid-market price during 1994 was 635p and the lowest mid-market price was 499p.

No options lapsed during the year.

In January 1994, in lieu of part of an entitlement to participate in the Executive Share Option Scheme, it was agreed that Mr JM Taylor would be paid a bonus between 1997 and 2004 related to the excess over 619p of the market price of 150,000 Barclays PLC Ordinary Shares.

Similarly, Mr OHJ Stocken will be paid a bonus between 1996 and 2003 related to the excess over 413p of the market price of 10,000 Barclays PLC Ordinary Shares.

Directors' options

Directors and officers of Barclays PLC as a group (involving 8 persons) held, at 31st December 1994, options to purchase 1,288,479 Barclays PLC £1 Ordinary Shares at prices ranging from 272p to 490p under the SAYE Scheme and ranging from 288p to 550p under the Executive Scheme, exercisable in the period from 1995 to 2004.

58 Directors' options and shareholdings (continued)

Directors' interests in Ordinary Shares of Barclays PLC

	At 1st January 1994		At 31st December 1994	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Mrs Mary Baker	3,120	-	3,120	–
D Band†	834	-	859	–
Sir Derek Birkin	1,418	-	1,438	–
ARF Buxton†	16,222	6,625*	43,105	4,625*
Sir Denys Henderson	15,400	-	20,000	–
Lord Lawson	2,012	-	2,032	–
Sir Peter Middleton†	500	4,000*	1,583	2,000*
Sir Nigel Mobbs	10,391	10,281	10,391	10,281
S Ogata	554	-	569	–
J Peelen	554	-	570	–
FAL Robinson†	16,847	4,000*	17,723	2,000*
OHJ Stocken†	654	-	1,787	–
JM Taylor	2,000	-	2,000	–
Lord Wright	1,206	-	1,221	–

* These holdings include a joint interest, held ex-officio as trustees of a trust, in 2,000 (4,000 at 1st January 1994) Barclays PLC Ordinary Shares.

† In addition to the interests shown above, these Directors had an interest as at 31st December 1994 (1st January 1994 – nil), together with other senior executives, as potential beneficiaries in 580,340 Barclays PLC Ordinary Shares held by the Barclays Group Employees' Benefit Trust.

Lord Lawson acquired a further 45 Barclays PLC Ordinary Shares on 6th January 1995 from the automatic reinvestment of dividends on shares held in a personal equity plan.

The beneficial and non-beneficial ownership of the Ordinary share capital of Barclays PLC by all Directors and senior executive officers as a group (involving 16 persons) at 31st December 1994 amounted to 155,316 £1 Ordinary Shares (0.009% of Ordinary share capital outstanding).

59 Contracts with Directors and connected persons and with senior executives

The aggregate amounts outstanding at 31st December 1994 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are, or were during the year, Directors of Barclays PLC and persons connected with them and for senior executives, within the meaning of the Banking Act 1987, of Barclays Bank PLC were:

	Number of Directors or senior executives	Number of connected persons	Amount £000
Directors			
Loans	**4**	**1**	**97**
Quasi-loans and credit card accounts	**11**	**6**	**348**
Senior executives			
Loans	**28**	**–**	**2,084**
Quasi-loans and credit card accounts	**28**	**–**	**116**

There are no transactions, arrangements or agreements with Barclays PLC or its subsidiary undertakings in which Directors or persons connected with them or senior executives of Barclays Bank PLC had a material interest and which are disclosable under the relevant provisions of the Companies Act 1985, other than options to subscribe for Ordinary Shares under the Barclays PLC Executive and SAYE Share Option Schemes.

60 Segmental analysis

By geographical segments (b)	1994 £m	1994 %	1993 £m	1993 %	1992 £m	1992 %
Interest receivable						
United Kingdom	**5,989**	**60**	6,818	62	8,413	65
Foreign UK-based	**601**	**6**	710	6	804	6
Other European Union	**1,215**	**12**	1,604	14	1,745	13
United States	**1,455**	**15**	1,117	10	1,159	9
Rest of the World	**719**	**7**	836	8	847	7
	9,979	**100**	11,085	100	12,968	100
Fees and commission receivable						
United Kingdom	**1,991**	**68**	2,067	76	1,833	73
Foreign UK-based	**81**	**3**	89	3	83	3
Other European Union	**262**	**9**	223	8	194	8
United States	**161**	**6**	(25)	(1)	187	7
Rest of the World	**415**	**14**	390	14	241	9
	2,910	**100**	2,744	100	2,538	100
Dealing profits (c)						
United Kingdom	**325**	**85**	403	61	222	61
Foreign UK-based	**44**	**11**	146	22	87	24
Other European Union	**10**	**3**	51	8	24	6
United States	**1**	**–**	2	–	7	2
Rest of the World	**4**	**1**	55	9	25	7
	384	**100**	657	100	365	100
Other operating income						
United Kingdom	**116**	**62**	214	71	188	69
Foreign UK-based	**–**	**–**	–	–	5	2
Other European Union	**25**	**13**	25	8	36	13
United States	**46**	**25**	55	18	26	10
Rest of the World	**(1)**	**–**	8	3	18	6
	186	**100**	302	100	273	100
Gross income						
United Kingdom	**8,421**	**63**	9,502	64	10,656	66
Foreign UK-based	**726**	**5**	945	6	979	6
Other European Union	**1,512**	**11**	1,903	13	1,999	12
United States	**1,663**	**12**	1,149	8	1,379	9
Rest of the World	**1,137**	**9**	1,289	9	1,131	7
	13,459	**100**	14,788	100	16,144	100
Profit /(loss) on ordinary activities before tax						
United Kingdom	**1,292**	**69**	1,001	151	(384)	157
Foreign UK-based	**369**	**20**	228	35	184	(75)
Other European Union	**(191)**	**(10)**	(212)	(32)	(129)	53
United States	**237**	**13**	(510)	(77)	(29)	12
Rest of the World	**152**	**8**	154	23	114	(47)
	1,859	**100**	661	100	(244)	100
Attributable profit						
United Kingdom	**793**	**67**	652	210	(357)	103
Foreign UK-based	**261**	**22**	153	49	159	(46)
Other European Union	**(154)**	**(13)**	(173)	(56)	(163)	47
United States	**196**	**17**	(413)	(133)	(40)	12
Rest of the World	**83**	**7**	91	30	56	(16)
	1,179	**100**	310	100	(345)	100

60 Segmental analysis (continued)

Total assets	1994 £m	1994 %	1993 £m	1993 %	1992 £m	1992 %
United Kingdom	**106,127**	**66**	103,018	62	95,984	60
Foreign UK-based	**11,732**	**7**	13,344	8	13,503	8
Other European Union	**17,364**	**11**	17,005	10	17,759	11
United States	**16,902**	**10**	19,160	12	21,087	13
Rest of the World	**10,278**	**6**	13,524	8	11,569	8
	162,403	**100**	166,051	100	159,902	100
Net assets						
United Kingdom	**4,728**	**73**	3,929	67	3,947	68
Foreign UK-based	**322**	**5**	257	4	236	4
Other European Union	**530**	**8**	584	10	538	9
United States	**569**	**9**	649	11	598	10
Rest of the World	**341**	**5**	466	8	543	9
	6,490	**100**	5,885	100	5,862	100

By classes of business (a, d)	1994 £m	1994 %	1993 £m	1993 %	1992 £m	1992 %
Gross income						
Commercial banking activities	**9,193**	**68**	10,393	70	11,990	74
Investment banking activities	**4,139**	**31**	4,201	28	3,976	25
Group central functions	**127**	**1**	194	2	178	1
	13,459	**100**	14,788	100	16,144	100
Profit/(loss) on ordinary activities before tax						
Commercial banking activities	**1,768**	**95**	285	43	(272)	111
Investment banking activities	**172**	**9**	456	69	246	(101)
Group central functions	**(81)**	**(4)**	(80)	(12)	(218)	90
	1,859	**100**	661	100	(244)	100
Total assets						
Commercial banking activities	**87,717**	**54**	97,080	58	101,981	64
Investment banking activities	**71,602**	**44**	65,796	40	54,919	34
Group central functions	**3,084**	**2**	3,175	2	3,002	2
	162,403	**100**	166,051	100	159,902	100
Net assets – Barclays PLC						
Commercial banking activities	**4,622**	**71**	4,743	81	4,925	84
Investment banking activities	**1,160**	**18**	920	15	787	13
Group central functions (e)	**708**	**11**	222	4	150	3
	6,490	**100**	5,885	100	5,862	100

Notes

(a) The analyses above are for Barclays PLC. Figures for net profit and net assets differ for Barclays Bank PLC and are shown on page 147.

(b) Basis of geographical and business analysis – see Analyses by geographical segments and classes of business on page 85.

(c) This is a prescribed heading under Schedule 9 to the Companies Act 1985, in which 'profit' does not conform to the more usual definition followed elsewhere in this document. The disclosure reflects dealing trading income, not including net interest income or fees and commissions receivable and before charging associated staff and other administrative expenses.

(d) Classes of business are the main groups of products and services supplied by the Group. Commercial banking activities include any banking related business conducted by the businesses, including United States Transition, and also Problem country debt management and UK associated undertakings.

(e) The increase in net assets of Group central functions arises as a result of the transfer of the operational property interests of Barclays Bank PLC to a wholly owned subsidiary on 1st January 1994.

61 Differences between UK GAAP (UK) and US GAAP (US) accounting principles

The accounts presented in this report have been prepared in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP). Such principles vary in significant respects from those generally accepted in the United States (US GAAP). The significant differences applicable to the Group's accounts are summarised below (see also notes 62, 63 and 64).

UK GAAP	US GAAP
Goodwill Goodwill arising on acquisitions of subsidiary and associated undertakings is charged against reserves in the year of acquisition. In the event of a subsequent disposal, any goodwill previously charged directly against reserves is written back and is reflected in the profit or loss on disposal.	Goodwill is capitalised and amortised through income over the period estimated to benefit. In Barclays case, a period of 20 years has been used. Goodwill is written off when judged to be irrecoverable.
Pension cost Pension fund assets are assessed actuarially at the present value of the expected future investment income, which is consistent with UK Statement of Standard Accounting Practice 24. Most liabilities are discounted at a long-term interest cost and most variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current employees.	Under Statement of Financial Accounting Standards (SFAS) No. 87, the same basic actuarial method is used as under UK GAAP, but certain assumptions differ, assets are assessed at fair value and liabilities are assessed at current settlement rates. Certain variations from regular cost are allocated in equal amounts over the average remaining services lives of current employees.
Post-retirement benefits Post-retirement health care liabilities are assessed actuarially on a similar basis to pension liabilities under UK Statement of Standard Accounting Practice 24 and are discounted at a long-term interest cost. Variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current eligible employees.	Under SFAS No. 106, there are certain differences in the actuarial method used and variations in the computation of regular cost as compared with UK GAAP.
Leasing - Lessor Finance lease income is recognised in proportion to the funds invested in the lease using a method which results in a level rate of return on the net cash investment.	Application of SFAS No. 13 gives rise to a level rate of return on the investment in the lease, but without taking into account tax payments and receipts. This results in income being recognised in different periods than under UK GAAP.
Leasing - Lessee Following the implementation of FRS 5 in 1994, leases are now categorised as finance leases when the substance of the agreement is that of a financing transaction and the lessee assumes substantially all of the risks and benefits relating to the asset. All other leases are categorised as operating leases.	Leases are classified as capital leases when any of certain criteria are met as outlined under SFAS No. 13. All other leases are classified as operating leases.
Deferred tax Deferred tax is provided at the estimated rates at which future tax will become payable on timing differences where it is probable that a tax liability will crystallise. No deferred tax asset is created in respect of the general allowance for bad and doubtful debts which is not deductible in arriving at UK taxable profits.	Under SFAS No. 109, a liability method is also used, but deferred tax assets and liabilities are calculated for all temporary differences, including the general allowance for bad and doubtful debts. A valuation allowance is raised against a deferred tax asset where it is more likely than not that some portion of the deferred tax asset will not be realised.

61 Differences between UK and US accounting principles (continued)

UK GAAP	US GAAP
Property depreciation Depreciation is charged on the cost or revalued amounts of freehold and long leasehold properties over their estimated useful economic lives.	Freehold and long-leasehold property is depreciated based on the historical cost.
Exchange of country risk debt Debts acquired through a debt swap transaction are recorded at the net book value of the disposed debt. Where debt instruments have been acquired in exchange for overdue interest an amount of interest in suspense equal to the value of the debt instruments acquired is released to the profit and loss account.	Debts acquired through a debt swap transaction are recorded at estimated fair value at the date of the transaction. If necessary thereafter, a provision is raised to reduce this value to the estimated ultimate recoverable amount. Where debt instruments have been acquired in exchange for overdue interest, interest income is only recognised on the receipt of payments from the debtor or on the sale of the debt instrument.
Shareholders' interest in the long-term assurance fund The shareholders' interest in the in-force life-assurance and pensions policies of the long-term assurance fund of Barclays Life Assurance Company Limited is valued at the net present value of the profits inherent in such policies.	The net present value of the profits inherent in the in-force life and pensions policies of the long-term assurance fund of Barclays Life Assurance Company Limited is not recognised by the Group under US GAAP. An adjustment is made for the amortisation of acquisition costs and fees in accordance with SFAS No. 97.
Revaluation of property Property is carried either at original cost or at subsequent valuation less related depreciation (as described in Accounting policies), calculated on the revalued amount where applicable. Revaluation surpluses are taken directly to shareholders' funds, while deficits below cost less any related depreciation are included in attributable profit.	Revaluations of property are not permitted in the accounts under US GAAP. As a result, when a property is disposed of, a greater profit or lower loss is generally recorded under US GAAP than under UK GAAP.
Disposal of investments Exchange rate translation differences which arise in respect of foreign currency denominated investments, are included in the carrying value of the investment and are also accumulated in the reserves in the consolidated accounts. The profit or loss on any disposal is calculated by comparing the net proceeds with the then carrying value of the investment.	SFAS No. 52 requires similar treatment of exchange rate translation differences, except that, on disposal, cumulative exchange rate translation differences, which have previously been taken to reserves, are reversed and reported as part of the profit or loss on sale of the investment.
Net unrealised gain/loss on investment securities Investment debt securities and equity shares are stated at amortised amount less provision for diminution in value. Investment securities are intended for use on a continuing basis by the Group.	SFAS No. 115 requires that debt and certain marketable equity securities, which are intended for use on a continuing basis, be recorded at fair value with unrealised gains and losses recorded in shareholders' equity.
Dividend payable Dividends declared after the period end are recorded in the period to which they relate.	Dividends are recorded in the period in which they are declared.
Acceptances Acceptances are not recorded on the balance sheet.	Acceptances and the related customer liabilities are recorded on the balance sheet.

61 Differences between UK and US accounting principles (continued)

Future developments

SFAS No.114 'Accounting by Creditors for Impairment of a Loan', requires that the measurement of impaired loans is to be based on the present value of expected future cash flows, discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market value, or the fair value of the collateral if the loan is collateral dependant. SFAS No.114 is required to be adopted in 1995 and Barclays is currently reviewing this statement to determine what effect it may have on the reconciliation of net income and shareholders' equity between UK and US GAAP.

The following table summarises the significant adjustments to consolidated attributable profit (net income under US GAAP) and shareholders' funds (shareholders' equity under US GAAP) which would result from the application of US GAAP instead of UK GAAP.

	1994 £m	1993 £m	1992 £m
Attributable profit/(loss) of Barclays PLC Group (UK GAAP)	**1,179**	310	(345)
Goodwill	**(19)**	(32)	4
Pension cost (a)	**(56)**	(61)	1
Post-retirement benefits (b)	**11**	(2)	–
Leasing – Lessor (c)	**(34)**	(24)	(13)
Leasing – Lessee (d)	**(98)**	3	2
Deferred tax (e)	**12**	40	108
Property depreciation	**4**	(9)	(9)
Loan origination fees and costs	**16**	32	(8)
Exchange of country risk debt	**(3)**	(8)	(12)
Shareholders' interest in the long-term assurance fund	**(9)**	(59)	(45)
Disposal of revalued property	**16**	1	25
Deficit on the revaluation of properties	**4**	8	60
Disposal of investment	**4**	–	(18)
Approximate net income/(loss) (US GAAP)	**1,027**	199	(250)
Barclays PLC Group	p	p	p
Earning/(loss) per £1 Ordinary Share	**63.0**	12.3	(15.6)

	Barclays PLC Group 1994 £m	1993 £m
Shareholders' funds (UK GAAP)	**6,161**	5,208
Goodwill	**322**	366
Pension cost (a)	**(85)**	(29)
Post-retirement benefits (b)	**9**	(2)
Leasing – Lessor (c)	**(68)**	(34)
Leasing – Lessee (d)	**2**	104
Deferred tax (e)	**58**	46
Property depreciation	**(60)**	(64)
Loan origination fees and costs	**(16)**	(32)
Exchange of country risk debt	**(23)**	(20)
Shareholders' interest in the long-term assurance fund	**(357)**	(348)
Revaluation of property	**(257)**	(362)
Net unrealised gain on investment securities (f)	**57**	–
Dividend payable	**213**	141
Approximate shareholders' equity (US GAAP)	**5,956**	4,974

In 1993, Barclays implemented prospectively the SORP on advances, which has similar requirements to SFAS No. 91 on the treatment of fees and direct costs associated with the origination of lendings. Accordingly, for 1993 onward, there is no difference in the recognition of income under UK and US GAAP in regard to these items. The adjustments to UK GAAP net profit for 1993 and 1994 reflect the amortisation of fees and costs deferred in prior periods under US GAAP.

Selected financial data, adjusted from UK GAAP to reflect the main differences from US GAAP, is shown on page 150.

61 Differences between UK and US accounting principles (continued)

(a) In accordance with SFAS No. 87, 'Employers' Accounting for Pensions', (SFAS No. 87), the excess of plan assets over the projected benefit obligation, as at the transition date, is recognised as a reduction of pension expense on a prospective basis over approximately 15 years.

The provisions of SFAS No. 87 have only been applied to the main UK pension scheme, the Barclays Bank (1964) Pension Fund, which makes up over 90% of all the Group's schemes in terms of assets and actuarial liabilities.

The components of the pension expense which arise under SFAS No. 87 are estimated to be as follows:

	1994 £m	1993 £m	1992 £m
Service cost	**233**	203	192
Interest cost	**443**	434	439
Actual return for the year on plan assets	**(382)**	(1,609)	(96)
Net amortisation and deferral	**(138)**	1,139	(460)
	156	167	75

The £156m US GAAP pension cost (1993 £167m, 1992 £75m) compares with £72m under UK GAAP (1993 £76m, 1992 £77m). The difference, net of UK corporation tax at 33% for all three years, represents the £(56)m net income adjustment for 1994 (1993 £(61)m, 1992 £1m).

The following table presents the estimated funded status of the scheme under SFAS No. 87.

	1994 £m	**1994 £m**	1993 £m	1993 £m
Plan assets at fair value		**6,892**		6,702
Accumulated benefit obligation – vested and non-vested	**(4,811)**		(4,696)	
Additional benefits based on estimated future salary levels	**(1,208)**		(1,359)	
Projected benefit obligation		**(6,019)**		(6,055)
Plan assets in excess of projected benefit obligation		**873**		647
Amounts available to be applied as reduction of future pension cost:				
Balance of initial transition amount		**(216)**		(242)
Accumulated actuarial difference		**(779)**		(444)
Accrued pension cost		**(122)**		(39)

Plan assets are invested primarily in equities, fixed interest securities and property.

In accordance with SFAS No. 87, the calculation of the projected benefit obligation at 30th September, 1994 assumes a weighted average discount rate of 8% (1993 7.5%, 1992 8.5%). The other main assumptions are the same as those used for the purposes of UK GAAP and are explained in note 7 to the accounts.

(b) The components of the charge for post-retirement health care which arises under SFAS No. 106 are estimated to be as follows:

	1994 £m	1993 £m
Service cost	**4**	4
Interest cost	**12**	11
Amortisation of transition obligation of £124m (1993 £130m) over 20 years	**7**	6
	23	21

The £23m US GAAP expense (1993 £21m) compares with £39m under UK GAAP (1993 £18m). The difference net of UK corporation tax relief at 33% represents the £11m net income adjustment for 1994 (1993 £(2)m).

61 Differences between UK and US accounting principles (continued)

Accumulated post-retirement health care obligation (unfunded):	1994 £m	1993 £m
Pensioners	**81**	77
Eligible staff	**67**	67
	148	144
Represented by:		
Unrecognised transition obligation	**117**	124
Unrecognised net loss	**–**	5
Accrued post-retirement health care cost	**31**	15
	148	144

The table above assumes a weighted average discount rate of 8.5% in the United Kingdom and the United States.

Further details of the post-retirement health care expense under UK GAAP are given in note 7 to the accounts.

(c) The leasing adjustment is dependent upon the value and average age of the leasing portfolio at each period end.

(d) Under US GAAP, provisions are made for losses arising on subleases of operating leases.

(e) In accordance with SFAS No. 109, 'Accounting for Income Taxes', the components of the net US GAAP deferred tax liability are as follows:

Deferred tax liabilities:	1994 £m	1993 £m
Leasing transactions	**(887)**	(930)
Capital allowances	**(28)**	(15)
Other	**(27)**	(57)
Total deferred tax liabilities	**(942)**	(1,002)
Deferred tax assets:		
Specific allowances	**126**	204
General allowance	**253**	247
Tax losses	**268**	318
Leasing transactions	**3**	43
Other	**150**	81
Total deferred tax assets before valuation allowance	**800**	893
Less: valuation allowance	**(260)**	(260)
Deferred tax assets less valuation allowance	**540**	633
Net deferred tax liability under US GAAP	**(402)**	(369)

(i) The main components of the tax charge attributable to continuing operations are shown in note 13 to the accounts.

(ii) A reconciliation of tax payable at the UK standard corporation tax rate and Barclays effective tax rate is shown in the Financial review.

(iii) The valuation allowance relates to the Group's capital losses and unrelieved overseas tax losses. These assets will be recognised in the future as they are utilised.

(f) Unlisted investment equity securities are outside the scope of SFAS No. 115 'Accounting for Certain Investments in Debt and Equity Securities' and continue to be carried at cost of £121m at 31st December 1994. The estimated fair value of these securities was £163m.

(g) SFAS No.112 'Employers' Accounting for Post-employment Benefits' was adopted by the Group for the purposes of UK GAAP which resulted in a £4m charge to the profit and loss account in 1994.

(h) There are certain differences in presentation on the profit and loss account between UK GAAP and US GAAP. For example, the presentation of profits or losses on redemption of loan capital would be classified as an extraordinary item under US GAAP rather than a component of net interest income and profit on disposal of Group undertakings and the write-down of surplus properties would be classified as operating income or expense under US GAAP rather than being shown separately in the consolidated profit and loss account.

62 Consolidated statement of cash flows – discussion of differences between FRS1 and SFAS No. 95

There are many similarities between SFAS No. 95, as amended by SFAS No. 104, and the UK Financial Reporting Standard 1 (FRS 1), which was implemented by Barclays in 1991. The principal differences, which arise in the different classifications of certain transactions under the categories required by both statements, are:

	Classification under FRS 1	Classification under SFAS No. 95
Dividends received	Returns on investment and servicing of finance	Operating activities
Dividends paid	Returns on investment and servicing of finance	Financing activities
Tax paid	Tax paid	Operating activities
Net increase in loans and advances to customers	Operating activities	Investing activities
Net change in finance lease receivables	Operating activities	Investing activities
Net increase in deposits and savings accounts	Operating activities	Financing activities

Under FRS 1, transactions undertaken to hedge another transaction are reported under the same classification as that which is the subject of the hedge.

Interest paid in the year was £6,383m (1993 £7,425m, 1992 £9,837m).

63 Significant Group concentrations of credit risk

SFAS No. 105 defines a concentration of credit risk as an exposure to a number of counterparties engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Barclays exposure to credit risk is concentrated in the United Kingdom where the majority of the Group's activities are conducted. As one of the largest UK banks, Barclays accounts for a significant share of credit exposure to almost all sectors of the economy and the Group is therefore significantly affected by the general economic conditions in the United Kingdom. However, credit risk is well spread over a diversity of both personal and commercial customers, reflecting the Group's risk management policy of imposing limits on exposure to any one single counterparty (see Financial review – Potential credit risk lendings and Risk management).

Outside of the United Kingdom, the Group's geographical spread ensures a wide variety of counterparties in the main areas of operation in Europe, the United States and other areas of the world.

As an active participant in the world's international banking markets, the Group has a significant concentration of credit risk with the banking industry. In total, credit risk exposure to banks was estimated to have amounted to £35.1bn at 31st December 1994, of which £29.0bn consisted of placings and negotiable certificates of deposit and £6.1bn mark to market balances in respect of exchange and interest rate contracts. The remaining credit risk exposure is largely related to letters of credit and guarantees. Within the overall exposure, the Group maintains relationships with some two thousand banking groups in countries all over the world.

Credit risk in respect of the property sector, included within loans and advances to customers, totalled £6.2bn at 31st December 1994, with a further exposure of £1.1bn in respect of committed facilities.

See Financial review – Loans and advances to banks and customers, Securities and Trading activities.

64 Fair values of financial instruments

SFAS No. 107, 'Disclosures About Fair Value of Financial Instruments' requires disclosure of the fair value of financial instruments (both on- and off-balance sheet) for which it is practicable to estimate such value.

Wherever possible, the Group has estimated fair value using market prices or data available for instruments with characteristics either identical or similar to those of the instruments held by the Group. In certain cases, however, including loans and advances to customers, no ready markets currently exist in the United Kingdom wherein exchanges between willing parties occur. Accordingly, various techniques have been developed to estimate what the approximate fair value of such instruments might be.

These estimation techniques are necessarily extremely subjective in nature and involve several assumptions. There have been no changes in the estimation techniques underlying the calculations or the methodology used compared with December 1993.

Due to the various estimation techniques and significant estimates made, comparisons of fair values amongst financial institutions may not be meaningful. Readers of these accounts are thus advised to use caution when using this data to evaluate the Group's financial position.

Intangible assets, such as the value of the Group's branch network and long-term relationships with its depositors (core deposit intangibles) and credit card holders, are not considered by the FASB to constitute financial instruments for the purposes of SFAS No.107. The Group, however, believes the value of such assets to be significant. Certain other assets and liabilities are likewise excluded from the scope of SFAS No.107. Further, the concept of fair value assumes realisation of financial instruments by way of a sale. However, in the majority of cases, particularly in respect of loans and advances to customers, the Group intends to realise assets through collection over time. As such, the fair values calculated for the purposes of reporting under SFAS No.107 do not represent the value of the Group as a going concern at 31st December 1994.

The following is a summary of the estimated fair values at 31st December 1994 and of the estimation techniques used in arriving at such values.

Assets and liabilities for which fair value is equal to carrying value

The table below details those on-balance sheet assets and liabilities, within the scope of SFAS No.107, which were either (i) carried at market value, or (ii) have minimal credit losses and which were either short-term in nature or repriced frequently. As such, the carrying values of the following assets and liabilities presented on the balance sheets on pages 88, 89 and 142, 143 were an approximation of fair value.

Assets	**Liabilities**
Cash and balances at central banks	Deposits by banks and customers repayable on demand (b)
Items in course of collection from other banks	Items in course of collection
Treasury bills and other eligible bills	Other liabilities (a)
Prepayments and accrued income (a)	Accruals and deferred income (a)
Other assets (a)	Provisions for liabilities and charges (a)
Long-term assurance fund assets	Dividends payable
	Long-term assurance fund liabilities

(a) not including items excluded from the scope of SFAS No.107
(b) see Notes 32 and 33

Assets, liabilities and other financial instruments for which fair value is derived using market data and various estimation techniques.

Debt securities and equity shares The market or appraised values for debt securities and equity shares are set out in notes 24 and 25 respectively. The valuation of listed securities and investments is at mid-market prices and that of unlisted securities and investments is based on the Directors' estimate, which takes into consideration discounted cash flows, price earnings ratios and other suitable valuation techniques.

Loans and advances to banks The fair value estimated for loans and advances to banks was approximately £28,900m (1993 £23,300m), as compared to a recorded value, net of allowances for bad and doubtful debts, of £28,922m (1993 £23,253m). Within this calculation, the fair value for placings to banks was estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by other financial institutions for placings with similar characteristics. The fair values for loans to banks in countries experiencing liquidity problems were arrived at by reference to secondary market prices.

64 Fair values of financial instruments (continued)

Loans and advances to customers The Group provides lending facilities of varying rates and maturities to corporate and personal customers. Several different techniques are employed, as considered appropriate, in estimating the fair value of such instruments. The fair value of personal loans was estimated either by discounting cash flows at market rates for similar loans offered by the Group and other financial institutions, or by taking into consideration market prices for securities backed by comparable loans (adjusted for differences in loan characteristics). The fair value of corporate loans was estimated by selecting a discount rate reflecting the effects of interest rate changes and making adjustments to reflect the effects of changes in credit risk. The fair values for loans to countries experiencing liquidity problems were arrived at by reference to secondary market prices.

SFAS No. 107 does not require, nor has the Group calculated, an estimate of the fair value of lease receivables. For the purpose of the following paragraph, the fair value for leases is presumed to equal the recorded value.

The fair value estimated for loans and advances to customers and finance lease receivables at 31st December 1994 was approximately £84,600m (1993 £93,900m), as compared to a recorded value, net of allowances for bad and doubtful debts, of £83,774m (1993 £93,825m).

The majority of the increase in the fair value relative to recorded value over the year was attributable to improving economic conditions, in particular in the United Kingdom.

The fair value of loans subject to non-recourse finance arrangements net of non-returnable finance was approximately equal to the book value of £9m (1993 £3m).

Deposits by banks and customer accounts In accordance with SFAS No. 107, the fair value of deposit liabilities payable on demand (interest free, interest bearing and savings deposits) was equal to their carrying value. The fair value of all other deposits and other borrowings was estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by the Group.

The fair value estimated for deposits and other borrowings at 31st December 1994 was approximately £116,300m (1993 £120,900m), as compared to a recorded value of £116,317m (1993 £120,885m).

Debt securities in issue and other subordinated liabilities The fair value of debt securities in issue and other subordinated liabilities was estimated using discounted cash flows applying either market rates, where practicable, or rates currently offered by the Bank.

The fair value estimated for debt securities in issue and other subordinated liabilities at 31st December 1994 was £9,000m (1993 £12,600m), as compared to a recorded value of £8,969m (1993 £12,534m).

Dated and undated loan capital Based upon quoted market rates at 31st December 1994, the estimated fair values for dated and undated convertible and non-convertible loan capital were £1,659m (1993 £2,470m) and £1,783m (1993 £1,982m), compared with recorded values of £1,562m (1993 £2,130m) and £1,979m (1993 £2,053m) respectively.

Credit-related instruments As outlined in Note 51, the Group has various credit-related commitments. However, based upon the level of fees currently charged for granting such commitments, taking into account maturity and interest rates, the present creditworthiness of the counterparties and the effect of related provisions on their replacement value or fair value is not material.

Market-related instruments The Group uses various market-related instruments, designated as hedges, to reduce exposure to fluctuations in interest and exchange rates. The fair value of these instruments is estimated using market prices or pricing models consistent with the methods used for valuing similar instruments used for trading purposes. The positive fair values were approximately £6m in excess of the positive book value and the negative fair values £296m less than the negative book value of these market related instruments. In 1993, the positive fair values were approximately £53m in excess of the related book value.

As required by SFAS No. 119, the average positive fair value of derivative financial instruments held or issued for trading purposes during the year ended 31st December 1994 was £10,445m and the average negative fair value £9,728m, excluding legal right of set off. Quoted market prices are adopted as fair values of financial instruments held or issued for trading purposes. If quoted market prices are not available, fair values are estimated on the basis of dealer quotes, pricing models, or quoted prices for financial instruments with similar characteristics.

Additional information on the fair values of financial instruments is given in the Treasury asset and liability management section of the Financial review and note 51 to the accounts.

65 Summarised financial information of BarclaysAmericanCorporation (BAC)

The following selected information for BAC, in lieu of it reporting separately, has been prepared under US GAAP.

	1994 $000	1993 $000
Total assets	**3,139,954**	4,432,224
Senior debt	**2,666,695**	3,657,927
Subordinated debt	**96,649**	96,649
Shareholders' equity	**208,165**	103,268

$2,437,400,000 of the senior debt was due to affiliates (1993: $3,428,314,000).

	1994 $000	1993 $000	1992 $000
Interest income	**257,343**	260,125	260,881
Interest expense	**(147,882)**	(146,992)	(161,047)
Provision for loan loss	**(19,242)**	(76,556)	(120,855)
Amortisation of purchased mortgage servicing rights	**(58,500)**	(398,800)	(96,481)
Net income/(loss)	**104,897**	(245,561)	(55,011)

On 28th February 1994, BAC sold the business of Barclays Commercial Corporation, which, at 31st December 1993, represented 15% of its total assets. BAC has entered into an agreement to sell the asset-based lending operations of Barclays Business Credit, which represented 72% of total assets at 31st December 1994 and 47% of 1994 net income. The sale took place on 31st January 1995. BarclaysAmerican/Mortgage, a subsidiary of BAC, signed an agreement to sell, subject to regulatory approval, the mortgage servicing portfolio and servicing facilities on 31st January 1995.

66 Ratio of earnings to fixed charges and preference share dividends

Ratio of earnings to fixed charges	1994	1993	1992	1991	1990*
UK GAAP					
Excluding interest on deposits	**1.95**	1.31	0.88	1.23	3.24
Including interest on deposits	**1.30**	1.09	0.97	1.05	1.08
US GAAP					
Excluding interest on deposits	**1.85**	1.21	0.86	1.16	2.96
Including interest on deposits	**1.27**	1.06	0.97	1.03	1.07
Ratio of earnings to combined fixed charges and preference share dividends					
UK GAAP					
Excluding interest on deposits	**1.87**	1.25	0.86	1.19	2.89
Including interest on deposits	**1.28**	1.07	0.97	1.04	1.07
US GAAP					
Excluding interest on deposits	**1.77**	1.16	0.83	1.12	2.64
Including interest on deposits	**1.25**	1.05	0.96	1.02	1.06

*1990 figures have not been restated to conform with the EC Bank Accounts Directive.

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Currency of presentation

In this report, unless otherwise specified, all amounts are expressed in pounds sterling. For the years indicated, the high, low, average and year-end noon buying rates for cable transfers in New York City, payable in pounds sterling, based on reports issued by the Federal Reserve Bank of New York, were:

	1994	1993	1992	1991	1990
	(US dollars per pound sterling)				
High	**1.64**	1.59	2.00	2.00	1.98
Low	**1.46**	1.42	1.51	1.60	1.59
Average*	**1.54**	1.50	1.76	1.76	1.79
Year-end	**1.57**	1.48	1.51	1.87	1.93

* The average of the noon buying rates for cable transfers in New York City on the last day of each month.

On 21st February 1995, the noon buying rate for cable transfers in New York City, payable in pounds sterling, was $1.58 per pound sterling. No representation is made that pounds sterling amounts have been, or could have been, or could be, converted into US dollars at that rate or at any of the above rates. For the purpose of presenting financial information in this report, exchange rates other than those shown above may have been used.

Glossary

Term used in annual report	**US equivalent or brief description**
Accounts	Financial statements
Advance corporation tax	No direct US equivalent. Tax paid on company distributions recoverable from UK taxes due on income
Allotted	Issued
Attributable profit	Net income
Called-up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Cash at bank and in hand	Cash
Class of business	Industry segment
Fees and commissions receivable	Fee and commission income
Fees and commissions payable	Fee and commission expense
Finance lease	Capital lease
Freehold	Ownership with absolute rights in perpetuity
Interest receivable	Interest income
Interest payable	Interest expense
Loans and advances	Lendings
Loan capital	Long-term debt
Net asset value	Book value
Profit	Income
Profit and loss account	Income statement
Profit and loss account reserve	Retained earnings
Revaluation reserve	No direct US equivalent. Represents the increase in the valuation of certain assets as compared with historical cost
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Shareholders' funds	Shareholders' equity
Share premium account	Additional paid-up capital or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
Tangible fixed assets	Property and equipment
Write-offs	Charge-offs

Consolidated profit and loss account Barclays Bank PLC

For the year ended 31st December 1994

	Note	**1994 £m**	1993 £m	1992 £m
Interest receivable:	1			
Interest receivable and similar income arising from debt securities		**676**	722	716
Other interest receivable and similar income		**9,303**	10,363	12,252
		9,979	11,085	12,968
Interest payable	2	**6,293**	7,210	9,288
Profit/(loss) on redemption of loan capital	3	**(60)**	22	–
Net interest income		**3,626**	3,897	3,680
Fees and commissions receivable		**2,910**	2,744	2,538
Less: fees and commissions payable		**(211)**	(223)	(171)
Dealing profits	4	**384**	657	365
Other operating income	5	**186**	302	273
Operating income		**6,895**	7,377	6,685
Administrative expenses – staff costs	6	**2,680**	2,728	2,472
Administrative expenses – other	8	**1,655**	1,772	1,616
Depreciation and amortisation	9	**237**	314	253
Operating expenses		**4,572**	4,814	4,341
Operating profit before provisions		**2,323**	2,563	2,344
Provisions for bad and doubtful debts	10	**602**	1,869	2,465
Provisions for contingent liabilities and commitments	38	**–**	49	8
Provisions		**602**	1,918	2,473
Operating profit/(loss)		**1,721**	645	(129)
Profit/(loss) on disposal of Group undertakings	11	**107**	–	(82)
Write-down of surplus properties	12	**(4)**	(8)	(60)
Income from associated undertakings		**35**	24	27
Profit/(loss) on ordinary activities before tax		**1,859**	661	(244)
Tax on profit/(loss) on ordinary activities	13	**608**	282	43
Profit/(loss) on ordinary activities after tax		**1,251**	379	(287)
Minority interests – equity		**(16)**	(14)	(13)
Profit/(loss) for the financial year attributable to the members of Barclays Bank PLC (Net income)		**1,235**	365	(300)
Dividends payable to Barclays PLC	c	**(343)**	(162)	(327)
Dividends payable to preference shareholders	c	**(56)**	(55)	(45)
Profit/(loss) retained for the financial year		**836**	148	(672)

The note numbers refer to those notes included on pages 93 to 136, whereas the note letters refer to notes included on pages 146 to 148.

Statement of total recognised gains and losses Barclays Bank PLC

For the year ended 31st December 1994

	Note	**1994 £m**	1993 £m	1992 £m
Profit/(loss) for the financial year attributable to the members of Barclays Bank PLC		**1,235**	365	(300)
Exchange rate translation differences		**4**	(63)	153
Write-down of properties against revaluation surplus		**–**	(7)	–
Revaluation of interest in associated undertakings		**25**	–	–
Loss on redemption of preference shares		**(18)**	–	–
Other items		**1**	5	2
Total recognised gains/(losses) relating to the year		**1,247**	300	(145)
Prior year adjustment	16	**(104)**	–	–
		1,143	300	(145)

Historical cost profits and losses Barclays Bank PLC

For the year ended 31st December 1994

	1994 £m	1993 £m	1992 £m
Reported profit/(loss) on ordinary activities before tax	**1,859**	661	(244)
Write-down of surplus properties	**4**	8	60
Realisation of property revaluation gains of previous years	**12**	14	53
Difference between historical cost and actual depreciation charges	**(3)**	(2)	(3)
Historical cost profit/(loss) on ordinary activities before tax	**1,872**	681	(134)
Historical cost profit/(loss) retained after tax, minority interests and dividends	**849**	168	(562)

Consolidated balance sheet Barclays Bank PLC

As at 31st December 1994

	Note	1994 £m	1994 £m	1993 £m	1993 £m
Assets					
Cash and balances at central banks			**800**		910
Items in course of collection from other banks			**2,651**		2,824
Treasury bills and other eligible bills	17		**6,845**		5,953
Loans and advances to banks	18		**28,922**		23,253
Loans and advances to customers	19		**83,774**		93,825
Loans subject to non-recourse finance arrangements	23	**659**		257	
Less: non-returnable finance		**(650)**		(254)	
			9		3
Debt securities	24		**17,893**		19,598
Equity shares	25		**2,241**		2,368
Interests in associated undertakings	26		**43**		207
Tangible fixed assets	27		**2,127**		2,080
Other assets	29		**12,549**		10,560
Prepayments and accrued income	30		**1,509**		1,578
			159,363		163,159
Long-term assurance fund assets attributable to policyholders	31		**3,040**		2,892
Total assets			**162,403**		166,051

Consolidated balance sheet Barclays Bank PLC

As at 31st December 1994

	Note	1994 £m	1994 £m	1993 £m	1993 £m
Liabilities					
Deposits by banks	32		**27,007**		30,980
Customer accounts	33		**89,310**		89,905
Debt securities in issue	34		**8,848**		12,403
Items in course of collection due to other banks			**1,459**		1,587
Other liabilities	35		**19,835**		15,585
Balances due to Barclays PLC			**213**		141
Accruals and deferred income	36		**1,933**		1,791
Provisions for liabilities and charges – deferred tax	37		**460**		415
Provisions for liabilities and charges – other	38		**146**		153
Subordinated liabilities:					
Undated loan capital – convertible to preference shares	39		**320**		338
Undated loan capital – non-convertible	39		**1,659**		1,715
Dated loan capital – non-convertible	40		**1,562**		2,130
Other subordinated liabilities – non-convertible	41		**121**		131
			152,873		157,274
Minority interests and shareholders' funds					
Minority interests – equity			**50**		44
Called up share capital	a	**2,022**		2,010	
Share premium account		**1,405**		1,404	
Revaluation reserve		**62**		51	
Profit and loss account		**2,951**		2,376	
Shareholders' funds – equity and non-equity	b		**6,440**		5,841
			6,490		5,885
			159,363		163,159
Long-term assurance fund liabilities to policyholders	31		**3,040**		2,892
Total liabilities and shareholders' funds			**162,403**		166,051

	Note	1994 £m	1993 £m
Memorandum items	51		
Contingent liabilities:			
Acceptances and endorsements		**1,493**	3,696
Guarantees and assets pledged as collateral security		**6,289**	7,459
Other contingent liabilities		**4,744**	5,680
		12,526	16,835
Commitments – sale and option to resell transactions		**229**	5
Commitments – standby facilities, credit lines and other		**42,838**	41,871
		43,067	41,876

Consolidated statement of changes in reserves Barclays Bank PLC

For the year ended 31st December 1994

	1994 £m	1993 £m	1992 £m
Share premium account			
At beginning of year	**1,404**	1,360	1,226
Premium arising on shares issued	**35**	30	17
Exchange rate translation differences	**(34)**	14	117
At end of year	**1,405**	1,404	1,360
Revaluation reserve			
At beginning of year	**51**	65	84
Exchange rate translation differences	**1**	(8)	6
Write-down of properties against revaluation surplus	**–**	(7)	–
Revaluation of interest in associated undertakings	**25**	–	–
Realisation of property revaluation surplus	**(16)**	(7)	(25)
Other items	**1**	8	–
At end of year	**62**	51	65
Profit and loss account			
At beginning of year as previously stated	**2,376**	2,293	2,948
Prior year adjustment	**–**	–	(78)
At beginning of year as restated	**2,376**	2,293	2,870
Profit/(loss) retained	**836**	148	(672)
Loss on redemption of preference shares	**(18)**	–	–
Redemption of preference shares	**(320)**	–	–
Exchange rate translation differences	**37**	(69)	30
Goodwill arising on acquisitions	**(3)**	(3)	(4)
Goodwill written back on disposals	**27**	3	42
Realisation of revaluation surplus	**16**	7	25
Other items	**–**	(3)	2
At end of year	**2,951**	2,376	2,293
Total reserves	**4,418**	3,831	3,718

Notes

The Group operates in a number of countries subject to regulations under which a local subsidiary undertaking has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that is restricted by these regulations, but the consolidated profit retained and the other reserves of overseas subsidiary and associated undertakings at 31st December 1994 totalled £119m (1993 deficit £64m, 1992 £114m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

Goodwill amounting to £489m (1993 and 1992 £513m) has been charged against reserves in the current and prior years in respect of acquisitions. This amount is net of any goodwill attributable to subsidiary undertakings disposed of prior to the balance sheet date.

Consolidated cash flow statement Barclays Bank PLC

For the year ended 31st December 1994

	Note	1994 £m	1994 £m	1993 £m	1993 £m	1992 £m	1992 £m
Net cash inflow/(outflow) from operating activities	d		**10,258**		6,702		(2,109)
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(321)**		(309)		(296)	
Dividends received from associated undertakings		**63**		9		12	
Ordinary dividends paid		**(329)**		(158)		(344)	
Preference dividends paid		**(56)**		(55)		(45)	
Dividends paid to minority shareholders		**(9)**		(7)		(15)	
Net cash outflows from returns on investment and servicing of finance			**(652)**		(520)		(688)
Tax paid			**(311)**		(92)		(59)
Investing activities:							
Capital expenditure		**(367)**		(261)		(308)	
Acquisition of minority interests		**(6)**		(23)		–	
Sale of property and equipment		**78**		68		149	
Purchase of investment securities		**(4,902)**		(4,406)		(1,349)	
Redemption of investment securities		**2,419**		1,469		847	
Sale of investment securities		**2,051**		534		508	
Purchase of associated undertakings		**(1)**		(1)		(3)	
Sale of subsidiary and associated undertakings	54	**404**		14		73	
Net cash outflow from investing activities			**(324)**		(2,606)		(83)
Net cash inflow/(outflow) before financing			**8,971**		3,484		(2,939)
Financing:	e						
Issue of loan capital and other subordinated liabilities		**–**		819		16	
Redemption of loan capital and other subordinated liabilities		**(611)**		(515)		(8)	
Redemption of Preference Shares		**(338)**		–		–	
Issue of Ordinary Shares		**47**		44		29	
Net cash (outflow)/inflow from financing			**(902)**		348		37
Increase/(decrease) in cash and cash equivalents	56		**8,069**		3,832		(2,902)

a Called up share capital

Ordinary Shares

The authorised Ordinary share capital of the Bank at 31st December 1994 was 2,500 million (1993 2,500 million) Ordinary Shares of £1 each.

Called up Ordinary share capital, allotted and fully paid	1994 £m	1993 £m	1992 £m
At beginning of year	**2,010**	1,996	1,984
Issued for cash	**12**	14	12
At end of year	**2,022**	2,010	1,996

Preference Shares

The authorised Preference share capital of the Bank is 150 million (1993 150 million) Preference Shares of $0.01 each. At 31st December 1994, 34.92 million (1993 54.92 million) Preference Shares were outstanding and had been issued for a consideration of $436.5m (£279m), of which the nominal value was $349,200 and the balance was share premium.

	Number of shares issued	Nominal value per share $	Premium per share $	Liquidation value per share $	Earliest redemption date
Series C1	8,960,000	0.01	19.99	20.00	29th June, 2000
Series C2	8,960,000	0.01	4.99	5.00	29th June, 2000
Series D1	8,500,000	0.01	19.99	20.00	29th March, 2001
Series D2	8,500,000	0.01	4.99	5.00	29th March, 2001

The Series C1 and C2 Preferences Shares and the Series D1 and D2 Preference Shares are respectively redeemable, at the option of the Bank, as a whole at their liquidation values together with accrued and unpaid dividends for the current quarterly dividend period to the date of redemption.

In the event of a winding up, the holders of Preference Shares will be entitled to receive, before any distribution of assets is made to holders of Ordinary Shares of Barclays Bank PLC, liquidating distributions in the amounts of Series C1 and D1 $20; and Series C2 and D2 $5 per share plus an amount equal to accrued and unpaid dividends for the current quarterly dividend period to the date of commencement of the winding up.

The holders of Preference Shares are not entitled to receive notice of, or to attend or vote at, any general meeting of Barclays Bank PLC, except where there has been a failure to pay the equivalent of six consecutive quarterly dividends (in which case they may appoint two additional Directors) or where a resolution is proposed for adoption by shareholders providing for the winding up of the Bank (Series C1 and Series D1 only may receive notice of and attend the general meeting called for the purpose, and vote on that resolution).

In the event of the conversion of the Series E Notes (see page 110), the rights of the Series E1 and E2 Preference Shares are the same as those for Series D1 and D2 respectively. The Series E Preference Shares issued on conversion, are redeemable, at the option of the Bank, in full on or after 30th April 2003.

b Shareholders' funds

Shareholders' funds at 31st December 1994 include £279m (1993 £633m) of non-equity share premium (see Preference Shares in note a above). All other shareholders' funds represent equity interests.

c Dividends

On Ordinary Shares	1994 £m	1993 £m	1992 £m
First interim dividend	**130**	21	147
Second interim dividend	**195**	137	180
Third interim dividend	**18**	4	–
	343	162	327

These dividends are paid to enable Barclays PLC to fund its dividends to its shareholders.

Dividends on the Preference Shares are paid quarterly at such rates as will, including the UK associated tax credit and before deduction of UK withholding tax (see Taxation), result in annual dividends to holders, expressed as percentages of the liquidation values of the relevant Preference Shares, of 11.25% on Series C1 and Series C2 Preference Shares and 11.5% on Series D1 and Series D2 Preference Shares. Preference dividends paid totalled $86m (£56m) in 1994, $83m (£55m) in 1993 and $79m (£45m) in 1992.

In the event of the conversion of the Series E Notes, the annual dividends, expressed as a percentage of the liquidation values, on Series E1 and E2 Preference Shares would be 9.25%.

d Reconciliation of operating profit to net cash flow from operating activities

	1994 £m	1993 £m	1992 £m
Net cash inflow/(outflow) from operating activities of Barclays PLC (see note 53)	**10,200**	6,745	(2,114)
Increase/(decrease) in balance due by Barclays Bank PLC to Barclays PLC	**58**	(43)	5
Net cash inflow/(outflow) from operating activities of Barclays Bank PLC	**10,258**	6,702	(2,109)

e Changes in financing during the year

Barclays Bank PLC	Undated loan capital £m	Dated loan capital £m	Other sub-ordinated liabilities £m	Ordinary Shares £m	Share premium equity £m
At beginning of year	**2,053**	**2,130**	**131**	**2,010**	**1,404**
Exchange rate and other movements	**(74)**	**(18)**	**(9)**	**–**	**(34)**
Loss on redemption of loan capital	–	**60**	–	–	–
Net cash inflow/(outflow) from financing	–	**(610)**	**(1)**	**12**	**35**
At end of year	**1,979**	**1,562**	**121**	**2,022**	**1,405**

During the year, the Bank redeemed $500m of Preference Shares at a total cost of £338m.

f Segmental analysis

By geographical segments (a)

Attributable profit	1994 £m	1994 %	1993 £m	1993 %	1992 £m	1992 %
United Kingdom	**849**	**69**	707	193	(312)	104
Foreign UK-based	**261**	**21**	153	42	159	(53)
Other European Union	**(154)**	**(12)**	(173)	(47)	(163)	54
United States	**196**	**16**	(413)	(113)	(40)	13
Rest of the World	**83**	**6**	91	25	56	(18)
	1,235	**100**	365	100	(300)	100
Net assets						
United Kingdom	**4,728**	**73**	3,929	67	3,863	67
Foreign UK-based	**322**	**5**	257	4	236	4
Other European Union	**530**	**8**	584	10	538	9
United States	**569**	**9**	649	11	598	10
Rest of the World	**341**	**5**	466	8	543	10
	6,490	**100**	5,885	100	5,778	100

By class of business (a, b)

Net assets	1994 £m	1994 %	1993 £m	1993 %	1992 £m	1992 %
Commercial banking activities	**4,622**	**71**	4,743	81	4,841	83
Investment banking activities	**1,160**	**18**	920	15	787	14
Group central functions	**708**	**11**	222	4	150	3
	6,490	**100**	5,885	100	5,778	100

Notes

(a) Basis of geographical and business analysis – see Analyses by geographical segments and classes of business on page 85.

(b) Classes of business are the main groups of products and services supplied by the Group. Commercial banking activities include the banking related business conducted by the business units, including United States Transition and also Problem country debt management and UK associated undertakings.

(c) The increase in net assets of Group central functions arises as a result of the transfer of the operational property interests of Barclays Bank PLC to a wholly owned subsidiary on 1st January 1994.

g Differences between UK and US accounting principles – Barclays Bank PLC

The following table summarises the significant adjustments to consolidated attributable profit (net income under US GAAP) and shareholders' funds (shareholders' equity under US GAAP) which would result from the application of US GAAP instead of UK GAAP.

	Note	1994 £m	1993 £m	1992 £m
Approximate net income/(loss) (US GAAP) of Barclays PLC Group (from page 130)		**1,027**	199	(250)
Preference share dividends of Barclays Bank PLC		**56**	55	45
Approximate net income/(loss) (US GAAP) of Barclays Bank PLC Group		**1,083**	254	(205)

	Note	Barclays Bank PLC Group 1994 £m	1993 £m
Shareholders' funds (UK GAAP)		**6,440**	5,841
Goodwill		**322**	366
Pension cost	(a)	**(85)**	(29)
Post-retirement benefits	(b)	**9**	(2)
Leasing – Lessor	(c)	**(68)**	(34)
Leasing – Lessee	(d)	**2**	104
Deferred tax	(e)	**58**	46
Property depreciation		**(60)**	(64)
Loan origination fees and costs		**(16)**	(32)
Exchange of country risk debt		**(23)**	(20)
Shareholders' interest in the long-term assurance fund		**(357)**	(348)
Revaluation of property		**(257)**	(362)
Net unrealised gain on investment securities	(f)	**57**	–
Dividend payable		**18**	–
Approximate shareholders' equity (US GAAP)		**6,040**	5,466

Note references are to page 131 and 132.

Selected financial statistics	Note	**1994 %**	1993 %	1992 %	1991 %	1990 %
Attributable profit/(loss) as a percentage of:						
average total assets	(a)	**0.75**	0.22	(0.20)	0.19	0.42
average shareholders' funds		**20.14**	6.27	(4.95)	4.39	8.38
Average shareholders' funds as a percentage of average total assets		**3.75**	3.49	3.99	4.39	4.96

Selected profit and loss account data	(a)	**£m**	£m	£m	£m	£m
Interest receivable		**9,979**	11,085	12,968	14,552	15,822
Interest payable		**6,293**	7,210	9,288	10,978	12,399
Profit/(loss) on redemption of loan capital		**(60)**	22	–	–	–
Other operating income		**3,269**	3,480	3,005	2,688	2,217
Operating expenses		**4,572**	4,814	4,341	4,275	3,770
Provisions – bad and doubtful debts		**602**	1,869	2,465	1,500	1,175
– contingent liabilities and commitments		**–**	49	8	4	–
Profit/(loss) on disposal of Group undertakings		**107**	–	(82)	–	174
Write-down of surplus properties		**(4)**	(8)	(60)	–	–
Income from associated undertakings		**35**	24	27	47	29
Profit/(loss) before tax		**1,859**	661	(244)	530	898
Attributable profit/(loss)	(b)	**1,235**	365	(300)	280	556

Selected balance sheet data		**£m**	£m	£m	£m	£m
Shareholders' funds		**6,440**	5,841	5,714	6,164	6,407
Dated and undated loan capital		**3,541**	4,183	3,765	3,146	2,600
Deposits by banks, customer accounts and debt securities in issue		**125,165**	133,288	126,393	118,965	115,369
Loans and advances to banks and customers		**112,696**	117,078	114,579	108,066	108,302
Total assets	(a)	**159,363**	163,159	157,962	143,024	139,283

US GAAP financial data

The following financial information has been adjusted from data prepared under UK GAAP to reflect significant differences from accounting principles generally accepted in the United States (US GAAP) (d). See note 61 for an explanation of these differences.

Selected financial statistics

	Note	1994(b)	1994	1993	1992	1991	1990
Barclays PLC Group		¢	p	p	p	p	p
Earnings/(loss) per £1 Ordinary Share		**98.9**	**63.0**	12.3	(15.6)	8.0	32.5
Dividends per £1 Ordinary Share		**26.2**	**16.7**	12.5	21.2	21.2	20.6
Book value per £1 Ordinary Share		**571**	**364**	306	306	338	348
Net income/(loss) as a percentage of:		**%**	**%**	%	%	%	%
average total assets	(a)	**0.62**	**0.62**	0.12	(0.16)	0.09	0.38
average shareholders' equity		**18.88**	**18.88**	4.02	(4.77)	2.28	8.96
Dividends as a percentage of net income/(loss)		**26.39**	**26.39**	101.01	(135.60)	264.57	63.35
Average shareholders' equity as a percentage of average total assets	(a)	**3.30**	**3.30**	2.93	3.39	3.76	4.19
Barclays Bank PLC Group							
Net income/(loss) as a percentage of:							
average total assets	(a)	**0.66**	**0.66**	0.15	(0.13)	0.11	0.40
average shareholders' equity		**18.91**	**18.91**	4.66	(3.62)	2.87	9.14
Average shareholders' equity as a percentage of average total assets	(a)	**3.48**	**3.48**	3.23	3.67	3.94	4.33

Selected financial statement data

		$m	£m	£m	£m	£m	£m
Net income/(loss):							
Barclays PLC Group		**1,612**	**1,027**	199	(250)	127	513
Barclays Bank PLC Group		**1,700**	**1,083**	254	(205)	168	540
Shareholders' equity:							
Barclays PLC Group		**9,351**	**5,956**	4,974	4,919	5,407	5,519
Barclays Bank PLC Group		**9,483**	**6,040**	5,466	5,358	5,734	5,739
Total assets	(a)	**251,092**	**159,931**	164,485	160,868	145,422	142,095

Notes

(a) For the purposes of this selected financial data, the long-term assurance fund assets attributable to policyholders of Barclays Life Assurance Company Limited have been excluded from total assets.

(b) Over 40% of Barclays consolidated assets is denominated in currencies other than sterling (principally in dollars) and the trends shown above, particularly in respect of balance sheet items, have been affected by exchange rate movements.

(c) The comparative financial data has been restated to reflect changes in UK Company Law and the Statements of Recommended Practice of the British Bankers' Association. For a description of the effect of the accounting changes, see the note on Changes in accounting presentation on page 11.

(d) Net income/(loss) and shareholders' equity have been adjusted to reflect significant differences between UK and US GAAP as shown in note 61 to the accounts. Total assets have been adjusted to reflect such differences and also to include acceptances.

(e) The dollar financial information has been translated for convenience at the rate of $1.57 to £1, the noon buying rate for cable transfers in New York City, payable in pounds sterling, at 31st December 1994.

Dividends on the Ordinary Shares of Barclays PLC

Barclays PLC has paid dividends on its Ordinary Shares every year without interruption since its incorporation in 1896.

The dividends declared for each of the last five years, adjusted where appropriate to take account of the bonus issue in 1990, were:

Pence per £1 Ordinary Share

	1994	1993	1992	1991	1990
First interim	**8.00**	6.50	9.15	9.15	9.15
Second interim	**13.00**	8.65	6.00	12.00	12.00
	21.00	15.15	15.15	21.15	21.15

US Dollars per £1 Ordinary Share

	1994	1993	1992	1991	1990
First interim	**0.13**	0.10	0.15	0.16	0.18
Second interim	**0.20**	0.13	0.09	0.21	0.20
	0.33	0.23	0.24	0.37	0.38

The following table sets out the gross dividends applicable to an American Depositary Share (ADS) representing four Ordinary Shares, before deduction of withholding tax, but including the UK imputed tax credit see Taxation.

US Dollars per American Depositary Shares

	1994	1993	1992	1991	1990
First interim	**0.63**	0.50	0.82	0.84	0.96
Second interim	**1.03**	0.65	0.49	1.15	1.09
	1.66	1.15	1.31	1.99	2.05

Dividends expressed in dollars are translated from sterling at the noon buying rates for cable transfers in New York City for the days on which dividends are paid, except for the 1994 second interim dividend, payable in the United Kingdom on 16th May 1995, which is translated to dollars using the noon buying rate applicable on 21st February 1995, the latest practical date for inclusion in this report. No representation is made that pounds sterling amounts have been, or could have been, or could be, converted into dollars at these rates.

At the 1993 Annual General Meeting, shareholders authorised the Directors for a five year period to offer shareholders the option to elect to receive new Ordinary Shares in lieu of cash dividends. Under the rules of the Share Dividend Scheme, such an election is not available to shareholders in the United States and Canada (including holders of Barclays American Depositary Receipts (ADR)).

Dividends on the Preference Shares of Barclays Bank PLC

Dividends on the Preference Shares are paid quarterly at such rates as will, including the UK associated tax credit and before deduction of UK withholding tax (see Taxation), result in annual dividends, expressed as percentages of the liquidation values of the relevant Preference Shares, to holders of 11.25% on the aggregate liquidation values of Series C1 and Series C2 Preference Shares and 11.5% on the aggregate liquidation values of Series D1 and Series D2 Preference Shares.

Trading market for Ordinary Shares of Barclays PLC

The nominal capital of Barclays PLC is divided into 1,999,000,000 Ordinary Shares of £1 each (Ordinary Shares) and 1,000,000 Staff Shares of £1 each (Staff Shares). At the close of business on 31st December 1994, 1,635,262,999 £1 Ordinary Shares and 875,000 Staff Shares were outstanding.

The principal trading market for Barclays PLC Ordinary Shares is the London Stock Exchange. Ordinary Share listings were also obtained on the Tokyo Exchange with effect from 1st August 1986 and the New York Stock Exchange (NYSE) with effect from 9th September 1986.

Trading on the NYSE is in the form of ADSs under the symbol 'BCS'. Each ADS represents four £1 Ordinary Shares and is evidenced by an ADR. The ADR depositary is Morgan Guaranty Trust Company of New York. Details of trading activity are published in the stock tables of leading daily newspapers in the United States.

There were 709 recorded holders of Ordinary Shares, including those holding ADRs, with US addresses at 31st December 1994, whose shareholdings represented approximately 0.47% of total outstanding Ordinary Shares on that date.

The following table shows the high and low sales prices for the £1 Ordinary Shares during the periods indicated, based on mid-market prices at close of business on the London Stock Exchange and the high and low sale prices for ADSs as reported on the NYSE composite tape.

	£1 Ordinary Shares		American Depositary Shares	
	High	Low	High	Low
1994	p	p	US$	US$
Fourth quarter	**617**	**542**	**40**	**34 7/8**
Third quarter	**599**	**522**	**38**	**31 7/8**
Second quarter	**562**	**499**	**34 1/2**	**30**
First quarter	**636**	**502**	**38 1/4**	**30 1/2**
1993				
Fourth quarter	644	534	39	31 3/8
Third quarter	524	468	32	28 1/4
Second quarter	483	402	29 1/8	24 3/8
First quarter	459	367	27	22 1/2

At 31st December 1994, Barclays Bank PLC had outstanding 34,920,000 Non-cumulative Dollar-denominated Preference Shares, issued in 1990 and 1991, with a nominal value of $0.01 each. Currently, the only trading market for these shares is the NYSE where they are traded in the form of ADSs, each ADS representing one Preference Share and being evidenced by an ADR. The Series C1 and Series C2 Preference Share ADSs are traded on the NYSE as Series C Preference Share ADS Units and each such Unit comprises one Series C1 Preference Share ADS and one Series C2 Preference Share ADS. Identical arrangements exist for the Series D1 and Series D2 Preference Share ADSs to trade as Series D Preference Share ADS Units. The ADR depositary is Morgan Guaranty Trust Company of New York.

At 31st December 1994, the Series C Preference Share ADR Units were held by 982 recorded holders and the Series D Preference Share ADR Units by 1,659 recorded holders, all with US addresses.

The following table shows the high and low sale prices for the Series C and Series D Preference Share ADS Units during the periods indicated, as reported on the NYSE composite tape.

	American Depositary Shares			
	Series C		Series D	
	High	Low	High	Low
1994	US$	US$	US$	US$
Fourth quarter	**28 1/8**	**25 3/8**	**28 1/2**	**25 1/2**
Third quarter	**28 1/4**	**26 3/4**	**28 7/8**	**27 1/4**
Second quarter	**28 1/4**	**26 3/8**	**28 5/8**	**26 5/8**
First quarter	**30 1/4**	**27 3/8**	**30 5/8**	**28 1/8**
1993				
Fourth quarter	30 3/4	28 3/4	31	28 3/4
Third quarter	30 1/8	28 5/8	30 1/2	29
Second quarter	29 1/4	28	29 3/4	28 3/8
First quarter	29 1/8	26 1/2	29 3/8	26 3/4

The Series C1 and C2 Preference Share ADSs were issued during 1990 and the Series D1 and Series D2 Preference Share ADSs were issued during 1991.

Note

This section incorporates information on the prices at which securities of Barclays PLC and Barclays Bank PLC have traded. It is emphasised that past performance cannot be relied upon as a guide to future performance.

Taxation

The following is a summary of the principal UK tax and US federal tax consequences for holders of Ordinary Shares of Barclays PLC, Preference Shares of the Bank, ADRs representing such Ordinary Shares or Preference Shares and loan capital guaranteed by the Bank, who are citizens or residents of the United Kingdom or United States, or otherwise who are subject to UK tax or US federal income tax on a net income basis in respect of such securities. It is not, however, a comprehensive analysis of all the potential tax consequences for such holders and investors are advised to consult their tax advisers on the tax consequences of their particular holdings, including the consequences under applicable state and local law.

The statements of tax laws set out below are based on the laws in force as at the date of this report and are subject to any subsequent changes in UK or US law, or in any double tax convention between the United States and the United Kingdom.

For the purposes of the current US-UK double tax conventions relating to income and estate and gift tax and for the purposes of the US Internal Revenue Code of 1986, as amended (the Code), the holders of ADRs are treated as owners of the underlying Ordinary Shares or Preference Shares, as the case may be.

UK Taxation

Taxation of capital gains Since 6th April 1988, the market valuation at 31st March 1982 may be substituted for the original cost of shares purchased before that date. To arrive at the total cost of any holdings of shares of Barclays PLC, the amount subscribed for rights taken up in 1985 and 1988 should be added to the value of the holding calculated as above.

When selling shares, shareholders may also be entitled to indexation relief, which is calculated on the market value at 31st March 1982, on the cost of subsequent purchase from the date of such purchases and on the subscription for rights from the date of the subscription payment.

Shareholders are advised to consult an office of Barclays Financial Services Limited if further information regarding a possible tax liability in respect of their holdings of Barclays PLC shares is required.

Taxation of dividends In accordance with UK law, Barclays PLC and the Bank pay dividends on Ordinary Shares and Preference Shares without any deduction or withholding tax in respect of any taxes imposed by the UK Government or any UK taxing authority. However, following payment of a dividend, account must generally be made to the Commissioners of Inland Revenue for advance corporation tax (ACT) which is currently equal to 1/4 of the dividend paid.

If the shareholder is a UK resident individual liable to income tax only at the basic rate or the lower rate, then there will be no further tax liability in respect of the dividend received. If, however, the individual shareholder is subject to income tax at the higher rate (currently 40 per cent), there will be a further liability to tax on the sum of the cash dividend received and the tax credit in respect of the dividend (the amount of the credit is the amount of the ACT). If the shareholder's tax liability is less than the tax credit attached to the dividend the shareholder is, in general, entitled to make a repayment claim. The amount that may be reclaimed is the amount by which the tax credit exceeds the shareholder's total tax liability.

Scrip dividends Where a UK resident individual shareholder elects to receive new shares instead of a dividend in cash the individual will, in general, be taxed on the basis of having received gross income of an amount which, when reduced by income tax at the lower rate (currently 20 per cent on that income), is equal to the cash dividend which would have been received if the election had not been made.

Normally, if a dividend is received in cash and the recipient's income tax liability is less than the tax credit attached to the dividend, the shareholder would be entitled to make a repayment claim. However, no such repayment claim can be made for lower rate income tax credited as paid when new shares are taken instead of a cash dividend. If a shareholder does not pay income tax the position should be carefully considered.

However, for shareholders who pay income tax at the lower rate, basic rate or higher rate the consequences for the individual of receiving scrip dividends are broadly the same as described in 'Taxation of dividends' above.

Special rules apply for scrip dividends received by UK resident trustees, UK resident corporate shareholders and UK resident gross funds.

Stamp duty On the purchase of shares, stamp duty at the rate of 1/2% is payable on the purchase price of the shares.

Inheritance tax An individual may be liable to inheritance tax on the transfer of Ordinary Shares and Preference Shares. Where an individual is liable, inheritance tax may be charged on the amount by which the value of the individual's estate is reduced as a result of any transfer by way of gift or other gratuitous transaction made by him or treated as made by him.

US Taxation

Taxation of dividends Barclays PLC and the Bank pay dividends on their Ordinary Shares and Preference Shares and must pay ACT which varies from year to year.

Under certain circumstances the Income Tax Convention between the United States and the United Kingdom provides for a net payment of a portion of the ACT to US persons.

Dividends received by a US Holder will be foreign source income for US federal income tax purposes in the amount equal to the US dollar value of the payment, on the date of such payment. Dividends generally will not be eligible for the 'dividends received' deduction allowed to US corporations under the Code. Subject to certain limitations UK tax withheld from payments will be available as a credit against US tax.

Taxation of capital gains Generally, US Holders will not be subject to UK tax and will be subject to US taxation on capital gains.

Taxation of redemption premium In the event that the Bank redeems a Preference Share, any excess paid by the Bank over the amount originally subscribed for such Preference Share (the premium) will be treated for UK tax purposes in broadly the same manner as a dividend paid by the Bank. Accordingly, as described under 'Taxation of dividends' above, the Bank will normally be required to account for ACT in respect of the premium. US Holders eligible for relief under the US-UK Income Tax Convention may, in certain circumstances, be entitled to a refund of a portion of the ACT as described under Taxation of dividends above.

For US tax purposes, redemption premium generally will be treated as an additional amount realised in the calculation of gain or loss.

Stamp duty No stamp duty is payable on the transfer of an ADR, provided that the separate instrument of transfer is not executed in, and remains at all times outside, the United Kingdom.

Estate and gift tax Under the Estate and Gift Tax Convention between the United States and the United Kingdom a US holder generally is not subject to the UK inheritance tax.

Payments under loan capital guarantees It is unclear whether, under current UK law and Inland Revenue practice, the Bank would be required to deduct or withhold UK income tax from any payment of interest made to residents of the United States in respect of the guarantees given by the Bank in relation to the long-term debt issues by Barclays North American Capital Corporation. However, the terms of such guarantees impose a grossing up obligation on the Bank, subject to limited exceptions, in regard to any payment thereunder which is subject to any such deduction or withholding.

Exchange controls and other limitations affecting security holders

There are currently no UK laws, decrees or regulations which would affect the transfer of capital or remittance of dividends, interest and other payments to holders of Barclays securities who are not residents of the United Kingdom. There are also no restrictions under the Articles of Association of either Barclays PLC or the Bank, or under current UK laws, which limit the right of non-resident or foreign owners, to hold Barclays securities or, when entitled to vote, to do so.

Shareholder enquiries

Investors who have any questions about their investment in Barclays, or about Barclays in general, may write to:

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Registrar: Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Tel: 0181 650 4866

ADR depositary: Morgan Guaranty Trust Company of New York, c/o Boston Financial Data Services, 2 Heritage Drive, North Quincy, MA 02171 USA. Tel: (617) 774 4237

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