between those subject to regulation by the FSA.

The FSA has also issued a new unified Handbook of rules and guidance for all financial services firms. While certain parts of the Handbook have yet to be finalised (in particular some of the specialist sourcebooks, such as mortgages), the majority of the new rules and regulations came into force at N2.

In its role as supervisor, the FSA is seeking to ensure the safety and soundness of financial institutions (in fulfilment of the first and third objectives above) with the aim of strengthening, but not ensuring, the protection of customers. Barclays Bank PLC is authorised under the FSMA 2000 to carry on regulated activities within the UK and is subject to consolidated supervision by the FSA.

The FSA's continuing supervision of financial institutions authorised by it is conducted through a variety of regulatory tools, including the collection of information from statistical and prudential returns, reports obtained from skilled persons, visits to banks and regular meetings with management to discuss issues such as performance, risk management and strategy. Under the FSA's risk-based approach to supervision, the starting point for the FSA's supervision of all financial institutions is based on a systematic analysis of the risk profile for each authorised firm. The FSA has adopted a homogenous risk, processes and resourcing model in its approach to its supervisory responsibilities (known as the ARROW model) and the results of the risk assessment will be used by the FSA to develop a risk mitigation programme for a firm.The FSA also promulgates requirements that banks and other financial institutions are required to meet on matters such as capital adequacy (see Capital resources on page 86), limits on large exposures to individual entities and groups of closely connected entities, and liquidity.

Banks, insurance companies and other financial institutions in the UK are subject to a single financial services compensation scheme (the Financial Services Compensation Scheme) where an authorised firm is unable or is likely to be unable to meet claims made against it due to its financial circumstances. This single scheme replaces a number of pre-N2 schemes, including the Deposit Protection Scheme, the Investors Compensation Scheme and the Policyholders Protection Scheme.

Eligible claimants under the Financial Services Compensation Scheme may make claims against the Scheme in the event of an authorised firm's default and may receive compensation if their claim is a protected claim. Different levels of compensation are available to eligible claimants depending upon whether the protected claim is in relation to a deposit, a contract of insurance or protected investment business. The manager of the Scheme is able to make an offer of compensation or, in respect of insurance contracts, offer to continue cover or provide assistance to an insurance undertaking to allow it to continue insurance business in accordance with the rules of the Scheme. Most deposits made with branches of Barclays Bank PLC within the European Economic Area ("EEA") which are denominated in sterling or other EEA currencies (including the euro) are covered by the Scheme. Most claims made in respect of designated investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The Scheme establishes the maximum amounts of compensation payable in respect of protected claims: for eligible protected deposit claims, this is £31,700 (100% of the first £2,000 and 90% of the next £33,000) and for protected investment business, this is £48,000 (100% of the first £30,000 and 90% of the next £20,000). There is no maximum limit for protected insurance claims. The first £2,000 of a valid claim is paid in full together with 90% of the remaining loss.

The UK has implemented the minimum requirements imposed by the European Community Directives on such matters as the carrying on the business of credit institutions and investment firms, capital adequacy, own funds and large exposures. These form part of the European Single Market programme, an important feature of which is the framework for the regulation of authorised firms. This framework is designed to enable a credit institution or investment firm authorised in one European Union member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Many of these Directives are being amended to reflect changes in the market and further European Community Directives are planned including the areas of distance marketing, market abuse and insurance regulation which once coming into effect will further shape and influence the UK regulatory agenda.

With effect from February 2003, the Group has become subject to The Proceeds of Crime Act 2002 which further strengthens the law with regard to anti-money laundering, and which is complimentary to the existing rules and guidance fond in the FSA's Handbook, the 1993 Money Laundering Regulations and the JMLSG Guidance Notes.

Formal consultation is a key aspect of the UK Government's reform programme and the Group has been reviewing and, where relevant, commenting on proposals both directly and through industry associations.

The Basel Committee on Banking Supervision and the European Commission have also issued consultation papers designed to replace the existing framework for the allocation of regulatory capital for credit risk. These bodies recognise that a more sophisticated approach is required to address both financial innovation and the increasingly complex risks faced by financial institutions. The revised Basel Capital Accord and the EU capital adequacy directive are not currently expected to be implemented until the end of 2006.

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 and the USA PATRIOT Act of 2001. 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. The securities and investment management activities conducted in the United States are also subject to a comprehensive scheme of regulation under the US federal securities laws, as enforced by the Securities and Exchange Commission.

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

Risk factors

This document contains certain forward-looking statements within the meaning of section 21E of the US Securities Exchange Act of 1934, as amended and section 27A of the US Securities Act of 1933, as amended with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance.

The Group may also make forward-looking statements in other written materials, including other documents filed with or furnished to the SEC. In addition, the Group's senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. In particular, among other statements, certain statements in the Financial review and Business Description with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management, and competition are forward looking in nature. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate," "target," "expect," "estimate," "intend," "plan," "goal," "believe," or other words of similar meaning.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The Group's actual future results may differ materially from those set out in the Group's forward-looking statements. There are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made. Barclays does not undertake to update forward-looking statements to reflect any changes in the Group's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any further disclosures Barclays may make in documents it files with the SEC.

The following discussion sets forth certain risk factors that the Group believes could cause its actual future results to differ materially from expected results. The reader should also note the references to liquidity risk (page 51) and non-financial, compliance, legal and tax risk (page 55). However, other factors could also adversely affect the Group results and the reader should not consider the factors discussed in this report to be a complete set of all potential risks and uncertainties.

Business conditions and general economy.

The profitability of Barclays' businesses could be adversely affected by a worsening of general economic conditions in the United Kingdom or abroad. Factors such as the liquidity of the global financial markets, the level and volatility of equity prices and interest rates, investor sentiment, inflation, and the availability and cost of credit could significantly affect the activity level of customers. A continued market downturn would likely lead to a decline in the volume of transactions that Barclays executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions.

A continued market downturn or worsening of the economy could cause the Group to incur mark to market losses in its trading portfolios. A market downturn also could potentially result in a decline in the fees Barclays earns for managing assets. For example, a higher level of domestic or foreign interest rates or a downturn in trading markets could affect the flows of assets under management. An economic downturn or significantly higher interest rates could adversely affect the credit quality of Barclays on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of the Groups customers would be unable to meet their obligations.

Credit risk

The Group's provisions for credit losses provide for losses inherent in loans and advances. Estimating potential losses is inherently uncertain and depends on many factors, including general economic conditions, rating migration, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements.

Market risks

The most significant market risks the Group faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and affect earnings reported by the Group's non-UK subsidiaries and may affect revenues from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. The Group has implemented risk management methods to mitigate and control these and other market risks to which the Group is exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Group's financial performance and business operations. In addition the value of assets held in the Group's pension and long-term assurance funds are also affected by the performance.

Non-financial risks

The Group's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Non-financial risk and losses can result from fraud, errors by employees, failure to properly document transactions or to obtain proper internal authorisation, failure to comply with regulatory requirements and Conduct of Business rules, equipment failures, natural disasters or the failure of external systems, for example, the Group's suppliers or counterparties. Although the Group has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the non-financial risks faced by the Group.

Changes in governmental policy and regulation

The Group's businesses and earnings can be affected by the fiscal or other policies that are adopted by various regulatory authorities of the UK, foreign governments and international agencies. The nature and impact of future changes in such policies are not predictable and are beyond the Group's control. Areas where changes could have an impact include, inter alia;

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in the regulatory requirements, for example prudential rules relating to the capital adequacy framework;
- changes in competition and pricing environments;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group's products and services.

Impact of strategic decisions taken by the Group

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not meet with success, the Group's earnings could grow more slowly or decline.

Competition

The UK financial services market remains highly competitive and innovative competition comes both from incumbent players and a steady stream of new market entrants. The landscape is expected to remain highly competitive in all the Group's businesses.

US audit report of the independent accountants to the Board of Directors and shareholders of Barclays PLC and Barclays Bank PLC

We have audited the accompanying consolidated financial statements of Barclays PLC and its subsidiary undertakings on pages 97 to 188 and Barclays Bank PLC and its subsidiary undertakings on pages 193 to 201. These financial statements are the responsibility of the Company's 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 of America. Those standards require that we plan and perform the 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above 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 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended 31st December 2002 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 for each of the three years in the period ended 31st December 2002 and the determination of the consolidated shareholders' equity at 31st December 2002 and 2001 to the extent summarised in note 63 and note g to the consolidated financial statements.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom, 12th February 2003

Accounting policies

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 assets held for dealing purposes, assets held in the long-term assurance business and the investment in Barclays Bank PLC in the balance sheet of Barclays PLC. They are prepared in accordance with applicable accounting standards of the UK 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 (BBA) and the Finance and Leasing Association (FLA).

The SORP issued by the Association of British Insurers (ABI) addresses the accounting and disclosure of insurance business for insurance undertakings. Barclays is primarily a banking group, not an insurance group, and prepares accounts in accordance with Schedule 9 of the Companies Act. The ABI SORP does not specifically address the accounting for long-term assurance business in this context. In line with other such banking groups, Barclays uses the embedded value method to measure the shareholders' interest in its long-term assurance business, which is consistent with the alternative measurement method described in guidance issued by the ABI "Supplementary Reporting for Long-Term Insurance Business" and is considered more relevant than the modified statutory solvency basis for describing the financial position and current performance of the business.

Changes to the accounting policies described in the 2001 Annual report are set out on pages 102 to 103.

(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. Entities that do not qualify as subsidiaries but which give rise to benefits that are, in substance, no different from those that would arise were the entity a subsidiary, are included in the consolidated accounts. Details of the principal subsidiary undertakings are given in note 44. In order to reflect the different nature of the shareholders' and policyholders' interests in the retail long-term assurance business, the value of the long-term assurance business attributable to shareholders is included in Other Assets and the assets and liabilities attributable to policyholders are classified under separate headings in the consolidated balance sheet.

As the consolidated accounts include partnerships where a Group member is a partner, advantage has been taken of the exemption given by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 with regard to the preparation and filing of individual partnership accounts.

(c) Shares in subsidiary undertakings

Barclays PLC's investment in Barclays Bank PLC together with Barclays Bank PLC's investments in subsidiary undertakings are stated at the amount of the underlying net asset, including attributable goodwill. Changes in the value of the net assets are accounted for as movements in the revaluation reserve.

(d) Interests in associated undertakings and joint ventures

An associated undertaking generally is one in which the Group's interest is more than 20% and no more than 50% and where the Group exercises a significant influence over the entity's operating and financial policies. A joint venture is one where the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other venturer. The profit and loss account includes income from interests in associated undertakings and joint ventures based on accounts made up to dates not earlier than three months before the balance sheet date. Interests in associated undertakings and joint ventures are included in the consolidated balance sheet at the Group's share of the book value of the net assets of the undertakings concerned plus unamortised goodwill arising on the acquisition of the interest.

(e) Goodwill

Goodwill may arise on the acquisition of subsidiary and associated undertakings and joint ventures. It represents the excess of cost over fair value of the Group's share of net assets acquired.

In accordance with Financial Reporting Standard (FRS) 10, goodwill is capitalised as an intangible asset and amortised through the profit and loss account over its expected useful economic life. For acquisitions prior to 1st January 1998, the Group accounting policy had been to write-off goodwill directly to reserves. The transitional arrangements of FRS 10 allow this goodwill to remain eliminated. In the event of a subsequent disposal, any goodwill previously charged directly against reserves prior to FRS 10 will be written back and reflected in the profit and loss account.

The useful economic life of the goodwill is determined at the time of the acquisition giving rise to it by considering the nature of the acquired business, the economic environment in which it operates and period of time over which the value of the business is expected to exceed the values of the identifiable net assets. For acquisitions in less mature economic environments, goodwill is generally considered to have a useful economic life of five years. For all other acquisitions, goodwill is generally expected to have a useful economic life of 20 years. In all cases, goodwill is amortised over its useful economic life and is subject to regular review as set out in policy (k).

For the purpose of calculating goodwill, fair values of acquired assets and liabilities are determined by reference to market values, where available, or by reference to the current price at which similar assets could be acquired or similar obligations entered into, or by discounting expected future cash flows to present value. This discounting is performed using either market rates or by using risk-free rates and risk-adjusted expected future cash flows.

(f) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling on the balance sheet date. Overseas profits and losses are translated into 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. Exchange differences arising from the application of closing rates of exchange to the opening net assets held overseas, to the retranslation of the result for the year from the average rate to the closing rate 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 the profit and loss account.

(g) Shareholders' interest in the retail long-term assurance fund

The value of the shareholders' interest in the Group's retail long-term assurance business represents an estimate of the net present value of the profits inherent in the in-force policies, based on the advice of qualified actuaries, together with the surplus retained within the long-term assurance funds. This value is calculated after tax. Changes in the value placed on the long-term assurance business attributable to shareholders are included in the profit and loss account.

For the purpose of presentation, the change in value is grossed up at the effective rate of corporation tax.

In estimating the net present value of the profits inherent in the in-force policies, the calculations use assumed economic parameters (future investment returns, expense inflation and risk discount rate), taxation, mortality, persistency, expenses and the required levels of regulatory and solvency capital. Each of these assumptions is reviewed annually. The returns on fixed interest investments are set to market yields at the period end. The returns on UK and overseas equities and property are set to fixed interest returns plus a margin to reflect the additional return expected on each of these investments. The calculations are based on the market value of assets at the period end. The expense inflation assumption is based on long-term expectations of both earnings and retail price inflation. The risk discount rate is set to market yields on Government securities plus a margin to allow for the risks borne. The mortality, persistency and expense assumptions are chosen to represent best estimates of future experience and are based on current business experience. No credit is taken for favourable changes in experience unless it is reasonably certain to be delivered. The projected tax charges and the required levels of regulatory and solvency capital are based on current legislation.

(h) Revenue recognition

Interest income is recognised in the profit and loss account as it accrues, with the exception of interest on non-performing loans as set out in accounting policy (l) below.

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. Where a fee is charged in lieu of interest, it is recognised in the profit and loss account as interest receivable on a level yield basis over the life of the advance. Fees and commissions receivable in respect of all other services provided are recognised in the profit and loss account when the related services are performed and when considered recoverable.

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. On- and off-balance sheet trading positions are valued on a mark to market basis. The resulting income is included in dealing profits along with interest and dividends arising from long and short positions and funding costs relating to trading activities.

(i) Lending related fees and commissions payable and incentives

Fees and commissions payable to introducers in respect of obtaining certain lending business, where this is the primary form of distribution, are charged to the profit and loss account as fees and commissions payable, over the anticipated life of the loans.

The costs of mortgage incentives, which comprise cashbacks and interest discounts, are charged to the profit and loss account as a reduction to interest receivable as incurred.

The amount of a fee payable by a borrower in respect of high loan to value UK residential secured loans representing an insurance premium, is deferred and included in accruals and deferred income in the Group balance sheet. Following regular reviews of the amount of deferred income required to cover anticipated losses in respect of this lending, deferred income is released to the profit and loss account on an annual basis.

(j) Depreciation

Tangible fixed assets are depreciated on a straight-line basis over their useful economic lives at the following annual rates:

Freehold buildings and long-leasehold property (more than 50 years to run)	2%
Leasehold property (less than 50 years to run)	over the remaining life of the lease
Costs of adaptation of freehold and leasehold property*	10%
Equipment installed in freehold and leasehold property*	10%
Computers and similar equipment	20%-33%
Fixtures and fittings and other equipment	20%

* Where a leasehold has a remaining useful life of less than 10 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

The Group selects its depreciation rates carefully and reviews them regularly to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

No depreciation is provided on freehold land.

(k) Impairment

Tangible fixed assets and goodwill are subject to impairment review in accordance with FRS 11 if there are events or changes in circumstances that indicate that the carrying amount of the fixed asset or goodwill may not be fully recoverable. The impairment review comprises a comparison of the carrying amount of the fixed asset or goodwill with its recoverable amount, which is the higher of net realisable value and value in use. Net realisable value is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis. The carrying values of fixed assets and goodwill are written down by the amount of any impairment and this loss is recognised in the profit and loss account in the period in which it occurs. If the occurrence of an external event gives rise to a reversal of an impairment loss, the reversal is recognised in the profit and loss account and by increasing the carrying amount of the fixed asset or goodwill in the period in which it occurs. The carrying amount of the fixed asset or goodwill will only be increased up to the amount that it would have been had the original impairment not occurred. For the purpose of conducting impairment reviews, income generating units are identified as groups of assets, liabilities and associated goodwill that generates income that is largely independent of other income streams. The assets and liabilities include those directly involved in generating the income and an appropriate proportion of those used to generate more than one income stream.

(l) Bad and doubtful debts

Specific provisions are raised when the Group considers that the creditworthiness of a borrower has deteriorated such that the recovery of the whole or part of an outstanding advance is in serious doubt. Typically, this is done on an individual basis, although scope exists within the retail businesses, where the portfolio comprises homogeneous assets and where statistical techniques are appropriate, to raise specific provisions on a portfolio basis.

General provisions are raised to cover losses which are judged to be present in loans and advances at the balance sheet date, but which have not been specifically identified as such. These provisions are adjusted at least half yearly by an appropriate charge or release of general provision based on a statistical analysis. The accuracy of this analysis is periodically assessed against actual losses. Gradings are used to rate the credit quality of borrowers. Each grade corresponds to an Expected Default Frequency and is calculated by using manual or computer driven score-sheets validated by an analysis of the Group's own historical data. This grade can be derived from different sources depending upon the borrower (e.g. internal model, credit rating agency). The general provision also takes into account the economic climate in the market in which the Group operates and the level of security held in relation to each category of counterparty. The general provision includes a specifically identified element to cover country transfer risk calculated on a basis consistent with the overall general provision calculation. General provisions are created with respect to the recoverability of assets arising from off-balance sheet exposures in a manner consistent with the general provisioning methodology.

The aggregate specific and general provisions which are made during the year, less amounts released and recoveries of bad debts previously written off, are charged against operating profit and are deducted from loans and advances. Impaired lendings are written off against the balance sheet asset and provision in part, or in whole, when the extent of the loss incurred has been confirmed.

If the collection of interest is doubtful, it is credited to a suspense account and excluded from interest income in the profit and loss account. Although it continues to be charged to the customers' accounts, the suspense account in the balance sheet is netted against the relevant loan. If the collection of interest is considered to be remote, interest is no longer applied and suspended interest is written off. Loans on which interest is suspended are not reclassified as accruing interest until interest and principal payments are up-to-date and future payments are reasonably assured.

Assets acquired in exchange for advances in order to achieve an orderly realisation continue to be reported as advances. The asset acquired is recorded at the carrying value of the original advance updated as at the date of the exchange. Any subsequent impairment is accounted for as a specific provision.

(m) Debt securities and equity shares

Investment securities are debt securities and equity shares intended for use on a continuing basis by the Group and identified as such. Investment securities are stated at cost less any provision for impairment. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts on purchase over the period to redemption. The amortisation of premiums and discounts is included in Interest receivable.

Other debt securities and equity shares are stated at market value and profits and losses arising from this revaluation are taken directly to the profit and loss account through dealing profits. Listed securities are valued based on mid-market prices and unlisted securities are valued based on the Directors' estimate, which takes into consideration discounted cash flows, price earnings ratios and other valuation techniques.

In the case of private equity investments, listed and unlisted investments are stated at cost less any provision for impairment.

Investment and other securities may be lent or sold subject to a commitment to repurchase them. Securities lent or sold are retained on the balance sheet where substantially all the risks and rewards of ownership remain with the Group. Similarly, securities purchased subject to a commitment to resell are treated as collateralised lending transactions where the Group does not acquire the risks and rewards of ownership.

(n) Pensions and other post-retirement benefits

The Group provides pension plans for employees in most parts of the world. Arrangements for staff retirement benefits in overseas locations vary from country to country and are made in accordance with local regulations and customs. For defined contribution schemes, the pension cost recognised in the profit and loss account represents the contributions payable to the scheme. The majority of UK staff are members of The Barclays Bank UK Retirement Fund (the UK Fund) which comprises a funded defined benefit scheme and a money purchase scheme for new joiners since July 1997. Staff do not make contributions for basic pensions. Other UK staff are covered by broadly comparable schemes and are accounted for on a comparable basis. The assets of the UK Fund are held separately from the assets of the Group and are administered by a trustee. The pension cost 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 expected average service lives of current employees. Provisions for pensions arise when the profit and loss account charge exceeds the contribution to the scheme as a result of actuarial valuations. These provisions will be eliminated over the estimated service lives of the employees. The basis of estimation is set out in note 5 on page 113. The Group also provides post-retirement health care to certain staff and pensioners in the UK and US, the cost of which has been accrued on a similar basis. Provisions for post-retirement benefits are raised to cover the expected cost of providing the benefits.

(o) Finance leases

Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership, other than legal title, are classified as finance leases. Finance lease receivables are included in loans and advances to customers. Gross earnings under finance leases are allocated to accounting periods in such a way as to give a constant periodic rate of return on the net cash investment. Finance lease receivables are stated at the cost of the equipment, including gross earnings to date, less rentals received to date.

(p) Deferred tax

Deferred tax is provided in full in respect of timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not provided on permanent differences. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable. Deferred tax is not provided on the unremitted earnings of subsidiary undertakings, joint ventures and associated undertakings except to the extent that dividends have been accrued or a binding agreement to distribute past earnings in the future has been entered into.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is not discounted.

(q) Non-credit risk provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation and it can be reliably estimated.

When a leasehold property ceases to be used in the business, provision is made where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated income. The provision is discounted using market rates to reflect the long-term nature of the cashflows.

When the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features, provision is made for the anticipated cost of the restructuring, including redundancy costs. The provision raised is normally utilised within 12 months.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

(r) Derivatives

Derivatives are used to hedge interest, exchange rate and equity exposures related to non-trading positions. Instruments used for hedging purposes include swaps, equity derivatives, forward rate agreements, futures, options and combinations of these instruments. In addition, the use of derivatives and their sale to customers as risk management products is an integral part of the Group's trading activities. Derivatives entered into for trading purposes include swaps, equity derivatives, credit derivatives, commodity derivatives, forward rate agreements, futures, options and combinations of these instruments.

Derivatives used for asset and liability management purposes

Derivatives used for hedging purposes are measured on an accruals basis consistent with the assets, liabilities, positions or future cash flows being hedged. The gains and losses on these instruments (arising from changes in fair value) are not recognised in the profit and loss account immediately as they arise. Such gains are either not recognised in the balance sheet or are recognised and carried forward. When the hedged transaction occurs, the gain or loss is recognised in the profit and loss account at the same time as the hedged item.

The criteria required for a derivative instrument to be classified as a designated hedge are that:

(i) the transaction must be reasonably expected to match or eliminate a significant proportion of the risk inherent in the assets, liabilities, other positions or cash flows being hedged and which results from potential movements in market rates and credit risk; and
(ii) adequate evidence of the intention to hedge and linkage with the underlying risk inherent in the assets, liabilities, other positions or cash flows being hedged, must be established at the outset of the transaction.

Designated hedges are reviewed for effectiveness by regular tests to determine that the hedge is closely negatively correlated to the designated hedged position in each and every identified time band in the maturity profile.

Profits and losses on interest rate swaps and options entered into for hedging purposes are measured on an accrual accounting basis, included in the related category of income and expense and reported as part of the yield on the hedged transaction. Amounts paid or received over the life of futures contracts are deferred until the contract is closed; accumulated deferred amounts on futures contracts and settlement amounts paid or received on forward contracts are accounted for as elements of the carrying value of the associated instrument, affecting the resulting yield.

A premium paid or received in respect of a credit derivative hedging an asset or liability is amortised over the life of the protection purchased or sold against either interest payable or interest receivable. Where a credit event occurs which triggers a recovery under the credit derivative then the recovery will be offset against the profit and loss charge on the underlying asset or liability.

Foreign exchange contracts which qualify as hedges of foreign currency exposures, including positions relating to investments the Group makes outside the UK, are retranslated at the closing rate with any forward premium or discount recognised over the life of the contract in net interest income.

Profits and losses related to qualifying hedges, including foreign exchange contracts, of firm commitments and probable anticipated transactions are deferred and recognised in income or as adjustments to carrying amounts when the hedged transactions occur.

Hedging transactions that are superseded or cease to be effective are measured at fair value. Any profit or loss on these transactions, together with any profit or loss arising on hedging transactions that are terminated prior to the end of the life of the asset, are deferred and amortised into interest income or expense over the remaining life of the item previously being hedged.

When the underlying asset, liability position or cash flow is terminated prior to the hedging transaction, or an anticipated transaction is no longer likely to occur, the hedging transaction is measured on the fair value accounting basis, as described in the section on derivatives used for trading purposes below, prior to being transferred to the trading portfolio. The profit or loss arising from the fair value measurement prior to the transfer to the trading portfolio is included in the category of income or expense relating to the previously hedged transaction.

Derivatives used for trading purposes

Derivatives entered into as trading transactions, together with any associated hedging thereof, are measured at fair value and the resultant profits and losses are included in dealing profits, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains or losses on derivative and foreign exchange contracts are reported gross in other assets or liabilities, reduced by the effects of qualifying netting agreements with counterparties.

The fair value of derivatives is determined by calculating the expected cash flows under the terms of each specific contract, discounted back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial-markets pricing models. The effect of discounting expected cash flows back to present value is achieved by constructing discount curves derived from the market price of the most appropriate observable interest rate products such as deposits, interest rate futures and swaps. In addition, the Group maintains fair value adjustments reflecting the cost of credit risk (where this is not embedded in the fair value), hedging costs not captured in pricing models, future administration costs associated with ongoing operational support of products as well as adjustments to reflect the cost of exiting illiquid or other significant positions.

(s) Collateral and netting

The Group enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Where the amounts owed by both the Group and the counterparty are determinable and in freely convertible currencies, and where the Group has the ability to insist on net settlement which is assured beyond doubt, and is based on a legal right under the netting agreement that would survive the insolvency of the counterparty, transactions with positive fair values are netted against transactions with negative fair values.

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. 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 Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability or asset. These items are assigned to deposits received from bank or other counterparties in the case of cash collateral received, and to loans and advances to banks or customers in the case of cash collateral paid away. Any interest payable or receivable arising is recorded as interest payable or interest income respectively.

(t) Credit related instruments

The Group treats credit related instruments (other than credit derivatives) 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 where reimbursement is considered to be virtually certain. Fees received for providing these instruments are taken to profit over the life of the instrument and reflected in fees and commissions receivable.

(u) Sale and repurchase agreements (including stock borrowing and lending)

The Group enters into sale and repurchase agreements, including stock lending arrangements (repos), and purchase and resale agreements, including stock borrowing arrangements (reverse repos). Under a repo (sale and repurchase agreement) an asset is sold (or lent) to a counterparty with a commitment to repurchase (or return) the assets at a future date at an agreed price. A reverse repo is the same transaction from the opposite viewpoint. The cash legs of these transactions are included within loans and advances to banks, loans and advances to customers, deposits by banks and customer accounts. The Group aims to earn net interest income and dealing profits from these activities, as well as funding its own holdings of securities. The difference between sale and repurchase and purchase and resale prices for such transactions, including dividends received where appropriate, is charged or credited to the profit and loss account over the life of the relevant transactions.

(v) Securitisation transactions

Certain Group undertakings have issued debt securities or have entered into funding arrangements with lenders in order to finance specific loans and advances to customers. In accordance with FRS 5, these balances are either accounted for on the basis of linked presentation or through separate recognition of the gross assets and related funding.

(w) Capital instruments

Debt securities in issue and similar securities are stated at the net issue proceeds adjusted for amortisation of premiums, discounts and expenses related to their issue where the liability is a fixed amount. Where the liability fluctuates, based on, for example, the performance of an index then the debt security reflects the current value of the liability.

Loan capital in issue is stated at the net issue proceeds adjusted for amortisation of premiums, discounts and expenses related to their issue. Amortisation is calculated in order to achieve a constant yield across the life of the instrument.

(x) Internally developed software

The Group's general policy is to write-off such expenditure as incurred except where the software is required to facilitate the use of new hardware. Capitalised amounts are recorded as tangible fixed assets.

Changes in accounting policy

A change in accounting policy has arisen from the adoption in 2002 of Financial Reporting Standard 19 "Deferred tax" (FRS 19). Previously, deferred tax was only provided on timing differences where it was considered probable that a liability to tax would crystallise. As explained in accounting policy (p) above, deferred tax is now provided in full in respect of timing differences that have originated but not reversed at the balance sheet date.

The change in policy has resulted in a prior year adjustment, and the profit and loss accounts and balance sheets for the previous years have been restated. This has resulted in a net credit to shareholders' funds of £14m as at 1st January 2002 comprising the cumulative impact of prior year reductions in deferred tax recognised in the profit and loss account and balance sheet. Comparative figures have been restated with the effect that shareholders' funds have been increased by £14m at 1st January 2002. Profit after tax for the year ended 31st December 2002 has been reduced by £10m. Profit after tax for the years ending 31st December 2001 and 2000 have been increased by £14m and £13m respectively.

A change in accounting policy has also been made by adopting the recent guidelines of the Association of British Insurers on the calculation of income from the long-term assurance business. This guidance encourages companies providing results calculated using the achieved profits methodology to use actual, rather than smoothed, fund values. In view of the similarity between the achieved profits and embedded value methodologies and in order to ensure comparability to the results of listed insurers, the Group has decided to change its policy on the calculation of embedded values to use actual fund values at the balance sheet date. This has resulted in a net reduction to shareholders' funds of £37m as at 1st January 2002 comprising the cumulative impact of the prior year reductions in shareholders' interest in long-term assurance funds. Comparative figures have been restated with the effect that Other operating income in 2002, 2001 and 2000 has been increased by £8m and reduced by £45m and £57m respectively.

There have been no other significant changes to the accounting policies as described in the 2001 Annual report.

Future UK accounting developments

The Group is currently considering the implications of the recent decision by the ASB to extend the transitional provisions of Financial Reporting Standard 17 "Retirement Benefits" until 2005.

The European Commission issued a Regulation in 2002 requiring all listed companies to adopt International Accounting Standards in their consolidated financial statements by 2005. The Group is considering the implications of such a requirement and would expect first to prepare financial statements in accordance with International Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board for the year ended 31st December 2005.

US GAAP

Significant differences exist between accounting principles generally accepted in the UK and those generally accepted in the United States, and the effect on attributable profit and shareholders' funds of Barclays PLC is set out in note 63.

Accounting presentation

Changes in accounting presentation

Following the issue of UITF Abstract 33, "Obligations in capital instruments", Reserve Capital Instruments (RCIs) are now treated as forming part of the undated loan capital of the Bank, rather than as Minority interests—non-equity. The coupon on the RCIs is now reported in Interest payable, rather than as Minority non-equity interests. Comparatives have been restated accordingly. Profit after tax for the year to 31st December 2001 has been reduced by £97m with no impact on retained profit. Liabilities have been increased and Minority interests have been reduced at 31st December 2001 by £1,872m.

The prior period presentation has, where appropriate, been restated to conform with current year classification.

Nature of business

Barclays is an international financial services group engaged primarily in banking, investment banking and asset management. In terms of assets employed, Barclays is one of the largest financial services groups in the UK. The Group also operates in many other countries around the world and is a leading provider of co-ordinated global services to multinational corporations and financial institutions in the world's main financial centres.

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.

Acquisitions

In April 2002, Barclaycard acquired the UK Providian credit card business at a cost of £446m.

In October 2002, Barclays and Canadian Imperial Bank of Commerce (CIBC) completed the combination of their retail, corporate and offshore banking operations in the Caribbean to create FirstCaribbean International Bank (FirstCaribbean). Barclays interest in the new entity is being accounted for as an Associated undertaking. The transaction resulted in an economic profit for Barclays of £206m (recognised in the Statement of total recognised gains and losses) consequent on the disposal of a share of its Caribbean operations. The acquisition of a share of CIBC West Indies Holding Limited has generated goodwill in Barclays of £131m.

Disposals

The significant disposal in 2002 related to the disposal of a share of the Group's Caribbean operation (see detail under Acquisitions above). The effect of the disposal is reflected in the Statement of total recognised gains and losses on page 106.

The effect of other disposals on the profit for the year is reflected in note 9 to the accounts.

Consolidated profit and loss account
For the year ended 31st December 2002

	Note	2002	2001 restated	2000 restated
			(£ millions)	
Interest receivable:				
Interest receivable and similar income arising from debt securities		**2,030**	2,383	2,339
Other interest receivable and similar income		**10,014**	11,075	9,449
		12,044	13,458	11,788
Interest payable		**5,839**	7,492	6,682
Profit on repurchase of loan capital	1	**—**	—	2
Net interest income		**6,205**	5,966	5,108
Fees and commissions receivable		**4,454**	4,202	3,676
Less: fees and commissions payable		**(529)**	(465)	(320)
Dealing profits	2	**833**	1,011	677
Other operating income	3	**364**	428	353
Operating income		**11,327**	11,142	9,494
Administrative expenses—staff costs	4	**3,755**	3,714	3,219
Administrative expenses—other	6	**2,312**	2,303	1,967
Depreciation and amortisation	7	**557**	537	306
Operating expenses		**6,624**	6,554	5,492
Operating profit before provisions		**4,703**	4,588	4,002
Provisions for bad and doubtful debts	17	**1,484**	1,149	817
Provisions for contingent liabilities and commitments	8	**1**	1	(1)
Provisions		**1,485**	1,150	816
Operating profit		**3,218**	3,438	3,186
Loss from joint ventures		**(5)**	(1)	(1)
Loss from associated undertakings		**(5)**	(8)	(7)
(Loss)/profit on disposal/termination of Group undertakings	9	**(3)**	(4)	214
Profit on ordinary activities before tax		**3,205**	3,425	3,392
Tax on profit on ordinary activities	10	**(955)**	(943)	(901)
Profit on ordinary activities after tax		**2,250**	2,482	2,491
Minority interests—equity	11	**(20)**	(31)	(22)
Minority interests—non-equity	11	**—**	(5)	(24)
Profit for the financial year attributable to the members of Barclays PLC		**2,230**	2,446	2,445
Dividends	12	**(1,206)**	(1,110)	(927)
Profit retained for the financial year		**1,024**	1,336	1,518
Basic earnings per 25p ordinary share	13	**33.7p**	36.8p	40.4p

Diluted earnings per 25p ordinary share	13	**33.4p**	36.4p	40.0p

All results arise from continuing operations. For each of the years reported above, there was no material difference between profit before tax and profit retained and profit on a modified historical cost basis.

The Board of Directors approved the accounts set out on pages 97 to 188 on 12th February 2003.

Statement of total recognised gains and losses
For the year ended 31st December 2002

	2002	2001 restated	2000 restated
		(£ millions)	
Profit for the financial year attributable to the members of Barclays PLC	**2,230**	2,446	2,445
Exchange rate translation differences	**(61)**	3	15
Gain arising from transaction with third parties	**206**	—	—
Other items	**8**	(24)	8
Joint ventures and associated undertakings	**2**	(15)	6
Total recognised gains relating to the period	**2,385**	2,410	2,474
Prior period adjustment (see pages 102 and 103)	**(23)**	—	—
Total recognised gains including prior period adjustment	**2,362**	2,410	2,474

Consolidated balance sheet
As at 31st December 2002

	Note	2002	2002	2001 restated	2001 restated
			(£ millions)		
Assets					
Cash and balances at central banks			**2,032**		1,281
Items in course of collection from other banks			**2,335**		2,444
Treasury bills and other eligible bills	14		**7,645**		7,417
Loans and advances to banks:					
—banking		**15,369**		12,196	
—trading		**42,805**		35,693	
	15		**58,174**		47,889
Loans and advances to customers:					
—banking		**157,222**		146,253	
—trading		**45,176**		34,240	
	16		**202,398**		180,493
Debt securities	18		**94,229**		78,924
Equity shares	19		**3,133**		3,118
Interests in joint ventures:					
—share of gross assets		**242**		230	
—share of gross liabilities		**(184)**		(174)	
	20		**58**		56
Interests in associated undertakings	20		**397**		32
Intangible fixed assets	21		**3,934**		4,091
Tangible fixed assets	22		**1,626**		1,958
Other assets	24		**16,839**		18,186
Prepayments and accrued income	26		**2,982**		2,553
			395,782		348,442
Retail life-fund assets attributable to policyholders	25		**7,284**		8,170
Total assets			**403,066**		356,612

Sir Peter Middleton GCB Chairman

Matthew Barrett Group Chief Executive

John Varley Group Finance Director

Consolidated balance sheet
As at 31st December 2002

Liabilities					
Deposits by banks:					
—banking		**48,751**		45,837	
—trading		**38,683**		21,543	
	27		**87,434**		67,380
Customer accounts:					
—banking		**144,078**		139,863	
—trading		**27,420**		23,984	
	28		**171,498**		163,847
Debt securities in issue	29		**45,885**		41,846
Items in course of collection due to other banks			**1,416**		1,550
Other liabilities	30		**56,564**		42,930
Accruals and deferred income	31		**4,352**		4,377
Provisions for liabilities and charges—deferred tax	32		**461**		616
Provisions for liabilities and charges—other	33		**486**		562
Dividend			**788**		728
Subordinated liabilities:					
Undated loan capital—convertible to preference shares	34		**310**		345
Undated loan capital—non-convertible	34		**6,368**		4,709
Dated loan capital—convertible to preference shares	35		**11**		—
Dated loan capital—non-convertible	35		**4,848**		4,933
			380,421		333,823
Minority and other interests and shareholders' funds					
Minority interests—equity			**156**		134
Called up share capital	36	**1,645**		1,668	
Share premium account		**5,277**		5,149	
Capital redemption reserve		**262**		232	
Other capital reserve		**617**		617	
Revaluation reserve		**24**		30	
Profit and loss account		**7,380**		6,789	
Shareholders' funds—equity	38		**15,205**		14,485
			15,361		14,619
			395,782		348,442
Retail life-fund liabilities to policyholders	25		**7,284**		8,170
Total liabilities and shareholders' funds			**403,066**		356,612

	Note	2002	2001
		(£ millions)	
Memorandum items	45		
Contingent liabilities:			
Acceptances and endorsements		2,589	2,460
Guarantees and assets pledged as collateral security		16,043	14,826
Other contingent liabilities		7,914	7,313
		26,546	24,599
Commitments—standby facilities, credit lines and other		101,378	99,917

Consolidated statement of changes in reserves
For the year ended 31st December 2002

	2002	2001 restated	2000 restated
		(£ millions)	
Share premium account			
At beginning of year	**5,149**	4,950	1,583
Premium arising on shares issued	**128**	199	3,367
At end of year	**5,277**	5,149	4,950
Capital redemption reserve			
At beginning of year	**232**	227	207
Repurchase of ordinary shares	**30**	5	20
At end of year	**262**	232	227
Other capital reserve			
At beginning of year	**617**	469	320
Repurchase of preference shares	**—**	148	149
At end of year	**617**	617	469
Revaluation reserve			
At beginning of year	**30**	35	37
Exchange rate translation differences	**—**	(1)	(2)

Released on transaction with third parties	**(6)**	—	—
Other items	**—**	(4)	—
At end of year	**24**	30	35
Profit and loss account			
At beginning of year	**6,812**	5,844	4,841
Prior year adjustment	**(23)**	(4)	10
At beginning of year as restated	**6,789**	5,840	4,851
Profit retained	**1,024**	1,336	1,518
Exchange rate translation differences	**(61)**	4	19
Repurchase of ordinary shares	**(516)**	(96)	(291)
Transfer to capital redemption reserve	**(30)**	(5)	(20)
Goodwill written back on disposals	**10**	—	—
Shares issued to employee trusts (see below)	**(48)**	(107)	(114)
Transfer to other capital reserve	**—**	(148)	(149)
Gain arising from transaction with third parties	**212**	—	—
Other items	**—**	(35)	26
At end of year	**7,380**	6,789	5,840
Total reserves	**13,560**	12,817	11,521

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 net profit retained of overseas subsidiaries, associated undertakings and joint ventures at 31st December 2002 totalled £1,038m (2001: £1,190m, 2000: £965m). 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 £205m (2001: £215m, 2000: £215m) has been charged directly against reserves in 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.

In 1998, the Group established a Qualifying Employee Share Ownership Trust (QUEST) for the purposes of delivering shares on the exercise of options under the SAYE. During 2002 the Group received from the trustees of the QUEST £122m (2001: £195m, 2000: £183m) on the issue of shares in respect of the exercise of options awarded under SAYE. Of the amount received from the trustees, employees paid £76m (2001: £90m, 2000: £69m) and the balance of £46m (2001: £105m, 2000: £114m) comprised contribution to the QUEST from Group Companies. Additionally, the Barclays Group (PSP & ESOS) Employee Share Ownership Trust (ESOT) is used to facilitate the provision of Barclays PLC shares to participants exercising rollover options under the Woolwich plc 1998 Executive Share Option Plan (WESOP). During 2002, the Group received from the trustees of this trust £8m (2001: £6m and 2000: £nil) on the issue of shares in respect of the exercise of options awarded under WESOP. Of the amount received from the trustees, employees paid £6m (2001: £4m and 2000: £nil) and the balance of £2m (2001: £2m and 2000: £nil) comprised contribution to the trust from Group Companies.

Accumulated exchange rate translation differences included in reserves are £539m debit (2001: £478m, 2000: £481m both debit).

Consolidated cash flow statement
For the year ended 31st December 2002

	Note	2002		2001 restated		2000 restated	
				(£ millions)			
Net cash inflow from operating activities	50		**7,391**		3,799		8,486
Dividends received from joint ventures and associated undertakings			**1**		3		1
Returns on investments and servicing of finance:							
Interest paid on loan capital and other subordinated liabilities		**(607)**		(598)		(370)	
Preference dividends paid by subsidiary undertaking		**—**		(5)		(24)	
Dividends paid to minority shareholders		**(23)**		(17)		(10)	
Net cash outflow from returns on investment and servicing of finance			**(630)**		(620)		(404)
Tax paid			**(828)**		(1,004)		(636)
Capital expenditure and financial investment:							
Capital expenditure		**(301)**		(351)		(365)	
Sale of property and equipment		**289**		152		112	
Purchase of investment securities		**(28,128)**		(20,173)		(14,490)	
Redemption of investment securities		**10,247**		5,704		5,666	
Sale of investment securities		**11,137**		13,338		4,115	
Net cash outflow from capitalexpenditure and financial investment			**(6,756)**		(1,330)		(4,962)
Acquisitions and disposals:							
Net cash outflow from formation of FirstCaribbean International Bank Ltd	51	**(160)**		—		—	
Acquisition of Group undertakings	54	**(451)**		(36)		(2,421)	
Sale of associated undertakings		**—**		—		13	
Sale of other Group undertakings	51	**(1)**		42		307	
Net cash (outflow)/inflow from acquisitions and disposals			**(612)**		6		(2,101)
Equity dividend paid			**(1,146)**		(1,014)		(779)

	Note	2002	2002	2001	2001	2000	2000
Net cash outflow before financing			**(2,580)**		(160)		(395)
Financing:	52						
Issue of loan capital and other subordinated liabilities (net of expenses)		**2,173**		3,019		2,211	
Redemption/repurchase of loan capital and other subordinated liabilities		**(376)**		(715)		(212)	
Repurchase of ordinary shares		**(546)**		(101)		(311)	
Issue of ordinary shares (net of contribution to the QUEST)		**87**		103		81	
Redemption of preference shares		**—**		(148)		(149)	
Issue of shares to minority interest		**35**			—		
Net cash inflow from financing			**1,373**		2,158		1,620
(Decrease)/Increase in cash	53		**(1,207)**		1,998		1,225

Parent company accounts

	2002	2001 restated	2000 restated
		(£ millions)	
Profit and loss account and changes in reserves for the year ended 31st December			
Interest income	**6**	5	4
Operating expenses:			
Management charge from subsidiary undertaking	**(6)**	(5)	(4)
Operating profit	**—**	—	—
Dividends from subsidiary undertaking	**1,798**	1,317	1,352
Profit on ordinary activities before tax	**1,798**	1,317	1,352
Tax on profit on ordinary activities	**—**	—	—
Profit on ordinary activities after tax	**1,798**	1,317	1,352
Dividends	**(1,206)**	(1,110)	(927)
Profit retained by Barclays PLC	**592**	207	425
Profit retained by subsidiary undertakings	**443**	1,143	1,105
Loss retained by associated undertakings and joint ventures	**(11)**	(14)	(12)
Profit retained for the financial year	**1,024**	1,336	1,518
Premium arising on shares issued	**128**	199	3,367
Reduction in reserves arising from repurchase of shares	**(516)**	(96)	(291)
Shares issued to the QUEST in relation to share option schemes for staff	**(46)**	(105)	(114)
Other movements in investment in Barclays Bank PLC	**153**	(38)	43
Profit and loss account and other reserves brought forward	**12,817**	11,521	6,998
Profit and loss account and other reserves carried forward	**13,560**	12,817	11,521

	Note	2002	2001 restated
		(£ millions)	
Balance sheet as at 31st December			
Fixed assets			
Investment in Barclays Bank PLC	39	**15,205**	14,485
Current assets			
Amounts falling due within one year:			
Due from subsidiary undertaking		**788**	728
		788	728
Current liabilities			
Amounts falling due within one year—dividend		**(788)**	(728)
Net current assets		**—**	—
Assets less current liabilities		**15,205**	14,485
Capital and reserves			
Called up share capital	36	**1,645**	1,668
Share premium account		**5,277**	5,149
Capital redemption reserve		**262**	232
Revaluation reserve		**7,140**	6,555
Profit and loss account		**881**	881
Shareholders' funds—equity	38	**15,205**	14,485

Prior year shareholders' funds has been restated for a reduction of £23m in 2001 (2000: £4m) arising from changes in accounting policy as described on pages 102 and 103.

All results arise from continuing operations. For each of the years reported above, there was no material difference between profit before tax and profit retained and profit on a modified historical cost basis.

Sir Peter Middleton GCB Chairman

Matthew Barrett Group Chief Executive

John Varley Group Finance Director

Notes to the accounts

For the year ended 31st December 2002

1 Profit on repurchase of loan capital

In 2000, $17m of undated loan capital was repurchased at a discount of £2m.

2 Dealing profits

	2002	2001	2000
		(£ millions)	
Rates related business	**876**	823	635
Credit related business	**(43)**	188	42
	833	1,011	677

Dealing profits include the profits and losses arising both on the purchase and sale of trading instruments and from the revaluation to market value, together with the interest income earned from these instruments and the related funding cost.

Of the total dealing profit, £325m was earned on securities (2001: £345m, 2000: £229m).

Rates related business includes sales and trading relating to government bonds, money markets, foreign exchange, commodities and their related derivative instruments. Credit related business includes origination, sales and trading relating to loans, securitised assets, corporate bonds and their related derivative instruments, equity derivatives and private equity investment.

3 Other operating income

	2002	2001 restated	2000 restated
		(£ millions)	
Dividend income from equity shares	**7**	8	14
Profits on disposal of investment securities	**58**	37	45
(Loss)/Income from the long-term assurance business	**(51)**	127	114
Property rentals	**20**	30	22
Premium income on insurance underwriting	**178**	158	126
Other income	**152**	68	32
	364	428	353

4 Administrative expenses—staff costs

	2002	2001	2000
		(£ millions)	
Salaries and accrued incentive payments	**3,159**	3,149	2,655
Social security costs	**240**	243	178
Pension costs	**(27)**	(17)	(31)
Post-retirement health care	**15**	—	1
Other staff costs	**368**	339	416
	3,755	3,714	3,219

Staff costs reported above for 2002 include £124m (2001: £114m, 2000: £171m) of costs relating to staff reductions and relocations under previous restructuring plans.

The following amounts, relating to the administration staff, (2001 and 2000 additionally the regulated sales force of Barclays Financial Management Limited), including temporary staff whose remuneration is reflected in the valuation of the long-term assurance fund, are not included in staff costs reported above:

	2002	2001	2000
		(£ millions)	
Salaries and accrued incentive payments	**12**	47	67
Social security costs	**1**	5	7
Other staff costs	**—**	18	27
	13	70	101

Average number of employees

The average number of persons employed by the Group worldwide during the year, excluding agency staff, was 77,200 (2001: 77,100, 2000: 73,000). All staff fall within a single structure. The average number of administration staff (2001 and 2000 additionally the regulated sales force of Barclays Financial Management Limited), whose remuneration is reflected in the valuation of the long-term assurance fund, was 370 (2001: 1,600, 2000: 2,100).

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5 Pensions, post-retirement benefits, and other staff costs

Pensions

The UK Fund (UKRF) comprises three sections:

The 1964 Pension Scheme

Most employees recruited before July 1997 are members of this non-contributory defined benefit scheme. Pensions are calculated by reference to service and pensionable salary and are normally subject to a deduction from State pension age.

The Retirement Investment Scheme (RIS)

A defined contribution plan for most new joiners. Between 5.5% and 13.5% of pensionable pay is credited to members' retirement accounts in addition to contributions paid by the members themselves; precise amounts are dependent upon each member's age and contribution decision.

The Pension Investment Plan (PIP)

A defined contribution plan created from 1st July 2001 to provide benefits for certain employees of Barclays Capital. 10% of pay is credited to members' retirement accounts.

In addition, the costs of ill-health retirements and death in service benefits are generally borne by the UK Fund for each of the three sections.

Formal actuarial valuations of the UK Fund are carried out triennially by a professionally qualified independent actuary. The most recent valuation was conducted as at 30th September 2001 and expresses the assets and liabilities at market values. However, in light of changing market conditions and changes in the investment strategy of the scheme, which resulted in a significant reduction in the equity holding of the UK Fund, an interim actuarial review was conducted as at 30th September 2002. The market value of the assets at the interim review date was £9,553m and the valuation revealed a surplus of assets over the accrued liabilities of 4% after allowing for expected future salary increases. This surplus was estimated to be sufficient to allow the Bank to continue its contribution holiday, which commenced in January 1998, for all sections until 2004, and a further interim review will be conducted as at 30th September 2003. Protected Rights contributions in respect of RIS and PIP members have been paid as required by the contracting-out regulations. The principal financial assumptions underlying the 2002 interim actuarial review were:

Price inflation	2.5%	Earnings growth	4.0%
Dividend growth	4.0%	Return on new investments	6.5%
Pension increases	2.5%		

In calculating the surplus of assets over accrued liabilities, assets were taken at their market value and a discount rate of 6.8% p.a. at 30th September 2002 was used to value the 1964 Pension Scheme accrued liabilities. This rate of 6.8% was derived by taking a weighted average of the market yields on the day, weighting by reference to the UK Fund's strategic asset allocation; for the equity component, allowance was made for future dividend growth.

It is the Bank's policy to allow for the results of a new valuation in its pension charge in the year following the valuation date. Therefore, the figures shown below reflect the 2001 formal actuarial valuation, with the pensions charge in the accounts being reduced over the remaining service lives of the members to take account of the surplus.

Without the benefit of the surplus, the 1964 Pension Scheme charge, based on the 2001 valuation, would be 17.4% of pensionable salaries (on the projected unit method) assessed using the assumption regarding return on new investments, while contributions to the RIS and PIP would equal the contributions described above plus the costs of ill-health and death in service benefits.

	2002	**2001**	**2000**
		(£ millions)	
Pensions costs vary from regular costs as follows (UKRF):			
Regular costs	**197**	181	161
Variation from regular costs (including interest)	**(266)**	(250)	(226)
	(69)	(69)	(65)

Of the total regular cost in 2002 of £197m, £146m relates to the 1964 Pension Scheme, £32m to the RIS and £19m to the PIP.

The approach taken to calculating the pensions charge in the accounts for the 1964 Pension Scheme is to take assets and liabilities at market values with effect from 1st January 2002. The assumptions used to derive the 1964 Pension Scheme pensions charge differ from those shown above in that returns on new investments are assumed to be 7.5% p.a. and dividend growth is assumed to be 4.5% p.a. A discount rate at 1st January 2002 of 6.7% was used to value the accrued liabilities, derived as explained above. This resulted in an accounting surplus of assets over the accrued liabilities of 23%, allowing for expected future salary increases. Spreading this surplus using the straight line method over the future remaining service lives of the active members would be sufficient to produce a variation from regular cost of £266m including interest.

Total pension costs of the Group are summarised as follows:

	2002	**2001**	**2000**

		(£ millions)	
The Barclays Bank UK Retirement Fund	**(69)**	(69)	(65)
Other UK pension schemes	**20**	24	9
Overseas pension schemes	**22**	28	25
	(27)	(17)	(31)

The Bank also operates a defined benefit scheme for overseas employees of the Bank similar in design to the 1964 Pension Scheme, the Barclays Bank (1951) Pension Fund, which had a formal valuation as at 30th September 2002. The creation of FirstCaribbean affected a significant proportion of the active members of this fund as at 11th October 2002 so the pension charge for this fund allows for the results of this valuation for the last three months of 2002. The pension charge has been assessed using consistent assumptions to those used for the 1964 Pension Scheme and a credit of £3m (2001: £3m, 2000: £9m) is included in Other UK pension schemes.

Note 62 contains the disclosures required by FRS 17. Note 63 provides additional disclosures required by US Statement of Financial Accounting Standards No. 132.

Post-retirement benefits

Some 11,000 UK and US pensioners are provided with private health care on similar terms to current employees. In addition, 5,900 members of staff and a further 1,000 Barclays Bank PLC pensioners who have retired since 30th June 1999 and have satisfied the qualification criteria may also become eligible for this benefit, which is being progressively withdrawn for these pensioners over the period to 30th June 2008.

Other staff costs

Other staff costs comprise medical healthcare costs, social welfare taxes, staff transfer costs, redundancy payments and other sundry employee costs.

6 Administrative expenses—other

Property and equipment expenses	2002	2001	2000
		(£ millions)	
Hire of equipment	**12**	16	20
Property rentals	**180**	183	157
Other property and equipment expenses	**793**	775	641
Other administrative expenses	**1,327**	1,329	1,149
	2,312	2,303	1,967

Other property and equipment expenses include £27m of exceptional costs relating to the restructuring in 2002 (2001: £38m, 2000: £27m). Other administration expenses include £36m of exceptional costs relating to the restructuring in 2002 (2001: £19m, 2000: £34m).

Fees paid to the Group's main auditors, PricewaterhouseCoopers LLP and its worldwide associates, were as follows:

	2002	2001	2000
		(£ millions)	
Audit Related			
Group statutory	**5**	5	5
Regulatory	**4**	6	8
Accounting and Audit related	**5**	6	7
	14	17	20
Non-Audit			
Transaction Services	**3**	3	2
Taxation Services	**5**	5	4
Other	**—**	1	—
Non-audit fees	**8**	9	6
Total fees	**22**	26	26

The figures shown in the above table include amounts paid in the United Kingdom to both PricewaterhouseCoopers and PricewaterhouseCoopers LLP. Audit related fees include all amounts paid to the Group's auditors in their capacity as such.

In addition to the fees included in the above table, amounts paid to PwC Consulting, the management consultancy arm of PricewaterhouseCoopers, amounted to £6m up to its sale to the IBM Corporation on 1st October 2002 (2001: £12m, 2000: £6m).

7 Depreciation and amortisation

	2002	2001	2000
		(£ millions)	
Property depreciation	**93**	105	85
Equipment depreciation	**198**	194	166
Goodwill amortisation	**254**	229	51
Loss on sale of equipment	**12**	9	4

	557	537	306

8 Provisions for contingent liabilities and commitments

	2002	2001	2000
		(£ millions)	
	1	1	(1)

9 (Loss)/profit on disposal/termination of Group undertakings

	2002	2001	2000
		(£ millions)	
Net profit/(loss) on disposal of Group undertakings	**8**	(4)	214
Loss on termination of Group activities	**(11)**	—	—
	(3)	(4)	214

The net profit on disposal of Group undertakings comprised profits on disposal of £14m (2001: £15m, 2000: £222m) and losses on disposal of £6m (2001: £19m, 2000: £8m).

Goodwill previously written off to reserves on disposals amounted to £10m (2001: £nil, 2000: £nil). No tax credit is attributable to the losses on disposal in 2002, 2001 and 2000 and no tax was payable on the 2002, 2001 and 2000 gains.

Up to the date of sale, the businesses sold in 2002 contributed £3m profit to Group profit before tax (2001: £8m loss, 2000: £20m loss).

10 Tax

The charge for tax assumes an effective UK corporation tax rate of 30% (2001: 30%, 2000: 30%) and comprises:

	2002	2001 restated	2000 restated
		(£ millions)	
Current tax:			
UK	**806**	792	689
Overseas	**184**	149	219
Total current tax	**990**	941	908
Deferred tax (credit)/charge:			
UK	**(32)**	13	1
Overseas	**(2)**	(9)	(7)
Total deferred tax	**(34)**	4	(6)
Associated undertakings and joint ventures, including overseas tax of (£1m) (2001: (£2m), 2000: (£1m))	**(1)**	(2)	(1)
Total charge	**955**	943	901
Analysis of deferred tax (credit)/charge:			
Leasing transactions	**57**	24	13
Short-term and other timing differences	**(91)**	(20)	(19)
	(34)	4	(6)

Current tax includes a credit of £38m (2001: £11m charge, 2000: £32m charge) on the shareholders' interest in the long-term assurance fund. Included within current tax are prior year adjustments to UK of (£12m) (2001: £26m, 2000: 4m) and overseas of £3m (2001: £2m, 2000: £8m).

Available overseas tax credits of £221m (2001: £232m, 2000: £194m) have been applied to reduce UK tax in accordance with UK legislation.

The tax for the year is lower (2001 and 2000 lower) than the standard rate of corporation tax in the UK (30%) (2001 and 2000 30%). The differences are set out below:

	2002	2001 restated	2000 restated
		(£ millions)	
Tax charge at average UK corporation tax rate of 30% (2001: 30%, 2000: 30%)	**961**	1,027	1,017
Prior year adjustments	**(9)**	28	12
Effect of change in non-allowable general provisions	**(2)**	(11)	24

Effect of non-allowable property write-downs and depreciation	**12**	17	6
Net effect of differing tax rates overseas	**(70)**	(65)	(43)
Net effect of overseas losses not available for relief in the UK	**(40)**	(17)	(5)
Other non-allowable expenses	**8**	(21)	16
Gains covered by capital losses brought forward	**(3)**	(49)	(53)
Goodwill	**69**	67	11
Other items	**63**	(37)	(78)
Current tax charge	**989**	939	907
Deferred tax charge	**(34)**	4	(6)
Overall tax charge	**955**	943	901
Effective tax rate %	**29.8**	27.5	26.6

The charge for the year assumes a UK corporation tax rate of 30% for the year 2002 (2001: 30%, 2000: 30%). The effective rate of tax is 29.8% (2001: 27.5%, 2000: 26.6%). The increase in the rate from last year is primarily due to the absence of tax-free disposals, coupled with a reduction in the payments made to the qualifying employee trust reflecting the reduced share price and a reduction in the benefit generated by the utilisation of overseas losses.

11 Minority and other interests—Barclays PLC

Equity minority interests in the balance sheet represent the interests of third parties in the equity shares of the Group subsidiary undertakings.

12 Dividends—Barclays PLC

Dividends per ordinary share	2002	2001	2000
		(£ millions)	
Interim	**419**	383	295
Final	**787**	727	632
	1,206	1,110	927
		(pence per share)	
Interim	**6.35**	5.750	5.0
Final	**12.00**	10.875	9.5
	18.35	16.625	14.5

Dividends amounting to £0.2m (2001: £0.2m, 2000: £0.2m) are payable on the staff shares, which carry a fixed dividend of 20% per annum unless no dividend is paid for the year on the ordinary shares.

13 Earnings per 25p ordinary share—Barclays PLC

	2002	2001 restated	2000 restated
		(£ millions)	
Basic and diluted earnings	**2,230**	2,446	2,445
Basic weighted average number of shares	**6,626**	6,651	6,055
Add potential ordinary shares	**47**	67	62
Diluted weighted average number of shares	**6,673**	6,718	6,117

Basic and diluted earnings are based upon the results after deducting tax, profit attributable to minority interests and dividends on staff shares.

Certain shares held by incentive plans have been excluded from the calculation of earnings per share in line with UITF 13, on the grounds that the trustee has waived all dividend and voting rights.

The recognition of potential ordinary shares for the purposes of calculating diluted earnings per share is in accordance with FRS 14 "Earnings per Share".

See note 63 for earnings per 25p ordinary share calculated in accordance with the accounting principles generally accepted in the United States.

14 Treasury bills and other eligible bills

	2002	2001
	(£ millions)	
Treasury bills	**5,389**	5,500
Other eligible bills	**2,256**	1,917
	7,645	7,417
Treasury bills and other eligible bills comprise:		
Banking business	**4,759**	5,723

Trading business	**2,886**	1,694
	7,645	7,417

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 £10m at 31st December 2002 (2001: £11m).

15 Loans and advances to banks

	2002	2001
	(£ millions)	
Repayable		
on demand	**1,973**	4,117
not more than three months	**44,124**	35,993
over three months but not more than one year	**4,286**	3,597
over one year but not more than five years	**7,566**	3,915
over five years	**307**	319
	58,256	47,941
Less:		
Provisions	**(82)**	(52)
	58,174	47,889

	2002	2001
	(£ millions)	
By geographical area		
Banking business:		
UK	**11,510**	7,116
Other European Union	**2,154**	2,278
United States	**256**	930
Rest of the World	**1,531**	1,924
Total banking business	**15,451**	12,248
Total trading business	**42,805**	35,693
	58,256	47,941

At 31st December 2002, there were loans and advances to banks of £9m (2001: £nil) outstanding from associated undertakings and joint ventures.

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £565m at 31st December 2002 (2001: £711m).

Additional analyses are provided within the loans and advances, provisions for bad and doubtful debts and potential credit risk lendings sections on pages 29 to 43.

The geographic analysis of the banking business is based on the location of the office from which the lendings are made. The trading business, which is largely carried out in the UK, the United States and Japan, is more international in nature and has not been analysed geographically. It primarily constitutes settlement and reverse repo balances.

Provisions include specific provisions of £77m (2001: £11m) and general provisions of £5m (2001: £41m).

16 Loans and advances to customers

	2002		2001	
	(£ millions)			
Repayable				
on demand		**14,460**		15,185
not more than three months		**60,590**		48,056
over three months but not more than one year		**17,915**		21,883
over one year but not more than five years		**31,262**		27,257
over five years		**81,165**		70,851
		205,392		183,232
Less:				
Provisions	**(2,916)**		(2,664)	
Interest in suspense	**(78)**		(75)	
		(2,994)		(2,739)
		202,398		180,493

By geographical area		
Banking business:		
UK	**135,900**	124,254
Other European Union	**12,579**	10,708
United States	**6,138**	6,614
Rest of the World	**5,599**	7,416
Total banking business	**160,216**	148,992
Total trading business	**45,176**	34,240
	205,392	183,232

At 31st December 2002, there were loans and advances to customers of £249m (2001: £163m) outstanding from associated undertakings and joint ventures.

Mortgage incentive costs of £86m (2001: £115m, 2000: £22m) have been charged to net interest income.

Additional analyses are provided within the loans and advances, provisions for bad and doubtful debts and potential credit risk lendings sections on pages 29 to 43.

The geographical analysis of the banking business is based on the location of the office from which the lendings are made. The trading business, which is largely carried out in the UK, the United States and Japan, is more international in nature and has not been analysed geographically. It primarily constitutes settlement and reverse repo balances.

Provisions include specific provisions of £2,184m (2001: £1,960m) and general provisions of £732m (2001: £704m).

Banking business loans and advances to customers include finance lease receivables of £4,389m (2001: £4,433m) which are stated in the balance sheet after deducting £2,993m (2001: £2,318m) of unearned charges and interest. Assets acquired in the year for letting under finance leases amounted to £401m (2001: £898m).

The following residual values are included in finance lease receivables:

	2002	2001
	(£ millions)	
Recoverable:		
not more than one year	**17**	18
over one year but not more than two years	**4**	9
over two years but not more than five years	**6**	8
over five years	**11**	11
	38	46

Securitised transactions

Loans and advances to customers include balances which have been securitised. In accordance with Financial Reporting Standard 5 (FRS 5), "Reporting the Substance of Transactions", these balances are either accounted for on the basis of linked presentation or separate recognition of the gross assets and related funding.

Linked presentation

Banking business loans and advances to customers include loans subject to non-recourse finance arrangements which at 31st December 2002 and 2001 comprised a portfolio of mortgage loans. The principal benefits of these loans were acquired from the Bank by a special purpose securitisation vehicle which was funded primarily through the issue of floating rate notes. Barclays PLC and its subsidiary undertakings 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 company's 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 securitisation company involved is Millshaw SAMS (No. 1) Limited. All the shares in Millshaw SAMS (No. 1) Limited are held beneficially by Millshaw SAMS Holdings Limited. All the shares in Millshaw SAMS Holdings Limited are held by Royal Exchange Trust Company Limited. The Group does not own, directly or indirectly, any of the share capital of Millshaw SAMS (No. 1) Limited or its parent companies. The Bank has made an interest bearing subordinated loan to Millshaw SAMS (No. 1) Limited repayable on final redemption of the floating rate notes.

The Bank received payments from the securitisation companies in respect of fees for loan administration services, and also under the terms of the subordinated loan agreement. 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. The personal mortgage loans subject to non-recourse finance are as follows:

	Outstanding at 31st December 2002			Outstanding at 31st December 2001		
	Customer loans	Non-returnable finance	Funding provided by the Bank*	Customer loans	Non-returnable finance	Funding provided by the Bank*
	(£ millions)					
	84	**83**	**1**	88	87	1

* Funding provided by the Bank includes £1m (2001: £1m) of subordinated loans.

Linked presentation has been applied for these loans and the net of the loans and finance is included within loans and advances to customers on the balance sheet. The amounts involved in the linked presentation have not been shown on the face of the balance sheet because they are not deemed to be significant.

Gross assets presentation

During 2002, a proportion of the Barclaycard personal credit and charge card receivables portfolio in the UK was securitised. The noteholders in this securitisation have a proportionate interest in each balance in the portfolio and at 31st December 2002, the sterling equivalent of this interest was £644m. The securitisation does not qualify for linked presentation under FRS 5 and therefore the total portfolio is included within gross loans and in note 60 on page 159. The funding giving rise to the noteholders interest is included within Debt securities in issue. During 2002, an earlier series of notes was redeemed, the sterling equivalent of those notes was £607m.

17 Provisions for bad and doubtful debts

Movements in provisions for bad and doubtful debts	2002 Specific	2002 General	2002 Total	2001 Specific	2001 General	2001 Total
	(£ millions)					
Provisions at beginning of year	**1,971**	**745**	**2,716**	1,593	760	2,353
Acquisitions and disposals	**(25)**	**14**	**(11)**	50	(4)	46
Exchange and other adjustments	**(57)**	**(20)**	**(77)**	(6)	5	(1)
	1,889	**739**	**2,628**	1,637	761	2,398
Provision for the year	**1,486**	**(2)**	**1,484**	1,165	(16)	1,149
Amounts written off, net of recoveries of £106m (2001: £142m)	**(1,114)**	**—**	**(1,114)**	(831)	—	(831)
Provisions at end of year	**2,261**	**737**	**2,998**	1,971	745	2,716

Provisions at 31st December	2002	2001
	(£ millions)	
Specific provisions		
UK	**1,790**	1,605
Other European Union	**84**	89
United States	**257**	89
Rest of the World	**130**	188
	2,261	1,971
General provisions	**737**	745
	2,998	2,716

Non performing advances	2002	2001
	(£ millions)	
Loans and advances on which interest is in suspense or is not being applied	**3,153**	2,484
Specific provisions	**(1,634)**	(1,457)
	1,519	1,027

18 Debt securities

	2002 Balance Sheet	2002 Gross unrealised gains	2002 Gross unrealised losses	2002 Valuation	2001 Balance Sheet	2001 Gross unrealised gains	2001 Gross unrealised losses	2001 Valuation
	(£ millions)							
Investment securities:								
UK government	**1,465**	**31**	**—**	**1,496**	1,500	—	(1)	1,499
other government	**18,963**	**601**	**—**	**19,564**	15,152	205	(27)	15,330
other public bodies	**17**	**—**	**—**	**17**	3	—	—	3
mortgage-backed securities	**4,693**	**11**	**—**	**4,704**	244	11	—	255
corporate issuers	**12,601**	**81**	**(16)**	**12,666**	12,977	17	(7)	12,987
other issuers	**2,529**	**1**	**—**	**2,530**	1,168	2	—	1,170
	40,268	**725**	**(16)**	**40,977**	31,044	235	(35)	31,244
Other debt securities:								
UK government	**1,025**	**—**	**—**	**1,025**	1,284	—	—	1,284
other government	**25,385**			**25,385**	15,659	—	—	15,659
other public bodies	**2,438**	**—**	**—**	**2,438**	1,091	—	—	1,091
bank and building society certificates of deposit	**12,027**	**—**	**—**	**12,027**	15,376	—	—	15,376
other issuers	**13,086**			**13,086**	14,470	—	—	14,470
	94,229	**725**	**(16)**	**94,938**	78,924	235	(35)	79,124

2002

Movements in investment securities	Cost	Provisions	Balance Sheet
		(£ millions)	
At beginning of year	**31,084**	**(40)**	**31,044**
Exchange and other adjustments	**(153)**	**3**	**(150)**
Acquisitions and transfers	**30,726**	**—**	**30,726**
Redemption of Investment securities	**(10,247)**	**—**	**(10,247)**
Sale of Investment securities	**(11,002)**	**—**	**(11,002)**
Provisions raised	**—**	**(18)**	**(18)**
Amortisation of discounts and premiums	**(85)**	**—**	**(85)**
At end of year	**40,323**	**(55)**	**40,268**

The total value of debt securities at 31st December 2002 includes securities which are subject to sale and repurchase agreements of £5,839m (2001: £3,446m), and unamortised net discount on investment securities of £2m (2001: premium of £24m). The value of securities due within one year at 31st December 2002 was £22,281m (2001: £23,478m). At 31st December 2002, there were debt securities of £1,112m (2001: £nil) issued by associated undertakings or joint ventures.

During 1999, the Group securitised a portfolio of investment debt securities. Linked presentation under FRS 5 is not available and therefore the portfolio with a sterling equivalent book value of £318m at 31st December 2002 (2001: £605m) is included within the total above. The funding from this transaction is reported in Other liabilities (note 30 on page 130).

During 2002, the Group purchased a portfolio of investment debt securities, a large portion of which were subject to limited recourse financing. Linked presentation under FRS 5 is not available and therefore the portfolio with a sterling equivalent book value of £457m is included in the total above, with the financing reported in Deposits by banks. At 31st December 2002, the Group's net exposure to these investment debt securities, after taking into account the limited recourse financing, was £97m.

Barclays PLC holds, as an investment, British government stock with a book value of £0.1m (2001: £0.1m). As part of its normal market-making activities, Barclays Capital holds positions in Barclays Bank PLC's loan capital.

Gross gains of £5m (2001: £37m, 2000: £6m) and gross losses of £37m (2001: £13m, 2000: £9m) were realised on the sale and redemption of investment securities.

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

Of the total debt securities disclosed above, £56,290m (2001: £56,814m) were listed on a recognised exchange. These listed debt securities had a market value of £56,991m (2001: £57,039m).

Under US GAAP all Investment securities are classified as "available for sale' unless the Group has a clear intention and ability to hold them to maturity. Other debt securities are classified as "trading securities".

See page 89 of the Financial review for the valuation and maturity analysis of Investment securities.

19 Equity shares

	2002		2001	
	Balance Sheet	Valuation	Balance Sheet	Valuation
		(£ millions)		
Investment securities	**505**	**509**	194	215
Other securities	**2,628**	**2,628**	2,924	2,924
	3,133	**3,137**	3,118	3,139

Movements in Investment securities	2002 Cost	Provisions	Balance Sheet
		(£ millions)	
At beginning of year	**199**	**(5)**	**194**
Acquisitions and transfers	**406**	**—**	**406**
Sale of Investment securities	**(89)**	**—**	**(89)**
Provisions raised	**—**	**(6)**	**(6)**
At end of year	**516**	**(11)**	**505**

Gross unrealised gains on equity shares amounted to £14m (2001: £21m). Gross unrealised losses amounted to £10m (2001: £nil).

Gross gains of £91m (2001: £68m, 2000: £54m) and gross losses of £12m (2001: £8m, 2000: £1m) were realised on the sale of Investment securities.

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

As part of its normal operations, the equity derivatives business of Barclays Capital holds shares in Barclays PLC.

Of the total equity securities disclosed above, £2,273m (2001: £2,963m) were listed on a recognised exchange. These listed equity securities had a market value of £2,277m (2001: £2,979m).

20 Interests in associated undertakings and joint ventures

Share of net assets	Associates 2002	Associates 2001	Joint Ventures 2002	Joint Ventures 2001
	(£ millions)			
At beginning of year	**32**	60	**56**	62
Exchange and other adjustments	**(2)**	(30)	**—**	(3)
New investments/acquisitions	**373**	13	**7**	3
Disposals	**—**	—	**—**	(3)
Loss retained	**(6)**	(11)	**(5)**	(3)
At end of year	**397**	32	**58**	56
Interest in FirstCaribbean International Bank				
—share of gross assets	**2,671**	—		
—share of gross liabilities	**(2,444)**	—		
—goodwill	**130**	—		
Other associates—share of net assets	**40**	32		
Total	**397**	32		

Associated undertakings and joint ventures included £357m in respect of banks (2001: £nil). Dividend income from associated undertakings and joint ventures amounted to £1m (2001: £3m). On an historical cost basis, the Group's interests in associated undertakings and joint ventures at 31st December 2002 amounted to £455m (2001: £87m). Of the above interests in associated undertakings and joint ventures, only FirstCaribbean International Bank is listed on a recognised exchange. FirstCaribbean International Bank is listed on the Barbados, Trinidad and Tobago and Jamaican Stock Exchanges. The Group's share of the total operating income of joint ventures is £17m (2001: £44m, 2000: £8m).

The Group's share of the total operating income of FirstCaribbean International Bank is £31m.

Included within Barclays share of associates assets is goodwill as follows:

	2002	2001
	(£ millions)	
Goodwill		
Additions	**131**	—
Cost at end of year	**131**	—
Accumulated amortisation		
Amortisation charge for year	**1**	—
At end of year	**1**	—
Net book value	**130**	—

The table below provides summarised financial information of associated undertakings and joint ventures, in which the Group has an interest (the entities' entire financial position and results of operations are presented, not Barclays share).

	2002 FirstCaribbean International Bank	2002 Other Associates	2002 Joint Ventures	2002 Total
	(£ millions)			
Fixed assets	**79**	**281**	**360**	**720**
Debt and equity securities	**564**	**803**	**—**	**1,367**
Loans to banks and customers	**4,386**	**116**	**128**	**4,630**
Other assets	**271**	**201**	**31**	**503**
Total assets	**5,300**	**1,401**	**519**	**7,220**
Deposits from banks and customers	**4,718**	**219**	**120**	**5,057**
Other liabilities	**130**	**801**	**297**	**1,228**
Shareholders' funds	**452**	**381**	**102**	**935**
Total liabilities	**5,300**	**1,401**	**519**	**7,220**
(Loss)/profit before tax	**(18)**	**22**	**(15)**	**(11)**
Taxation	**2**	**(13)**	**—**	**(11)**
(Loss)/profit after tax	**(16)**	**9**	**(15)**	**(22)**

The amounts included above are based on accounts made up to 31st December 2002 with the exception of FirstCaribbean International Bank and certain undertakings included within the Other Associates category for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date.

21 Intangible fixed assets

	2002	2001
	(£ millions)	
Goodwill		
At beginning of year	**4,416**	4,365
Additions	**113**	52
Disposals	**—**	(10)
Exchange and other adjustments	**(27)**	9
At end of year	**4,502**	4,416
Accumulated amortisation		
At beginning of year	**325**	96
Disposals	**—**	(3)
Amortisation charge for year	**254**	229
Exchange and other adjustments	**(11)**	3
At end of year	**568**	325
Net book value	**3,934**	4,091

Goodwill is amortised to the profit and loss account over its useful economic life, generally estimated to be 20 years. Goodwill arising on the acquisitions in 2001 of Banco Barclays e Galicia SA and in 2002 of Providian is being amortised over their expected useful economic lives of five years.

22 Tangible fixed assets

	2002			2001		
	Total	Property	Equipment	Total	Property	Equipment
	(£ millions)					
Cost or valuation						
At beginning of year	**4,038**	**2,257**	**1,781**	4,041	2,329	1,712
Acquisitions and disposals of Group undertakings	**(66)**	**(38)**	**(28)**	(12)	(2)	(10)
Exchange and other adjustments	**(24)**	**(24)**	**—**	23	5	18
Additions at cost	**284**	**119**	**165**	352	43	309
Sale of assets	**(533)**	**(331)**	**(202)**	(333)	(117)	(216)
Fully depreciated assets written off	**(27)**	**(15)**	**(12)**	(33)	(1)	(32)
At end of year	**3,672**	**1,968**	**1,704**	4,038	2,257	1,781
Accumulated depreciation and impairment						
At beginning of year	**2,080**	**850**	**1,230**	1,982	775	1,207
Acquisitions and disposals of Group undertakings	**(36)**	**(13)**	**(23)**	(8)	(1)	(7)
Exchange and other adjustments	**(18)**	**(27)**	**9**	19	17	2
Charge for year	**291**	**93**	**198**	299	105	194
Sale of assets	**(244)**	**(91)**	**(153)**	(179)	(45)	(134)
Fully depreciated assets written off	**(27)**	**(15)**	**(12)**	(33)	(1)	(32)
At end of year	**2,046**	**797**	**1,249**	2,080	850	1,230
At valuation						
1979 to 1993	**628**	**628**	**—**	870	870	—
At cost	**3,044**	**1,340**	**1,704**	3,168	1,387	1,781
	3,672	**1,968**	**1,704**	4,038	2,257	1,781
Accumulated depreciation	**(2,046)**	**(797)**	**(1,249)**	(2,080)	(850)	(1,230)
Net book value	**1,626**	**1,171**	**455**	1,958	1,407	551

	2002	2001
	(£ millions)	
Balance sheet value of property		
Freehold	**846**	1,126
Leasehold over 50 years unexpired	**93**	108
Leasehold up to 50 years unexpired	**231**	171
Assets in the course of construction	**1**	2
	1,171	1,407
Historical cost of property		
At cost	**1,727**	1,953
Accumulated depreciation and impairment	**(797)**	(819)
Net book value	**930**	1,134

The net book value of property occupied by the Group for its own use was £1,116m at 31st December 2002 (2001: £1,352m). The net book value of property at 31st December 2002 included £194m (2001: £317m) in respect of land.

23 Commitments for capital expenditure not provided in these accounts

At 31st December 2002, commitments for capital expenditure under contract amounted to £1m (2001: £1m).

24 Other assets

	2002	2001 restated
	(£ millions)	
Own shares	**55**	6
Balances arising from off-balance sheet financial instruments	**13,454**	13,730
Shareholders' interest in the long-term assurance fund	**867**	884
London Metal Exchange warrants and other metals trading positions	**829**	1,236
Sundry debtors	**1,634**	2,330
	16,839	18,186

Own shares represent Barclays PLC shares held in employee benefit trusts where the Group retains the risks and rewards related to those shares.

25 Retail long-term assurance funds

The (decrease)/increase in the shareholders' interest in the retail long-term assurance funds is calculated as follows:

	2002	2001 restated
	(£ millions)	
Value of the shareholders' interest at beginning of year	**884**	816
Transfer to shareholders' account	**—**	(40)
	884	776
Value of the shareholders' interest at end of year	**867**	884
(Decrease)/increase in value for the year after tax	**(17)**	108
(Decrease)/increase in value before tax	**(55)**	119

In addition to the decrease (2001 an increase) in the shareholders' interest in the retail long-term assurance funds detailed above, £4m (2001: £8m) of other income from the long-term assurance business has been recognised in the year.

The principal economic assumptions used in calculating the value of the shareholders' interest were as follows:

	2002	2001
	%	%
Risk discount rate (net of tax)	**7.0**	9.0
Gross UK equities returns for unit linked business (net of irrecoverable tax credit)	**6.8**	7.5
Gross UK equities dividend yield for unit linked business (net of irrecoverable tax credit)	**2.8**	2.2
Gross property and overseas equities returns for unit linked business	**7.5**	8.0
Gross fixed interest returns for unit linked business	**4.5**	5.0
Renewal expense inflation (including effect of fixed costs)	**4.4**	5.25

The retail life-fund assets attributable to policyholders comprise:

	2002	2001
	(£ millions)	
Assets:		
Investments	**7,199**	8,129
Group undertakings	**5**	20
Other debtors	**205**	726
	7,409	8,875
Current liabilities	**(125)**	(705)
	7,284	8,170

26 Prepayments and accrued income

	2002	2001
	(£ millions)	
Accrued interest and commission	**2,586**	2,249

Prepayments	**396**	304
	2,982	2,553

27 Deposits by banks

	2002	2001
	(£ millions)	
Repayable		
on demand	**7,148**	6,633
not more than three months	**68,470**	49,108
over three months but not more than six months	**3,438**	3,479
over six months but not more than one year	**1,397**	1,101
over one year but not more than two years	**371**	294
over two years but not more than five years	**2,196**	3,773
over five years	**4,414**	2,992
	87,434	67,380
By geographical area		
Banking business:		
UK	**34,230**	35,027
Other European Union	**2,220**	1,637
United States	**6,606**	4,187
Rest of the World	**5,695**	4,986
Total banking business	**48,751**	45,837
Total trading business	**38,683**	21,543
	87,434	67,380

At 31st December there were deposits by banks of £717m (2001: £nil) due to associated undertakings and joint ventures. Deposits by banks are mostly over £50,000.

A further analysis of Deposits by banks is given within the Deposits section on page 88 of the Financial review.

28 Customer accounts

	2002	2001 restated
	(£ millions)	
Repayable		
on demand	**83,731**	74,594
not more than three months	**76,761**	77,940
over three months but not more than six months	**3,333**	3,181
over six months but not more than one year	**2,669**	3,351
over one year but not more than two years	**2,342**	1,016
over two years but not more than five years	**1,427**	3,044
over five years	**1,235**	721
	171,498	163,847
By geographical area		
Banking business:		
UK	**132,502**	123,866
Other European Union	**5,233**	4,822
United States	**1,166**	3,111
Rest of the World	**5,177**	8,064
Total banking business	**144,078**	139,863
Total trading business	**27,420**	23,984
	171,498	163,847

	2002	2001
	(£ millions)	
By type		
In offices in the UK:		
current and demand accounts—interest free	**11,159**	11,570
current and demand accounts—interest bearing	**17,558**	19,532
savings accounts	**45,586**	40,218
other time deposits—retail	**33,687**	33,267
other time deposits—wholesale	**35,029**	24,230
In offices outside the UK:		
current and demand accounts—interest free	**1,132**	2,032
current and demand accounts—interest bearing	**1,774**	2,174
savings accounts	**459**	1,409
other time deposits	**25,114**	29,415

	171,498	163,847

At 31st December 2002, there were customer accounts of £189m (2001: £14m) due to associated undertakings and joint ventures.

Deposits in offices in the UK received from non-residents amounted to £19,490m (2001: £11,112m).

Other time deposits in the UK and the United States are mostly over £50,000.

A further analysis of customer accounts is provided within the Deposits section on page 88 of the Financial review.

29 Debt securities in issue

	2002	2001
	(£ millions)	
Bonds and medium-term notes repayable:		
within one year	**809**	891
over one year but not more than two years	**1,815**	681
over two years but not more than five years	**3,056**	3,209
over five years	**1,237**	1,096
	6,917	5,877
Other debt securities in issue repayable:		
not more than three months	**28,166**	22,936
over three months but not more than one year	**8,515**	10,823
over one year but not more than two years	**674**	153
over two years but not more than five years	**1,203**	670
over five years	**410**	1,387
	45,885	41,846

Debt securities in issue at 31st December 2002 included certificates of deposit of £30,045m (2001: £28,258m) and commercial paper of £5,192m (2001: £3,268m). At 31st December 2002 and 2001, there were no debt securities in issue due to associated undertakings and joint ventures.

Debt securities in issue at 31st December 2002 include £644m (2001: £607m) raised from the securitisation of credit and charge card receivables (see note 16).

30 Other liabilities

	2002	2001
	(£ millions)	
Obligations under finance leases payable:		
not more than one year	**27**	34
over one year but not more than two years	**30**	30
over two years but not more than five years	**70**	79
over five years	**81**	114
	208	257
Less: future finance charges	**(68)**	(91)
	140	166
Balances arising from off-balance sheet financial instruments	**11,538**	11,091
Short positions in securities	**39,940**	26,200
Cash receipts from securitisation	**318**	605
Current tax	**641**	589
Sundry creditors	**3,987**	4,279
	56,564	42,930
Short positions in securities comprise:		
Treasury bills and other eligible bills	**2,547**	1,257
Debt securities—government	**30,614**	20,149
Debt securities—other public sector	**517**	340
Debt securities—other	**4,678**	2,914
Equity shares	**1,584**	1,540
	39,940	26,200

Of the total short positions disclosed above, £24,339m (2001: £23,840m) were listed on a recognised exchange.

Cash receipts from securitisation are in respect of a portfolio of investment debt securities (see note 18) which did not qualify for linked presentation under FRS 5.

31 Accruals and deferred income

	2002	2001

	(£ millions)	
Accrued interest and commission	**2,207**	2,172
Other accruals and deferred income	**2,145**	2,205
	4,352	4,377

32 Deferred tax

The movements on deferred tax during the year were:

	2002	2001 restated
	(£ millions)	
At beginning of year as previously reported	**630**	631
Prior year adjustment—FRS 19	**(14)**	—
At beginning of year as restated	**616**	631
Exchange and other adjustments	**(121)**	(19)
Charge to profit and loss account	**(34)**	4
At end of year	**461**	616
Deferred tax at 31st December:		
Leasing transactions	**766**	814
Other timing differences	**(305)**	(198)
	461	616

No tax (2001: £nil) has been provided on capital gains that might arise on the disposal of Barclays Bank PLC at the amounts at which it is stated. The Directors are of the opinion that the likelihood of any such tax liability arising in the foreseeable future is remote. Tax would become payable only if the investment (and consequently virtually all of the Group's activities) were disposed of. The amount of tax payable would be dependent upon the level of capital losses available within the Barclays Group to reduce any capital gains that may arise.

No tax has been provided on capital gains (2001: £nil) that might arise on the disposal of properties at their balance sheet amounts. The aggregate disposal of the property portfolio would not be expected to give rise to a significant gain or loss. Tax would become payable only if property were sold without it being possible to claim rollover relief. At present, it is not envisaged that any tax will become payable in the foreseeable future.

The fair values of certain derivatives and financial instruments are disclosed in note 47. For trading balances, where fair values are recognised in the financial statements and mark to market movements included in the profit and loss account, the gains and losses are subject to current tax and no deferred tax arises. In the case of derivatives used for asset and liability management purposes, tax arises when the gain or loss is recognised in the profit and loss account at the same time as the hedged item. Where fair values are disclosed but not recognised, tax would arise if the assets were sold at their fair value. Tax of £1,106m (2001: £902m) would become payable on the sale of the non-trading financial assets for which a valuation has been given.

Deferred tax assets have not been recognised on tax losses to the extent that they are not regarded as recoverable in the foreseeable future. The unrecognised asset of £24m (2001: £nil) would be regarded as recoverable to the extent that, on the basis of all available evidence, it was more likely than not that there would be suitable taxable profits from which the tax losses could be deducted.

No deferred tax is recognised on the unremitted earnings of overseas subsidiary undertakings, associated undertakings and joint ventures. Such earnings form part of the balance sheet value and are therefore included in the deferred tax of subsidiaries.

33 Other provisions for liabilities and charges

	Employee pension and post-retirement benefit contributions	Onerous contracts	Customer loyalty provisions	Redundancy and restructuring	Sundry provisions	Total
			(£ millions)			
At 1st January 2002	**180**	**39**	**68**	**131**	**144**	**562**
Exchange	**(3)**	**—**	**—**	**2**	**(5)**	**(6)**
Additions	**61**	**1**	**16**	**220**	**78**	**376**
Amounts used	**(34)**	**(13)**	**(29)**	**(169)**	**(31)**	**(276)**
Unused amounts reversed	**(24)**	**(2)**	**—**	**(72)**	**(74)**	**(172)**
Amortisation of discount	**—**	**1**	**—**	**1**	**—**	**2**
	180	**26**	**55**	**113**	**112**	**486**
At 1st January 2001	194	56	66	151	168	635
Acquisitions and disposals of Group undertakings	—	—	—	—	15	15
Exchange	1	(2)	—	—	(3)	(4)
Additions	41	3	12	185	54	295
Amounts used	(28)	(20)	(10)	(183)	(38)	(279)
Unused amounts reversed	(28)	—	—	(24)	(52)	(104)
Amortisation of discount	—	2	—	2	—	4

	180	39	68	131	144	562

Customer loyalty provisions are made with respect to anticipated future claims on redemption under the Group's customer loyalty bonus schemes. Sundry provisions are made with respect to commission clawbacks, warranties and litigation claims.

Redundancy and restructuring

It is anticipated that the majority of the remaining provision will be utilised in 2003.

34 Undated loan capital

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

	Notes	2002	2001 restated
		(£ millions)	
Non-convertible			
The Bank			
6% Callable Perpetual Core Tier One Notes	(a, o)	**400**	–
6.86% Callable Perpetual Core Tier One Notes ($1,000m)	(a, o)	**619**	–
8.55% Step-up Callable Perpetual Reserve Capital Instruments ($1,250m)	(b, p)	**767**	852
7.375% Step-up Callable Perpetual Reserve Capital Instruments ($750m)	(b, q)	**459**	510
7.50% Step-up Callable Perpetual Reserve Capital Instruments (s850m)	(c, r)	**545**	510
Junior Undated Floating Rate Notes ($121m)	(d, s)	**75**	83
Undated Floating Rate Primary Capital Notes Series 1 ($358m)	(d, t)	**222**	247
Undated Floating Rate Primary Capital Notes Series 2 ($442m)	(d, t)	**274**	304
Undated Floating Rate Primary Capital Notes Series 3	(d, t)	**145**	145
9.875% Undated Subordinated Notes	(e, u)	**300**	300
9% Permanent Interest Bearing Capital Bonds	(f, v)	**100**	100
7.875% Undated Subordinated Notes	(g, w)	**100**	100
7.125% Undated Subordinated Notes	(h, x)	**525**	525
6.875% Undated Subordinated Notes	(i, y)	**650**	650
6.375% Undated Subordinated Notes	(j, z)	**400**	–
6.125% Undated Subordinated Notes	(k, aa)	**400**	–
6.5% Undated Subordinated Notes (FFr 1,000m)	(l, ab)	**99**	93
5.03% Reverse Dual Currency Undated Subordinated Loan (Yen 8,000m)	(m, ac)	**42**	42
5% Reverse Dual Currency Undated Subordinated Loan (Yen 12,000m)	(m, ac)	**63**	63
Woolwich plc			
9.25% Perpetual Subordinated Bonds	(n, ae)	**183**	185
		6,368	4,709
Convertible to preference shares			
The Bank			
8% Convertible Capital Notes Series E ($500m)	(f, ad)	**310**	345

Security and subordination

None of the undated loan capital of the Bank or Woolwich plc 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 the Bank's undated loan capital rank *pari passu* with each other and behind the claims of the holders of Junior Notes, except for the 6% and 6.86% Callable Perpetual Core Tier One Notes (the "TONs") and the 8.55%, 7.375% and 7.5% Step-up Callable Perpetual Reserve Capital Instruments (the "RCIs") (such issues, excluding the Tons and the RCI's, being the "Undated Notes and Loans").

The TONs and the RCIs rank pari passu with each other and behind the claims of the holders of the Undated Notes and Loans.

The 9.25% Perpetual Subordinated Bonds rank behind the claims against Woolwich plc of its depositors and other unsecured unsubordinated creditors and holders of its dated loan capital.

Interest

Notes

- (a) These TONs bear a fixed rate of interest until 2032. After that date, in the event that the TONs are not redeemed, the TONs will bear interest at rates fixed periodically in advance based on London interbank rates.
- (b) These RCIs bear a fixed rate of interest until 2011. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance based on London interbank rates.
- (c) These RCIs bear a fixed rate of interest until 2010. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance based on European interbank rates.
- (d) These Notes bear interest at rates fixed periodically in advance based on London interbank rates.
- (e) These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
- (f) The interest rates on these Notes are fixed for the life of those issues.
- (g) These Notes bear a fixed rate of interest until 2003. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 10 years.

(h) These Notes bear a fixed rate of interest until 2020. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
(i) These Notes bear a fixed rate of interest until 2015. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
(j) These Notes bear a fixed rate of interest until 2017. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
(k) These Notes bear a fixed rate of interest until 2027. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
(l) These Notes bear a fixed rate of interest until 2009. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.
(m) These Loans bear a fixed rate of interest until 2028 based on a US dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates. After that date, in the event that the Loans are not redeemed, the Loans will bear Yen interest at rates fixed periodically in advance based on London interbank rates.
(n) These Notes bear a fixed rate of interest until 2021. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

The Bank is not obliged to make a payment of interest on its Undated Notes and Loans 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. Woolwich plc is not obliged to a make a payment of interest on its undated loan capital if, in the immediately preceding interest period, a dividend has not been paid on any class of its share capital. 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 on any such undated loan capital may be made unless the Bank or Woolwich plc, as appropriate, satisfies a specified solvency test.

The Bank may elect to defer any payment of interest on the RCIs for any period of time. Whilst such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or preference shares.

The Bank may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the Financial Services Authority. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as the Bank next makes a payment of interest on the TONs, neither the Bank nor Barclays PLC may (a) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or preference shares, or make payments of interest in respect of the RCIs and (b) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

Interest payable on undated loan capital amounted to £407m (2001: £345m, 2000: £190m).

Repayment and conversion

Notes

(o) These TONs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June 2032.
(p) These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June 2011.
(q) These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after December 2011.
(r) These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after December 2010.
(s) These Notes are repayable, at the option of the Bank, in whole or in part on any interest payment date.
(t) These Notes are repayable in each case, at the option of the Bank, in whole on any interest payment date.
(u) These Notes are repayable, at the option of the Bank, in whole in 2008, or on any fifth anniversary thereafter.
(v) These Bonds are repayable, at the option of the Bank, in whole at any time.
(w) These Notes are repayable, at the option of the Bank, in whole at any time up to and including October 2003, or on any tenth anniversary thereafter.
(x) These Notes are repayable, at the option of the Bank, in whole in 2020, or on any fifth anniversary thereafter.
(y) These Notes are repayable, at the option of the Bank, in whole in 2015, or on any fifth anniversary thereafter.
(z) These Notes are repayable, at the option of the Bank, in whole in 2017, or on any fifth anniversary thereafter.
(aa) These Notes are repayable, at the option of the Bank, in whole in 2027, or on any fifth anniversary thereafter.
(ab) These Notes are repayable, at the option of the Bank, in whole in 2009, or on any fifth anniversary thereafter.
(ac) These Loans are repayable, at the option of the Bank, in whole in 2028, or on any fifth anniversary thereafter.
(ad) These 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 on any interest payment date, at the option of the Bank, into 40,000,000 non-cumulative dollar-denominated preference shares of the Bank.
(ae) These Bonds are repayable, at the option of Woolwich plc, in whole in 2021, or on any fifth anniversary thereafter.

In addition, each issue of undated loan capital is repayable, at the option of the Bank or Woolwich plc, as appropriate, 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. Any repayments require the prior approval of the Financial Services Authority.

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 and/or under Rule 144A, have not been so registered.

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35 Dated loan capital

Dated loan capital, issued by the Bank for the development and expansion of the Group's business and to strengthen its capital base, by Woolwich plc for the general purposes of its business and by Barclays Bank of Botswana to enhance its capital base, comprise:

	Notes	2002	2001
		(£ millions)	

Non-convertible			
The Bank			
5.5% Subordinated Notes 2002 (2001: €200m)		**–**	119
Floating Rate Subordinated Notes 2002 (2001: €115m)		**–**	73
Floating Rate Subordinated Notes 2003 (€55m)	(a, i)	**36**	34
Subordinated Floating Notes 2003 (€200m)	(a, f, i)	**125**	125
Subordinated Floating Notes 2003 (Yen 8,000m)	(a, i)	**42**	42
Floating Rate Unsecured Capital Loan Stock 2006	(a, k, l)	**3**	4
16% Unsecured Capital Loan Stock 2002/07		**–**	100
4.875% Step-up Callable Subordinated Notes 2008 (FFr 1,000m)	(b, k)	**99**	93
Floating Rate Subordinated Notes 2008 (ITL 250,000m)	(a, k)	**84**	79
Subordinated Floating Rate Notes 2008 ($250m)	(a, f, k)	**171**	171
Subordinated Floating Rate Notes 2009 ($60m)	(a, f, k)	**41**	41
Floating Rate Subordinated Step-up Callable Notes 2009 ($550m)	(a, g, k)	**355**	379
Floating Rate Subordinated Step-up Callable Notes 2009 ($115m)	(a, f, k)	**79**	79
7.4% Subordinated Notes 2009 ($400m)	(h)	**248**	276
Subordinated Fixed to CMS-Linked Notes 2009 (€31m)	(a)	**20**	19
Floating Rate Subordinated Step-up Callable Notes 2009 (€150m)	(a, k)	**98**	91
Variable Floating Rate Subordinated Notes 2009 (Yen 5,000m)	(a, k)	**26**	26
2% Unsecured Capital Loan Stock 2010	(h)	**25**	25
Floating Rate Subordinated Step-up Callable Notes 2011 ($100m)	(a, k)	**62**	69
Floating Rate Subordinated Step-up Callable Notes 2011 ($125m)	(a, k)	**78**	86
Floating Rate Subordinated Notes 2011($400m)	(a, k)	**248**	276
5.75% Fixed Rate Subordinated Notes 2011 (€1,000m)	(h)	**651**	610
Fixed/Floating Rate Subordinated Notes 2011 (Yen 5,000m)	(c, k)	**26**	26
Floating Rate Subordinated Notes 2012	(a, k)	**299**	299
Callable Subordinated Floating Rate Notes 2012	(a, k)	**44**	–
Callable Subordinated Floating Rate Notes 2012 ($150m)	(a, k)	**93**	–
Floating Rate Subordinated Notes 2012 ($100m)	(a, k)	**62**	–
Capped Floating Rate Subordinated Notes 2012 ($100m)	(a, k)	**62**	–
5.5% Subordinated Notes 2013 (DM 500m)	(d, k)	**166**	156
Floating Rate Subordinated Notes 2019 (€50m)	(a)	**33**	31
Subordinated Floating Rate Notes 2021 (€100m)	(a)	**65**	61
Subordinated Floating Rate Notes 2022 (€50m)	(a)	**33**	–
5.75% Fixed Rate Subordinated Notes 2026	(h)	**600**	600
5.4% Reverse Dual Currency Subordinated Loan 2027 (Yen 15,000m)	(e)	**78**	79
6.33% Subordinated Notes 2032	(h)	**50**	50
Subordinated Floating Rate Notes 2040 (€100m)	(a)	**65**	61
Barclays Overseas Investment Company B.V.			
Guaranteed Notes 2007 (2001: Yen 15,000m)		**–**	79
Woolwich plc			
5.25% Subordinated Notes 2011 (€250m)	(h)	**152**	140
Step-up Callable Floating Rate Subordinated Bonds 2012	(a, k)	**147**	147
10.125% Subordinated Notes 2017	(j, k)	**121**	123
9.5% Subordinated Bonds 2021	(h)	**261**	264
		4,848	4,933
Convertible			
Barclays Bank of Botswana (BBB)			
Subordinated Unsecured Floating Rate Capital Notes 2014 (Pula 100m)	(k, m)	**11**	–
		4,859	4,933
Repayable			
not more than one year		**206**	196
over one year but not more than two years		**–**	201
over two years but not more than five years		**–**	–
over five years		**4,653**	4,536
		4,859	4,933

None of the Group's dated loan capital is secured. The debt obligations of the Bank, Woolwich plc and Barclays Bank of Botswana rank ahead of the interests of holders of their equity. Dated loan capital of the Bank, Woolwich plc and Barclays Bank of Botswana has been issued on the basis that the claims thereunder are subordinated to the respective claims of their depositors and other unsecured unsubordinated creditors.

Interest

Notes

(a) These Notes bear interest at rates fixed periodically in advance based on London or European interbank rates.
(b) These Notes bear a fixed rate of interest until 2003. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.
(c) These Notes bear a fixed rate of interest until 2006. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.
(d) These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.
(e) This Loan bears a fixed rate of interest based on a US dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates.
(f) The Bank has swapped the proceeds of these Notes for sterling under swaps, the durations of which will match the respective terms of the Notes.The payment obligations of the Bank under these swaps are subordinated so that the claims against the Bank in respect of these swaps rank *pari passu* with claims against the Bank in respect of its dated loan capital. The sterling values of these Notes in the figures set out above take into account these subordinated swaps.
(g) The Bank has swapped US$200 million of the proceeds of these Notes under a swap, the duration of which matches the term of the Notes. The payment obligations of the Bank under this swap are subordinated so that the claims against the Bank in respect of this swap rank *pari passu* with claims against the Bank in respect of its dated loan capital. The sterling value of these Notes in the figures set out above takes into account this subordinated swap.
(h) The interest rates on these Notes are fixed for the life of those issues.
(i) The Bank may defer the payment of interest and principal on these Notes in the event that the Financial Services Authority has required or requested the Bank to make such a deferral.
(j) These Notes bear a fixed rate of interest until 2012. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.
(k) 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.
(l) Holders of these Notes have certain rights to call for the redemption of their holdings.
(m) These Notes bear interest at rates fixed periodically in advance based on the Bank of Botswana Certificate Rate. All of

these Notes will be compulsorily converted to Preference Shares of BBB, having a total par value equal in sum to the principal amount of Notes outstanding at the time of conversion, should BBB experience pre-tax losses in excess of its retained earnings and other capital surplus accounts.

Interest payable on loan capital with a final maturity within five years amounted to £28m (2001: £14m, 2000: £16m).

The 7.4% Subordinated Notes 2009 (the "7.4% Notes") issued by the Bank have been registered under the US Securities Act of 1933. All other issues of dated loan capital by the Bank, Woolwich plc and Barclays Bank of Botswana, which were made in non-US markets, have not been so registered. With respect to the 7.4% Notes, the Bank is not obliged to make (i) a payment of interest on any interest payment date unless a dividend is paid on any class of share capital and (ii) a payment of principal until six months after the respective maturity date with respect to such Notes.

Repayment terms

Unless otherwise indicated, the Group's dated loan capital outstanding at 31st December 2002 is redeemable only on maturity subject, in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law or, in the case of Barclays Bank of Botswana, to certain changes in legislation or regulations.

Any repayments prior to maturity require in the case of the Bank, or Woolwich plc, the prior approval of the Financial Services Authority and, in the case of Barclays Bank of Botswana, the prior approval of the Bank of Botswana.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

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36 Called up share capital

At the 2002 AGM held on 25th April 2002, a resolution was passed to divide each ordinary share of £1 each (issued and unissued) into 4 ordinary shares of 25p each.

The authorised share capital of Barclays PLC is £2,500m (2001: £2,500m), comprising 9,996m ordinary shares of 25p each (2001: 2,499m ordinary shares of £1 each) and 1m (2001: 1m) staff shares of £1 each.

	2002	2001
	(£ millions)	
Called up share capital, allotted and fully paid		
Ordinary shares:		
At beginning of year	**1,667**	1,661
Issued to staff under the SAYE Share Option Scheme	**7**	9
Issued under Executive Share Option Scheme	**—**	2
Repurchase of shares	**(30)**	(5)
At end of year	**1,644**	1,667
Staff shares	**1**	1
	1,645	1,668

In 2002, the Company repurchased ordinary shares with a nominal value of £30m at a total cost of £546m. In 2001, ordinary shares with a nominal value of £5m were repurchased at a total cost of £101m.

37 Shares under option

The Group has three current schemes that give employees rights to subscribe for shares in Group companies. A summary of the key terms of the Incentive Share Option Plan (ISOP) and Sharesave are described on page 11 and 12.

The other current scheme is the BGI Equity Ownership Plan (EOP) which is extended to senior employees of BGI. The exercise price of the options is determined by formula at the date of grant and is not less than the market value of the share at the time of grant. The options are granted over shares in BGI UK Holdings Ltd, a subsidiary of Barclays Bank PLC. Options are normally not exercisable until vesting, with a third of the options held vesting at each anniversary of grant. Options lapse 10 years after grant.

At 31st December 2002, 17.8m (2001: 13.4m) options were outstanding under the terms of the BGI EOP (which would represent a 18.1% interest if exercised) enabling certain members of staff to subscribe for shares in Barclays Global Investors UK Holdings Limited between 2002 and 2011 at prices between £6.11 and £10.92. One year following the exercise of the option, the shareholder has the right to sell the shares. Barclays Bank PLC has first refusal to purchase the shares at the most recent agreed valuation. As at 31st December 2002 the most recently agreed valuation was £10.92 (2001: £8.98).

If all the current options were exercised, £158.7m (2001: £105.4m) would be subscribed. At the most recently agreed valuation these shares would be valued at £194.5m, resulting in a gain of £36m to the option holders if these shares were sold at this price. Since the scheme was introduced, options over £0.8m (2001: 0.2m) shares have been exercised, of which 0.7m have not been purchased by Barclays Bank PLC and represent a minority interest in Barclays Global Investors Holdings Limited and the Group.

At 31st December 2002, 127m (2001: 123m) options were outstanding under the terms of the SAYE Share Option Scheme, 3.8m (2001: 4.5m) options were outstanding under the terms of the Woolwich SAYE Scheme, 8.2m (2001: 9.5m) options were outstanding under the terms of the Executive Share Option Scheme, 8.8m (2001: 10.4m) options were outstanding under the terms of the Woolwich ESOP and 77.6m (2001: 42.5m) options were outstanding under the terms of the Incentive Share Option Plan, enabling certain Directors and members of staff to subscribe for ordinary shares between 2002 and 2011 at prices ranging from 157p to 562p.

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38 Shareholders' funds

	2002	2001 restated

	Consolidated	Barclays PLC	Associated undertakings and joint ventures	Consolidated	Barclays PLC	Associated undertakings and joint ventures
			(£ millions)			
At beginning of year	**14,485**	**14,485**	**1**	13,183	13,183	30
Proceeds of shares issued (net of expenses)	**135**	**135**	**—**	210	210	—
Exchange rate translation differences	**(61)**	**—**	**—**	3	—	—
Repurchase of ordinary shares	**(546)**	**(546)**	**—**	(101)	(101)	—
Revaluation of investment in subsidiary undertaking	**—**	**585**	**—**	—	1,092	—
Shares issued to employee trusts in relation to share option schemes	**(48)**	**(46)**	**—**	(107)	(105)	—
Gain arising from transactions with third parties	**206**	**—**	**—**	—	—	—
Goodwill written back on disposals	**10**	**—**	**—**	—	—	—
Other items	**—**	**—**	**2**	(39)	(1)	(15)
Profit/(loss) retained	**1,024**	**592**	**(11)**	1,336	207	(14)
At end of year	**15,205**	**15,205**	**(8)**	14,485	14,485	1

The revaluation reserve of Barclays PLC arises from the revaluation of the investment in Barclays Bank PLC.

The decrease in consolidated shareholders' funds of £61m (2001: increase £3m) arising from exchange rate translation differences is net of a related tax credit of £3m (2001: credit £6m).

Prior year shareholders' funds has been restated for a reduction of £23m in 2001 (2000: £4m) arising from changes in accounting policy as described on pages 102 and 103.

39 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 assets of Barclays Bank PLC including unamortised goodwill. The net increase of £720m during the year comprised the cost of additional shares of £135m and an increase of £585m in other net assets of Barclays Bank PLC. The cost of the investment was £7,616m (2001: £7,481m).

Details of principal subsidiary undertakings, held through Barclays Bank PLC, are shown in note 44.

40 Leasing activities

Aggregate amounts received and receivable during the year under finance leases were £433m (2001: £486m, 2000: £598m), including interest income of £225m (2001: £263m, 2000: £355m).

41 Assets and liabilities denominated in sterling and foreign currencies

	2002	2001 restated
	(£ millions)	
Denominated in sterling	**190,303**	174,462
Denominated in currencies other than sterling	**212,763**	182,150
Total assets	**403,066**	356,612
Denominated in sterling	**186,938**	188,467
Denominated in currencies other than sterling	**216,128**	168,145
Total liabilities	**403,066**	356,612

42 Assets pledged to secure liabilities

At 31st December 2002, the amount of assets pledged to secure liabilities was £16,109m (2001: £15,227m). The secured liabilities outstanding amounted to £12,151m (2001: £12,985m).

43 Future rental commitments under operating leases

At 31st December 2002, the Group held various leases on land and buildings, many for extended periods, and other leases for equipment.

	2002		2001	
	Property	Equipment	Property	Equipment
		(£ millions)		
Annual commitments under non-cancellable operating leases expiring:				
not more than one year	**19**	**1**	19	1
over one year but not more than five years	**46**	**—**	24	1
over five years	**110**	**—**	118	—
	175	**1**	161	2

The following aggregate rental payments outstanding at 31st December 2002 fall due as follows:

	Year ended 31st December					
	2003	2004	2005	2006	2007	Total thereafter
	(£ millions)					
Aggregate rental payments	176	179	182	164	154	2,014

The aggregate rental payments above include amounts relating to a commitment to lease a new headquarters at Canary Wharf.

The rentals for leasehold land, buildings and equipment, included in operating expenses for the year ended 31st December 2002, amounted to £192m (2001: £200m, 2000: £176m).

44 Principal subsidiary undertakings

Country of registration or incorporation	Company name	Nature of Business	Percentage of equity capital held
			%
England	Barclays Bank PLC—ordinary shares	Banking, holding company	100*
England	Barclays Private Bank Limited	Banking	100*
England	Barclays Mercantile Business Finance Limited	Commercial finance, holding company, leasing	100
England	Barclays Global Investors UK Holdings Limited	Holding company	100
England	Barclays Life Assurance Company Limited	Life and pensions business	100
England	Barclays Bank Trust Company Limited	Banking, securities industries and trust services	100
England	Barclays Stockbrokers Limited	Stockbroking	100
England	Barclays Capital Securities Limited	Securities dealing	100
England	Barclays Global Investors Pensions Management Limited	Investment management	100*
England	Woolwich plc	Banking, holding company	100
England	FIRSTPLUS Financial Group PLC	Consumer finance	100*
England	Woolwich Independent Financial Advisory Services Limited	Financial advisory services	100*
Jersey	Barclays Private Bank and Trust Limited	Banking, holding company	100*
Isle of Man	Barclays Private Clients International Limited	Banking	100
Spain	Barclays Bank SA	Banking	99.7
Botswana	Barclays Bank of Botswana Limited	Banking	74.9
Egypt	Cairo Barclays Bank SAE	Banking	60
Ghana	Barclays Bank of Ghana Limited	Banking	90
Kenya	Barclays Bank of Kenya Limited	Banking	68.5
Zimbabwe	Barclays Bank of Zimbabwe Limited	Banking	64.6*
USA	Barclays Capital Inc.	Securities dealing	100*
USA	Barclays Global Investors, NA	Investments and securities industry business	100*
Switzerland	Barclays Bank (Suisse) SA	Banking and trust services	100*
Cayman Islands	Barclays Capital Japan Limited	Securities dealing	100*
Italy	Banca Woolwich SpA	Banking	100*

In accordance with Section 231(5) of the Companies Act 1985 the above information is provided solely in relation to principal subsidiary undertakings. Full information on all subsidiaries will be included with the Annual Return.

With the exception of Barclays Capital Japan Limited which operates in Japan, 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 *.

45 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 swaps, futures, forwards and option contracts or combinations thereof (all commonly known as derivatives) the nominal amounts of which are not reflected in the consolidated balance sheet.

Following internationally accepted banking supervisory practice for the calculation of the credit risk associated with such non-derivative off-balance sheet items, for the purpose of this note the contract or underlying principal amounts are either recognised at face value or converted to credit risk equivalents by applying specified conversion factors.

Nature of instruments

For a description of the nature of derivative financial instruments, see page 49.

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 customer's 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.

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

The following table summarises the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk as at 31st December 2002.

	2002	2001
	Contract or underlying principal amount	Contract or underlying principal amount
	(£ millions)	
Contingent liabilities		
Acceptances and endorsements	2,589	2,460
Guarantees and assets pledged as collateral security	16,043	14,826
Other contingent liabilities	7,914	7,313
Off-balance sheet credit risk	26,546	24,599
Commitments		
Other commitments:		
Documentary credits and other short-term trade related transactions	340	397
Forward asset purchases and forward forward deposits placed	20	9
Undrawn note issuance and revolving underwriting facilities	—	19
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Over one year	22,809	22,372
In one year or less	78,209	77,120
Off-balance sheet credit risk	101,378	99,917

As an active participant in international banking markets, the Group has a significant concentration of off-balance sheet items with financial institutions, as shown in note 66.

For a further description of the nature and management of credit risks and market risks, see pages 24 to 46 of the Risk management section.

Unconditional obligations to purchase goods and services

The table below gives details of the Group's obligations to purchase goods and services at 31st December 2002:

	2002	2001
	(£ millions)	
Obligations payable		
less than one year	176	121
over one year but not more than three years	312	193
over three years but not more than five years	76	154
over five years	61	310
	625	778

The obligations mainly relate to contracts for the provision of services such as office supplies, telecommunications and maintenance and sponsorship agreements.

46 Derivatives and other financial instruments

The Group's objectives and policies in managing the risks that arise in connection with the use of financial instruments are set out on pages 24 to 54 under the headings "Risk management and control—overview"; "Market risk management" and "Treasury asset and liability management". Short-term debtors and creditors are included in the following interest rate repricing and non-trading currency risk tables. All other disclosures in note 46 exclude these short-term balances.

Interest rate sensitivity gap analysis

The table below summarises the repricing profiles of the Group's non-trading book as at 31st December 2002. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

Interest rate repricing—as at 31st December 2002

	Not more than three	Over three months but not more than six	Over six months but not more than	Over one year but not	Over three years but not	Over five years but not	Over ten	Non-interest	Trading

	months	months	one year	more than three years	more than five years	more than ten years	years	bearing	balances	Total
					(£ millions)					
Assets:										
Treasury bills and other eligible bills	261	87	42	21	—	—	—	—	7,234	7,645
Loans and advances to banks	2,844	35	56	44	1	84	—	281	54,829	58,174
Loans and advances to customers	94,934	4,302	6,239	9,106	5,692	3,886	1,251	861	76,127	202,398
Debt securities and equity shares	3,794	174	87	1,173	434	313	254	960	90,173	97,362
Other assets	758	—	—	—	—	—	—	11,322	18,123	30,203
Total assets	102,591	4,598	6,424	10,344	6,127	4,283	1,505	13,424	246,486	395,782
Liabilities:										
Deposits by banks	3,348	298	40	352	291	263	—	53	82,789	87,434
Customer accounts	109,670	1,978	1,957	2,142	97	13	355	13,454	41,832	171,498
Debt securities in issue	3,180	248	15	803	1,089	31	80	—	40,439	45,885
Other liabilities	—	—	—	—	—	—	—	8,493	55,574	64,067
Loan capital and other subordinated liabilities	2,565	621	100	—	37	3,511	4,703	—	—	11,537
Minority and other interests and shareholders' funds	—	—	—	—	—	—	—	15,361	—	15,361
Internal funding of trading business	(14,966)	(3,570)	124	(977)	21	(48)	391	(6,827)	25,852	—
Total liabilities	103,797	(425)	2,236	2,320	1,535	3,770	5,529	30,534	246,486	395,782
Off-balance sheet items	(13,222)	(1,205)	(3,316)	4,544	5,956	3,601	3,642	—	—	—
Interest rate repricing gap	(14,428)	3,818	872	12,568	10,548	4,114	(382)	(17,110)	—	—
Cumulative gap	(14,428)	(10,610)	(9,738)	2,830	13,378	17,492	17,110	—	—	—

Total assets and liabilities exclude retail life-fund assets and liabilities. These are not relevant in considering the interest rate risk of the Group.

Trading balances for the purposes of this table are those, within Barclays Capital, where the risk is managed by DVaR (see pages 44 to 46).

Interest rate repricing—as at 31st December 2001

	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 three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Non-interest bearing	Trading balances	Total
					(£ millions)					
Assets:										
Treasury bills and other eligible bills	565	49	36	40	—	—	—	—	6,727	7,417
Loans and advances to banks	3,531	306	58	18	2	189	—	298	43,487	47,889
Loans and advances to customers	82,427	2,827	3,820	14,818	5,587	3,635	1,212	592	65,575	180,493
Debt securities and equity shares	539	50	1,378	604	1,452	668	491	135	76,725	82,042
Other assets	749	—	—	—	—	—	—	11,687	18,165	30,601
Total assets	87,811	3,232	5,292	15,480	7,041	4,492	1,703	12,712	210,679	348,442
Liabilities:										
Deposits by banks	2,610	491	86	291	416	287	—	115	63,084	67,380
Customer accounts	105,204	2,258	2,658	483	570	13	219	13,472	38,970	163,847
Debt securities in issue	3,695	296	143	609	822	63	77	—	36,141	41,846
Other liabilities	—	—	—	—	—	—	—	8,301	42,462	50,763
Loan capital and other subordinated liabilities	2,895	77	198	193	26	3,584	3,014	—	—	9,987
Minority and other interests and shareholders' funds	—	—	—	—	—	—	—	14,619	—	14,619
Internal funding of trading business	(22,824)	(555)	316	(188)	308	(12)	325	(7,392)	30,022	—
Total liabilities	91,580	2,567	3,401	1,388	2,142	3,935	3,635	29,115	210,679	348,442
Off-balance sheet items	(8,830)	3,461	(3,535)	(2,146)	5,571	3,595	1,884	—	—	—
Interest rate repricing gap	(12,599)	4,126	(1,644)	11,946	10,470	4,152	(48)	(16,403)	—	—
Cumulative gap	(12,599)	(8,473)	(10,117)	1,829	12,299	16,451	16,403	—	—	—

Non-trading currency risk

Non-trading currency risk exposure arises principally from the Group's investments in overseas branches and subsidiary and associated undertakings, principally in the United States, Japan and Europe.

The Group's structural currency exposures at 31st December 2002 were as follows:

Functional currency of the operation involved	Net investments in overseas operations		Borrowings which hedge the net investments		Remaining structural currency exposures	
	2002	2001	2002	2001	2002	2001
			(£ millions)			
US dollar	**1,078**	709	**959**	593	**119**	116
Yen	**2,125**	118	**2,094**	1	**31**	117
Euro	**2,930**	2,610	**2,633**	2,065	**297**	545
Other non-sterling	**512**	493	**164**	106	**348**	387
Total	**6,645**	3,930	**5,850**	2,765	**795**	1,165

In accordance with Group policy, as at 31st December 2002 and 31st December 2001 there were no material net currency exposures in the non-trading book relating to transactional (or non-structural) positions that would give rise to net currency gains and losses recognised in the profit and loss account. Instruments used in hedging non-trading exposures are described on pages 51 to 54.

Daily value at risk

The Daily Value at Risk (DVaR) methodology of estimating potential losses arising from the Group's exposure to market risk is explained on pages 44 to 46. The models used in estimating potential losses are based on past movements and may not be indicative of future market conditions. The following table shows an analysis of DVaR for the market risk exposures in Barclays Capital as an average for the year and the high and low during the year.

	Year to 31st December 2002			Year to 31st December 2001(a)		
	Average	High (b)	Low (b)	Average restated	High (b) restated	Low (b) restated
				(£ millions)		
Interest rate risk	**21.7**	**34.5**	**10.0**	14.9	24.1	7.6
Credit spread risk	**9.4**	**12.5**	**6.0**	8.8	14.7	4.6
Foreign exchange risk	**2.9**	**4.4**	**1.9**	2.3	6.2	0.6
Equities risk	**3.6**	**5.4**	**2.1**	3.3	6.4	2.1
Commodities risk	**1.8**	**3.3**	**0.8**	1.7	4.3	0.6
Diversification effect	**(16.2)**			(12.5)		
Total DVaR	**23.2**	**35.7**	**13.4**	18.5	25.4	11.3

Notes

(a) Restatements of interest rate DVaRs, total DVaRs and diversification effect reflect the move to a methodology that identifies credit spread risk separately.

(b) The high (and low) DVaR figures reported for each category did not necessarily occur on the same day as the high (and low) DVaR reported as a whole. A corresponding diversification effect cannot be calculated and is therefore omitted from the above table. The DVaR at 31st December 2002 was £25.8m (2001: £21.3m).

The hedging tables below summarise, firstly, the unrecognised gains and losses on hedges at 31st December 2002 and 31st December 2001 and the movements therein during the year, and, secondly, the deferred gains and losses on hedges carried forward in the balance sheet at 31st December 2002 and 31st December 2001, pending their recognition in the profit and loss account.

	Gains		Losses		Total net gains/(losses)	
	2002	2001	2002	2001	2002	2001
			(£ millions)			
Unrecognised gains and losses on hedges						
At 1st January	**2,441**	1,755	**(1,738)**	(1,709)	**703**	46
(Gains)/losses arising in previous years that were recognised in 2002/2001	**(1,369)**	(762)	**890**	590	**(479)**	(172)
Brought forward gains/(losses) not recognised in 2002/2001	**1,072**	993	**(848)**	(1,119)	**224**	(126)
Gains/(losses) arising in 2002/2001 that were not recognised in 2002/2001	**2,218**	1,448	**(1,505)**	(619)	**713**	829
At 31st December	**3,290**	2,441	**(2,353)**	(1,738)	**937**	703
Of which:						
Gains/(losses) expected to be recognised in 2003/2002	**1,101**	1,338	**(664)**	(844)	**437**	494
Gains/(losses) expected to be recognised in 2004/2003 or later	**2,189**	1,103	**(1,689)**	(894)	**500**	209
Deferred gains and losses on hedges carried forward in the balance sheet						
At 1st January	**49**	20	**(77)**	(81)	**(28)**	(61)
Deferred (gains)/losses brought forward that were recognised in income in 2002/2001	**(31)**	(10)	**56**	39	**25**	29
Brought forward deferred gains/(losses not recognised in 2002/2001	**18**	10	**(21)**	(42)	**(3)**	(32)
Gains/(losses) that became deferred in 2002/2001	**73**	39	**(86)**	(35)	**(13)**	4

At 31st December	**91**	49	**(107)**	(77)	**(16)**	(28)
Of which:						
Gains/(losses) expected to be recognised in income in 2003/2002	**72**	19	**(61)**	(49)	**11**	(30)
Gains/(losses) expected to be recognised in income in 2004/2003 or later	**19**	30	**(46)**	(28)	**(27)**	2

Where a non-trading derivative no longer represents a hedge because the underlying non-trading asset, liability or position has been de-recognised or transferred into a trading portfolio, it is restated at fair value and any resultant gains or losses taken directly to the profit and loss account. Gains of £66m (2001: £89m) and losses of £39m (2001: £122m) were recognised in the year to 31st December 2002. The disclosure of the fair value of financial instruments as required by FRS 13 is provided in note 47 on pages 152 to 153.

Derivatives held or issued for trading purposes

The tables set out below analyse the notional principal amounts and fair values (which, after netting, are the book values) of trading instruments entered into with third parties.

	2002				
	Contract or underlying principal amount	**Year-end positive fair value**	**Year-end negative fair value**	**Average positive fair value**	**Average negative fair value**
			(£ millions)		
Foreign exchange derivatives					
Forward foreign exchange	**269,832**	**4,521**	**5,335**	**3,412**	**3,676**
Currency swaps	**148,481**	**5,022**	**5,160**	**4,200**	**4,273**
OTC options bought and sold	**64,252**	**1,096**	**786**	**799**	**680**
OTC derivatives	**482,565**	**10,639**	**11,281**	**8,411**	**8,629**
Exchange traded futures—bought and sold	**100**	**—**	**—**	**—**	**—**
Exchange traded options—bought and sold	**31**	**—**	**—**	**—**	**—**
Exchange traded—swaps	**16**	**—**	**—**	**—**	**—**
Total	**482,712**	**10,639**	**11,281**	**8,411**	**8,629**
Interest rate derivatives					
Swaps	**1,938,902**	**54,757**	**53,334**	**43,221**	**42,004**
Forward rate agreements	**168,392**	**111**	**107**	**108**	**100**
OTC options bought and sold	**581,272**	**8,074**	**7,891**	**6,839**	**6,703**
OTC derivatives	**2,688,566**	**62,942**	**61,332**	**50,168**	**48,807**
Exchange traded futures—bought and sold	**338,581**	**—**	**—**	**—**	**—**
Exchange traded options—bought and sold	**67,757**	**—**	**—**	**—**	**—**
Exchange traded swaps	**382,540**	**—**	**—**	**—**	**—**
Total	**3,477,444**	**62,942**	**61,332**	**50,168**	**48,807**
Credit derivatives					
Swaps	**10,665**	**660**	**106**	**675**	**198**
Equity and stock index derivatives					
OTC options bought and sold	**37,476**	**1,992**	**2,060**	**1,921**	**2,128**
Equity swaps and forwards	**3,267**	**57**	**57**	**101**	**39**
OTC derivatives	**40,743**	**2,049**	**2,117**	**2,022**	**2,167**
Exchange traded futures—bought and sold	**15,585**	**—**	**—**	**—**	**—**
Exchange traded options—bought and sold	**9,103**	**—**	**—**	**—**	**—**
Total	**65,431**	**2,049**	**2,117**	**2,022**	**2,167**
Commodity derivatives					
OTC options bought and sold	**7,880**	**171**	**153**	**122**	**87**
Commodity swaps and forwards	**18,217**	**520**	**502**	**410**	**535**
OTC derivatives	**26,097**	**691**	**655**	**532**	**622**
Exchange traded futures—bought and sold	**17,545**	**10**	**—**	**24**	**22**
Exchange traded options—bought and sold	**760**	**—**	**6**	**—**	**10**
Total	**44,402**	**701**	**661**	**556**	**654**
Total trading derivatives		**76,991**	**75,497**		
Effect of netting		**(60,327)**	**(60,327)**		
Allowable offset—cash collateral		**(3,210)**	**(3,632)**		
Balances arising from off-balance sheet financial instruments (see Other assets/Other liabilities, notes 24 and 30)		**13,454**	**11,538**		

Collateral held that reduced credit risk in respect of derivative instruments at 31st December 2002, but did not meet the offset criteria amounted to £591m (2001: £238m).

	2001				
	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value	Average positive fair value	Average negative fair value
	(£ millions)				
Foreign exchange derivatives					
Forward foreign exchange	238,550	3,178	2,652	3,467	3,115
Currency swaps	130,235	4,468	4,317	4,404	4,583
OTC options bought and sold	62,512	616	585	688	666
OTC derivatives	431,297	8,262	7,554	8,559	8,364
Exchange traded futures—bought and sold	7,528	—	—	—	—
Exchange traded options—bought and sold	12	—	—	—	—
Total	438,837	8,262	7,554	8,559	8,364
Interest rate derivatives					
Swaps	1,404,311	27,309	26,293	22,268	21,682
Forward rate agreements	85,594	61	53	52	46
OTC options bought and sold	498,081	5,289	5,086	4,035	3,783
OTC derivatives	1,987,986	32,659	31,432	26,355	25,511
Exchange traded futures—bought and sold	384,883	—	—	—	—
Exchange traded options—bought and sold	137,388	—	—	—	—
Exchange traded swaps	152,825	—	—	—	—
Total	2,663,082	32,659	31,432	26,355	25,511
Credit derivatives					
Swaps	11,085	508	161	286	83
Equity and stock index derivatives					
OTC options bought and sold	35,193	1,263	1,257	1,225	1,240
Equity swaps and forwards	1,168	24	25	37	30
OTC derivatives	36,361	1,287	1,282	1,262	1,270
Exchange traded futures—bought and sold	18,036	—	—	—	—
Exchange traded options—bought and sold	14,995	—	—	—	—
Total	69,392	1,287	1,282	1,262	1,270
Commodity derivatives					
OTC options bought and sold	2,855	64	93	44	92
Commodity swaps and forwards	10,377	381	362	318	381
OTC derivatives	13,232	445	455	362	473
Exchange traded futures—bought and sold	12,209	244	265	252	258
Exchange traded options—bought and sold	1,050	14	29	12	18
Total	26,491	703	749	626	749
Total trading derivatives		43,419	41,178		
Effect of netting		(29,173)	(29,173)		
Allowable offset—cash collateral		(516)	(914)		
Balances arising from off-balance sheet financial instruments (see Other assets/Other liabilities, notes 24 and 30)		13,730	11,091		

Collateral held that reduced credit risk in respect of derivative instruments at 31st December 2001, but did not meet the offset criteria amounted to £238m (2000: £267m).

Derivative financial instruments held for the purpose of managing non-trading exposures

The following table, which includes only the derivative components of the Group's hedging programme, summarises the nominal values, fair values and book values of derivatives held for the purpose of managing non-trading exposures. Included in the amounts below were £10,984m (2001: £13,920m) contract amount of foreign exchange derivatives and £192,463m (2001: £131,306m) of interest rate derivatives which were made for asset and liability management purposes with independently managed dealing units of the Group.

	2002					2001		
	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value	Year-end positive book value	Year-end negative book value	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value
	(£ millions)							
Foreign exchange derivatives								
Forward foreign exchange	**1,814**	**21**	**11**	**43**	**6**	3,727	245	—
Currency swaps	**10,651**	**176**	**273**	**114**	**338**	16,062	717	379
OTC options bought and sold	**—**	**—**	**—**	**—**	**—**	5,062	22	66

OTCderivatives	**12,465**	**197**	**284**	**157**	**344**	24,851	984	445
Interest rate derivatives								
Swaps	**225,410**	**4,272**	**3,263**	**1,661**	**1,468**	152,146	2,458	1,754
Forward rate agreements	**11,651**	**17**	**22**	**10**	**9**	17,853	19	11
OTC options bought and sold	**10,865**	**62**	**38**	**6**	**1**	4,622	19	6
Other interest rate contracts	**—**	**—**	**—**	**—**	**—**	150	17	—
OTCderivatives	**247,926**	**4,351**	**3,323**	**1,677**	**1,478**	174,771	2,513	1,771
Credit derivatives								
Swaps	**7,736**	**30**	**23**	**—**	**2**	5,555	2	15
Equity, stock index and commodity derivatives	**372**	**—**	**1**	**—**	**—**	335	10	1

At 31st December 2001, the total positive book value of derivatives held for the purposes of managing non-trading exposures was £1,476m. The total negative book value of such contracts at 31st December 2001 was £902m.

The nominal amounts of OTC foreign exchange derivatives held to manage the non-trading exposure of the Group analysed by currency and final maturity are as follows:

	2002				**2001**			
	One year or less	**Over one year but not more than five years**	**Over five years**	**Total**	**One year or less**	**Over one year but not more than five years**	**Over five years**	**Total**
				(£ millions)				
£/euro	**337**	**2,587**	**6**	**2,930**	2,621	1,777	44	4,442
£/Yen	**710**	**5,186**	**29**	**5,925**	2,792	2,998	89	5,879
£/US Dollar	**242**	**696**	**391**	**1,329**	6,818	2,019	337	9,174
US Dollar/euro	**131**	**—**	**21**	**152**	419	49	11	479
US Dollar/Yen	**127**	**121**	**176**	**424**	51	922	196	1,169
US Dollar/South African Rand	**526**	**—**	**—**	**526**	396	—	—	396
US/Australian Dollar	**—**	**—**	**—**	**—**	2	—	—	2
Yen/euro	**—**	**875**	**—**	**875**	945	1,325	—	2,270
Other	**224**	**57**	**23**	**304**	926	87	27	1,040
Total	**2,297**	**9,522**	**646**	**12,465**	14,970	9,177	704	24,851

Maturity of notional principal amounts as at 31st December 2002

At 31st December 2002, the notional principal amounts, by residual maturity, of the Group's trading and non-trading derivatives were as follows:

	One year or less	**Over one year but not more than five years**	**Over five years**	**Total**
		(£ millions)		
Foreign exchange derivatives				
Forward foreign exchange	**253,424**	**17,166**	**1,056**	**271,646**
Currency swaps	**27,547**	**90,322**	**41,263**	**159,132**
OTC options bought and sold	**55,900**	**6,652**	**1,700**	**64,252**
OTC derivatives	**336,871**	**114,140**	**44,019**	**495,030**
Exchange traded futures—bought and sold	**100**	**—**	**—**	**100**
Exchange traded options—bought and sold	**31**	**—**	**—**	**31**
Exchange traded swaps	**16**	**—**	**—**	**16**
Total	**337,018**	**114,140**	**44,019**	**495,177**
Interest rate derivatives				
Swaps	**640,098**	**849,818**	**674,396**	**2,164,312**
Forward rate agreements	**167,638**	**12,405**	**—**	**180,043**
OTC options bought and sold	**240,441**	**258,378**	**93,318**	**592,137**
OTC derivatives	**1,048,177**	**1,120,601**	**767,714**	**2,936,492**
Exchange traded futures—bought and sold	**229,256**	**105,269**	**4,056**	**338,581**
Exchange traded options—bought and sold	**62,814**	**4,943**	**—**	**67,757**
Exchange traded swaps	**47,672**	**176,722**	**158,146**	**382,540**
Total	**1,387,919**	**1,407,535**	**929,916**	**3,725,370**
Credit derivatives				
Swaps	**1,882**	**14,376**	**2,143**	**18,401**
Equity and stock index derivatives				
OTC options bought and sold	**11,166**	**25,154**	**1,528**	**37,848**
Equity swaps and forwards	**3,045**	**222**	**—**	**3,267**

OTC derivatives	**14,211**	**25,376**	**1,528**	**41,115**
Exchange traded futures—bought and sold	**15,585**	**—**	**—**	**15,585**
Exchange traded options—bought and sold	**7,002**	**2,101**	**—**	**9,103**
Total	**36,798**	**27,477**	**1,528**	**65,803**
Commodity derivatives				
OTC options bought and sold	**5,016**	**2,342**	**522**	**7,880**
Commodity swaps and forwards	**9,283**	**7,279**	**1,655**	**18,217**
OTC derivatives	**14,299**	**9,621**	**2,177**	**26,097**
Exchange traded futures—bought and sold	**14,424**	**3,086**	**35**	**17,545**
Exchange traded options—bought and sold	**753**	**7**	**—**	**760**
Total	**29,476**	**12,714**	**2,212**	**44,402**

Maturity of notional principal amounts as at 31st December 2001

At 31st December 2001, the notional principal amounts, by residual maturity, of the Group's trading and non-trading derivatives were as follows:

	One year or less	Over one year but not more than five years	Over five years	Total
		(£ millions)		
Foreign exchange derivatives				
Forward foreign exchange	231,183	9,528	1,566	242,277
Currency swaps	41,377	66,461	38,459	146,297
OTC options bought and sold	62,429	4,500	645	67,574
OTC derivatives	334,989	80,489	40,670	456,148
Exchange traded futures—bought and sold	7,528	—	—	7,528
Exchange traded options—bought and sold	12	—	—	12
Total	342,529	80,489	40,670	463,688
Interest rate derivatives				
Swaps	319,636	698,275	538,546	1,556,457
Forward rate agreements	85,853	17,594	—	103,447
OTC options bought and sold	182,559	231,307	88,837	502,703
Other interest rate contracts	—	150	—	150
OTC derivatives	588,048	947,326	627,383	2,162,757
Exchange traded futures—bought and sold	318,915	65,968	—	384,883
Exchange traded options—bought and sold	133,483	3,905	—	137,388
Exchange traded swaps	16,674	75,002	61,149	152,825
Total	1,057,120	1,092,201	688,532	2,837,853
Credit derivatives				
Swaps	1,216	6,578	8,846	16,640
Equity and stock index derivatives				
OTC options bought and sold	11,263	23,023	1,242	35,528
Equity swaps and forwards	1,168	—	—	1,168
OTC derivatives	12,431	23,023	1,242	36,696
Exchange traded futures—bought and sold	18,036	—	—	18,036
Exchange traded options—bought and sold	11,858	3,137	—	14,995
Total	42,325	26,160	1,242	69,727
Commodity derivatives				
OTC options bought and sold	1,753	1,102	—	2,855
Commodity swaps and forwards	7,385	2,302	690	10,377
OTC derivatives	9,138	3,404	690	13,232
Exchange traded futures—bought and sold	11,728	481	—	12,209
Exchange traded options—bought and sold	895	155	—	1,050
Total	21,761	4,040	690	26,491

Maturity analyses of replacement cost and counterparty analyses of net replacement cost

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arm's length transaction, calculated at market rates current at the balance sheet date. The totals of positive and negative fair values arising on trading derivatives at the balance sheet date have been netted where the Group has a legal right of offset with the relevant counterparty. The total positive fair value after permitted netting equates to net replacement cost.

The residual replacement cost by maturity and net replacement cost by counterparty analyses of OTC and non-margined exchange traded derivatives held for trading and non-trading purposes at 31st December 2002 and 31st December 2001 are as follows:

	2002				2001			
	One year or less	Over one year but not more than five years	Over five years	Total	One year or less	Over one year but not more than five years	Over five years	Total
				(£ millions)				
Replacement cost by residual maturity								
Foreign exchange derivatives	**5,627**	**3,398**	**1,654**	**10,679**	4,656	2,339	1,390	8,385
Interest rate derivatives	**6,387**	**24,335**	**32,872**	**63,594**	3,924	14,578	14,619	33,121
Equity and stock index derivatives	**668**	**1,335**	**46**	**2,049**	381	896	13	1,290
Commodity derivatives	**372**	**244**	**85**	**701**	549	138	16	703
Credit derivatives	**6**	**236**	**448**	**690**	7	78	425	510
	13,060	**29,548**	**35,105**	**77,713**	9,517	18,029	16,463	44,009

	Total 2002	(£ millions)	Total 2001
Net replacement cost by counterparty			
Central Banks	**48**		97
Banks and other financial institutions	**9,469**		9,332
Other corporate and public bodies	**4,398**		4,839
	13,915		14,268

Potential credit risk exposure

The potential credit risk exposure for each product equals net replacement cost as reduced by the fair value of collateral provided by the counterparty.

At 31st December 2002 and 31st December 2001, the potential credit risk exposures in respect of the Group's trading and non-trading OTC derivatives were not significantly different to net replacement cost.

47 Fair values of financial instruments

Financial instruments include both financial assets and financial liabilities and also derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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 UK wherein exchanges between willing parties occur. Accordingly, various techniques have been developed to estimate what the fair value of such instruments might be.

These estimation techniques are necessarily subjective in nature and involve several assumptions. There have been no significant changes in the estimation techniques or the methodology used compared with those used at 31st December 2001.

Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between 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.

Fair value information is not provided for items that do not meet the definitions of a financial instrument. These items include short term debtors and creditors, intangible assets such as the value of the Group's branch network, the long-term relationships with depositors (core deposit intangibles), premises and equipment and shareholders' equity. These items are material and accordingly the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying value of the Group as a going concern at 31st December 2002.

The following table shows the carrying amount and the fair value of the Group's financial instruments analysed between trading and non-trading assets and liabilities.

		2002		2001	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
			(£ millions)		
Trading					
Assets					
Treasury bills and other eligible bills	(a)	**2,886**	**2,886**	1,694	1,694
Loans and advances to banks (including reverse repurchase agreements)	(a)	**42,805**	**42,805**	35,693	35,693
Loans and advances to customers (including reverse repurchase agreements)	(a)	**45,176**	**45,176**	34,240	34,240

	Note	2002 Carrying amount	2002 Fair value	2001 Carrying amount	2001 Fair value
Debt securities	(a)	**53,961**	**53,961**	47,880	47,880
Equity shares	(a)	**2,628**	**2,628**	2,924	2,924
Derivatives (see analysis in note 46)	(b)	**13,454**	**13,454**	13,730	13,730
London Metal Exchange warrants and other metals trading positions (see note 24)	(a)	**829**	**829**	1,236	1,236
Liabilities					
Deposits by Banks and customers accounts (including repurchase agreements)	(a)	**66,103**	**66,103**	45,527	45,527
Short positions in securities (see note 30)	(a)	**39,940**	**39,940**	26,200	26,200
Derivatives (see analysis in note 46)	(b)	**11,538**	**11,538**	11,091	11,091

		2002		2001	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		(£ millions)			
Non-trading					
Assets					
Cash and balances at central banks	(a)	**2,032**	**2,032**	1,281	1,281
Items in course of collection from other banks	(a)	**2,335**	**2,335**	2,444	2,444
Treasury bills and other eligible bills	(a)	**4,759**	**4,759**	5,723	5,723
Loans and advances to banks	(c)	**15,369**	**15,370**	12,196	12,200
Loans and advances to customers	(d)	**157,222**	**157,450**	146,253	147,000
Debt securities	(e)	**40,268**	**40,977**	31,044	31,244
Equity shares	(e)	**505**	**509**	194	215
Derivatives (see analysis in note 46)	(b)	**1,821**	**4,578**	1,476	3,509
Liabilities					
Deposits by Banks and customers accounts	(f)	**192,829**	**193,000**	185,668	185,700
Debt securities in issue	(g)	**45,885**	**46,004**	41,846	41,904
Items in course of collection due to other banks	(a)	**1,416**	**1,416**	1,550	1,550
Undated loan capital	(h)	**6,678**	**7,308**	5,054	5,350
Dated loan capital	(h)	**4,859**	**5,106**	4,933	5,013
Derivatives (see analysis in note 46)	(b)	**1,789**	**3,631**	902	2,232

Notes

(a) Financial assets and financial liabilities where fair value approximates carrying value because they are either (i) carried at market value or (ii) have minimal credit losses and are either short-term in nature or repriced frequently.

(b) Derivatives held for trading purposes are carried at fair value. Derivatives held for non-trading purposes are accounted for in accordance with the accounting treatment of the underlying transaction or transactions being hedged. 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.

(c) Within this calculation, the fair value for loans and advances 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.

(d) The Group provides lending facilities of varying rates and maturities to corporate and personal customers. In estimating the fair value of such instruments, the fair value of personal and corporate loans subject to variable interest rates is considered to approximate the carrying value, in view of the unrestricted ability to prepay. The fair value of such instruments subject to fixed interest rates was estimated by discounting cash flows using market rates or rates normally offered by the Group.

(e) 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.

(f) Fair values of deposit liabilities payable on demand (interest free, interest bearing and savings deposits) approximate 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 for deposits of similar remaining maturities.

(g) Fair values of short-term debt securities in issue are approximately equal to their carrying amount. Fair values of other debt securities in issue are based on quoted prices where available, or where these are unavailable, are estimated using other valuation techniques.

(h) The estimated fair values for dated and undated convertible and non-convertible loan capital were based upon quoted market rates for the issue concerned or equivalent issues with similar terms and conditions.

48 Legal proceedings

Proceedings have been brought in the United States against a number of defendants, including Barclays, following the collapse of Enron. In each case the claims are against groups of defendants and it is not possible to estimate Barclays possible loss, if any, in relation to them. Barclays considers the claims against it to be without merit and is defending them vigorously.

Barclays does not expect the ultimate resolution of the Enron related claims or the various other legal proceedings to which Barclays is party to have a significant adverse effect on the financial position or profitability of the Group.

49 Post balance sheet events

On 31st January 2003, Barclays PLC announced the acquisition of Charles Schwab Europe, an execution-only retail stockbroker.

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

	2002	2001	2000

		restated	restated
		(£ millions)	
Operating profit	**3,218**	3,438	3,186
Provisions for bad and doubtful debts	**1,484**	1,149	817
Depreciation and amortisation	**545**	528	302
Net increase in accrued expenditure and prepayments	**(90)**	114	188
Provisions for contingent liabilities and commitments	**1**	1	(1)
Other provisions for liabilities and charges	**203**	194	313
Interest on dated and undated loan capital	**645**	602	382
Decrease/(increase) in shareholders' interest in the long-term assurance fund	**55**	(164)	(165)
Profit on redemption/repurchase of loan capital	**—**	—	(2)
Net (increase)/decrease in accrued interest payable and deferred income	**(402)**	76	369
Net profit on disposal of investments and fixed assets	**(47)**	(83)	(60)
Other non-cash movements	**85**	23	35
	5,697	5,878	5,364
Net change in items in course of collection	**(25)**	439	(241)
Net increase in other credit balances	**13,105**	4,717	1,857
Net increase in loans and advances to banks and customers	**(35,997)**	(30,695)	(7,942)
Net increase in deposits and debt securities in issue	**34,129**	33,780	13,611
Net (increase)/decrease in other assets	**(387)**	(2,523)	1,292
Net (increase) in debt securities and equity shares	**(8,816)**	(5,949)	(7,079)
Net (increase)/decrease in treasury and other eligible bills	**(260)**	(1,901)	1,676
Other non-cash movements	**(55)**	53	(52)
Net cash inflow from operating activities	**7,391**	3,799	8,486

51 Sale of Group undertakings during the year

Net cash outflow from formation of FirstCaribbean International Bank Ltd

	2002
	(£ millions)
Advances and other accounts	**3,277**
Deposits and other borrowings	**(3,189)**
Net assets disposed of	**88**
Balance transferred to associated undertaking	**(366)**
Profit on disposal reflected in statement of total recognised gains and losses	**206**
Amounts not yet settled (including deferred consideration)	**28**
Cash at Bank and in hand disposed of	**(116)**
Net cash outflow from formation of FirstCaribbean International Bank Ltd	**(160)**

The balance transferred to associated undertakings comprises the Group's share of the net assets disposed of and the Group's share of the net assets acquired from the Canadian Imperial Bank of Commerce and goodwill thereon. Fair value adjustments of (£1m) have been applied to the assets acquired primarily relating to loans and advances to customers and customer accounts.

Sale of other Group undertakings

	2002	2001	2000
		(£ millions)	
Goodwill written off	**10**	7	—
Advances and other accounts	**2**	2,148	949
Deposits and other borrowings	**(1)**	(2,109)	(849)
Net assets disposed of	**11**	46	100
Net (loss)/profit on disposal	**(3)**	(4)	207
Amounts not yet settled (including deferred consideration)	**(8)**	—	—
Cash at bank and in hand disposed of	**(1)**	—	—
Net cash (outflow)/inflow from sale of other Group undertakings	**(1)**	42	307

52 Changes in financing during the year

The following table does not include the premium of £516m paid in respect of the repurchase of ordinary shares or the Group's contributions to the Qualifying Employee Share Ownership Trust (QUEST) of £48m.

	Undated loan capital	Dated loan capital	Ordinary shares	Share premium	Minority Interests
			(£ millions)		
Barclays PLC					
At beginning of year (restated)	**5,054**	**4,933**	**1,668**	**5,149**	**134**
Exchange rate and other movements	**(220)**	**(27)**	**—**	**—**	**(13)**
Net cash inflow/(outflow) from financing	**1,844**	**(47)**	**(23)**	**128**	**35**

At end of year	**6,678**	**4,859**	**1,645**	**5,277**	**156**

53 Analysis of cash balances

	31.12.02	Change	31.12.01	Chanage	31.12.00	Chanage	31.12.99
				(£ millions)			
Cash and balances at central bank	**2,032**	**751**	1,281	38	1,243	77	1,166
Loans and advances to other banks repayable on demand	**1,973**	**(2,144)**	4,117	2,023	2,094	1,127	967
	4,005	**(1,393)**	5,398	2,061	3,337	1,204	2,133

	2002		2001		2000	
			(£ millions)			
Balance at beginning of year		**5,398**		3,337		2,133
Net (decrease)/increase in cash before the effect of exchange rate movements	**(1,207)**		1,998		1,225	
Effect of exchange rate movements	**(186)**		63		(21)	
		(1,393)		2,061		1,204
Balance at end of year		**4,005**		5,398		3,337

54 Analysis of the net outflow of cash in respect of the acquisition of subsidiary undertakings

	2002	2001	2000
		(£ millions)	
Cash consideration, including acquisition expenses	**454**	84	2,494
Cash at bank and in hand acquired	**(3)**	(48)	(73)
Net outflow of cash in respect of the purchase of Group undertakings	**451**	36	2,421

55 Acquisitions

The Group made the following significant acquisitions of Group undertakings in 2002 which are accounted for on an acquisition basis:

	% Acquired	Date
UK Providian Credit Card Business	100.0	19th April 2002
BNPI Mauritius	100.0	31st October 2002

	Book Value	Fair value adjustments	Fair value
		(£ millions)	
Net assets acquired			
Cash and balances at central banks	**3**	—	**3**
Loans and advances to banks	**156**	—	**156**
Loans and advances to customers	**905**	**(32)**	**873**
Other assets	**27**	**6**	**33**
Deposits by banks	**(24)**	—	**(24)**
Customer accounts	**(197)**	—	**(197)**
Other liabilities	**(497)**	**(6)**	**(503)**
Net assets	**373**	**(32)**	**341**
Goodwill			**113**
Satisfied by cash			**454**

The book value in the above table reflects all acquisitions made in the year.

The fair value adjustments in the above table primarily relate to UK Providian Credit Card Business and represent revaluations resulting from adjusting assets and liabilities to a fair value based on discounted cashflow methodologies or management's best estimates of future economic benefits.

56 Related party transactions

a) Subsidiary undertakings

Details of the principal subsidiary undertakings are shown in note 44. In accordance with FRS 8, transactions or balances between Group entities that have been eliminated on consolidation are not reported.

b) Associated undertakings and joint ventures

The Group provides certain banking and financial services for associated undertakings and joint ventures. These are conducted on similar terms to third party transactions and are not material to the Group's results. Details of lendings to associated undertakings and joint ventures are set out in notes 15 and 16.

Edotech Limited, an associated undertaking, provides printing services to the Group. The cost of these services provided in the year was £24.1m (2001: £22.9m, 2000: £10.7m). At the year end, the balance outstanding of £2.3m was included in sundry creditors (2001: £2.2m).

Intelligent Processing Systems Limited (IPSL) is a joint venture between the Group, Lloyds TSB Bank PLC, HSBC Bank plc and Unisys Limited. The Bank has outsourced its cheque processing services to IPSL. The cost of these core services to the Barclays Group in the UK provided in the year was £30.2m (2001: £30.5m, 2000: £9.5m). At the year end, the balance outstanding of £2.2m was included in sundry creditors (2001: £0.6m). In addition, a further £6.3m was included in prepayments and accrued income (2001: £nil).

Gresham Insurance Company Limited (Gresham) became an associated undertaking following the acquisition of Woolwich plc. The arrangement enables Gresham to underwrite major household insurances provided to customers of Woolwich plc. Underwriting payments made to Gresham during the year were £54.9m (2001: £53.2m, 2000: £49.3m) and balances outstanding of £6.9m (2001: £12.6m) are included in sundry creditors.

Global Home Loans Limited (GHL) is an associated undertaking of the Woolwich. Woolwich plc is engaged in transactions where the origination and processing activities of its mortgages are outsourced to GHL and its subsidiaries. The fees payable to GHL and its subsidiaries during the year were £57.9m (2001: £45.6m, 2000: £40.4). At the year end, the balance outstanding included in sundry creditors was £8.9m. Payments made during the year by Woolwich plc as agent of GHL for salaries and other expenses amounted to £1.1m.

Gabetti Holding SpA, an associated undertaking, acts as an introducer of mortgage business to Woolwich plc and received commission of £7.0m in 2002 (2001: £7.3m, 2000: £5.5m). At the year end, amounts outstanding of £1.0m (2001: £1.7m) were included in sundry creditors.

At the year end, an interest free loan of £4.5m made by Woolwich plc to Woolwich Qualifying Employee Share Ownership Trustee Limited was outstanding. The loan was made to enable the Trustees to purchase shares in Woolwich plc to satisfy future exercises of share options and is repayable on or before 31 December 2005.

Littlewoods Personal Finance Limited (Littlewoods) was established in 1999 as a joint venture. The Group provides a retail financial service to Littlewoods' retail customers and charged £1.7m during 2002 for account servicing, maintenance and development costs (2001: £0.8m, 2000: £1.2m). During 2002, Littlewoods provided marketing services to the Group for which a fee of £5.3m was paid (2001: £2.9m, 2000: £1.2m). At 31st December 2002, £2.2m was owed to Littlewoods (2001: £nil). There was no amount outstanding from Littlewoods at that date (2001: £1.0m).

Barshelfco (No 73) Limited became a joint venture between the Group and Xansa PLC on 1st February 2002. The company delivers IT services to Barclaycard. The IT service contract has an estimated minimum value of £125m over five years and around 450 employees have transferred to Xansa from 1st February 2002. The cost of providing these services to Group during the year was £38.5m (2001: £nil). At 31st December the balance outstanding of £0.6m was included within sundry creditors. As set out in section d) below, Xansa is also a related party of the Group by way of common directorship.

FirstCaribbean International Bank(FCIB) became an associate of the Group in October 2002 following the combination of the retail, corporate and offshore banking operations of Barclays and Canadian Imperial Bank of Commerce. As part of this transaction, the bank has agreed to ensure that the pension scheme assets are sufficient to cover the pension fund liabilities of the affected employees. At 31st December 2002, a provision of £20m is held to cover this liability. In addition, Barclaycard is continuing to manage the credit card portfolio for FCIB. Since October 2002, Barclaycard received £0.2m in management fees in respect of this arrangement.

c) Pension funds, unit trusts and investment funds

The Group provides a number of normal current and interest bearing cash accounts to the Group pension funds (principally the UK Retirement Fund, the 1951 Fund and the Woolwich Pension Fund) in order to facilitate the day to day financial administration of the funds. Group companies, principally BGI, also provide investment management and custodian services. The Group also provides normal banking services for unit trust and investment funds managed by Group companies. These are all conducted on similar terms to third party transactions and are not individually material. In aggregate, amounts included in the accounts are as follows:

	2002	2001	2000
		(£ millions)	
Liabilities of Group—banking facilities	**87**	112	108
Interest payable—banking facilities	**2**	3	4
Commissions receivable	**—**	6	9
Fees receivable—investment management and custody	**12**	12	16
Value of schemes' investments in pooled funds managed by BGI	**11,866**	13,578	14,654
Income from pooled funds managed by BGI	**11**	—	—
Investments in over the counter derivatives with other Group Companies	**331**	186	188
Margin loans from other Group Companies	**176**	183	183

d) Directors

Details of Directors' emoluments are set out in note 57 and further information on Directors' emoluments, shareholding, options and awards is given in the Barclays report on remuneration on pages 14 to 21.

In the ordinary course of business, the Bank makes loans to companies where a Director or officer is also a Director of Barclays. With the exception of an interest free five year loan of £0.5m to the Charities Aid Foundation group of which Sir Brian Jenkins is Chairman of Trustees, these loans are made on substantially the same criteria and terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavourable features.

Xansa PLC, of which Hilary Cropper CBE is Executive Chairman, provides software support and development resource capability to the Group. The total value of these transactions for the years ending 31st December 2002 was £14.3m (2001: £21.5m, 2000: £15.5m). This is in addition to the transactions with Barshelfco (No. 73) Limited discussed in note b) above.

Cable and Wireless PLC, of which Graham Wallace is Chief Executive, has a five year Telecommunication services contract with the Group. This was awarded as part of a competitive tender activity. The cost to the Group during 2002 for the provision of these services was £2.2m.

57 Directors' emoluments and other benefits

The aggregate emoluments and other benefits of the Directors of Barclays PLC set out below are disclosed in accordance with Part I of Schedule 6 to the Companies Act 1985.

	2002	2001
	(£ thousands)	
Aggregate emoluments	**6,069**	5,828
Gains made on the exercise of share options	**499**	27
Amounts paid under long-term incentive schemes	**1,235**	638
Compensation for loss of office	**—**	—
Notional pension contributions to money purchase schemes (2002: 1 Director and 2001: 1 Director)	**990**	425

3 Directors are accruing retirement benefits under a defined benefit scheme (2001: 3 Directors).

Of the figures in the table above, the amounts attributable to the highest paid Director, Matthew Barrett, are as follows

	2002	2001
	(£ thousands)	
Aggregate emoluments	**1,920**	2,193
Amounts paid under long-term incentive schemes	**744**	—
Notional pension contribution to a money purchase scheme	**990**	425

Further information on Directors' emoluments, shareholdings, options and awards is given in the Barclays report on remuneration section.

58 Directors' and officers' shareholding and options

Details of Directors' share interests and options are given in the Corporate Governance section on pages 14 to 21.

The beneficial ownership of the ordinary share capital of Barclays PLC by all Directors and officers of Barclays PLC (involving 22 persons) and Barclays Bank PLC (involving 23 persons) at 31st December 2002 amounted to 1,474,863 ordinary shares of 25p each (0.02% of ordinary share capital outstanding).

Executive Directors and officers of Barclays PLC as a group (involving 13 persons) held, at 31st December 2002, options to purchase 23,014,430 Barclays PLC ordinary shares of 25p each at prices ranging from 199p to 411p under the SAYE Share Option Scheme, and ranging from 222p to 445p under the Executive Share Option Scheme and ranging from 390p to 520p under the Incentive Share Option Plan, respectively, and ranging from 329p to 384p under The Woolwich ESOP, exercisable in the period from 2003 to 2012.

59 Contracts with Directors and connected persons and with managers

The aggregate amounts outstanding at 31st December 2002 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 managers, within the meaning of the Financial Services and Markets Act 2000, of Barclays Bank PLC were:

	Number of Directors or managers	Number of connected persons	Amount
			(£ thousands)
Directors			
Loans	**2**	**—**	**930**
Quasi-loans and credit card accounts	**9**	**7**	**42**
Managers			
Loans	**7**	**—**	**514**
Quasi-loans and credit card accounts	**7**	**—**	**12**

There are no transactions, arrangements or agreements with Barclays PLC or its subsidiary undertakings in which Directors, or persons connected with them, or managers 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 Barclays PLC ordinary shares as described in note 58.

60 Other entities

There are a number of entities that do not qualify as subsidiary undertakings but which give rise to benefits that are in substance no different from those that would arise were the entity a subsidiary. The details of these entities are given below.

In accordance with the disclosure required by FRS 5, the summarised combined results by type of entity for each main financial statement heading where there are material items, are set out below:

	Credit structuring business		Asset securitisation vehicles		Financing transactions	
	2002	2001	2002	2001	2002	2001
			(£ millions)			

Profit and loss account						
Interest receivable	**164**	139	**36**	34	**3**	5
Interest payable	**(164)**	(139)	**(36)**	(34)	**(3)**	(5)
Operating profit	**—**	—	**—**	—	**—**	—
Balance sheet						
Fixed Assets	**—**	—	**91**	—	**—**	—
Investment in subsidiaries	**1**	—	**—**	—	**—**	2
Other Investments	**—**	—	**807**	—	**159**	78
Debt securities	**1,966**	1,411	**644**	607	**—**	—
Amounts due from related party	**1,482**	1,522	**—**	—	**1,846**	60
Other debtors	**—**	8	**—**	—	**—**	—
Current assets	**—**	—	**6**	—	**—**	—
Cash	**44**	32	**—**	—	**—**	—
Debt securities in issue	**(3,463)**	(2,933)	**(1,451)**	(607)	**—**	—
Corporation tax payable	**—**	—	**—**	—	**—**	(2)
Amounts due to related party	**(26)**	—	**—**	—	**(2,005)**	(137)
Creditors due less than one year/accruals	**(1)**	(40)	**(2)**	—	**—**	—
Creditors due greater than one year	**—**	—	**(95)**	—	**—**	—
Shareholders' funds—retained profit	**(3)**	—	**—**	—	**—**	(1)
Cashflow						
Net cash inflow from operating activities	**10**	32	**—**	—	**(3)**	—

61 Segmental analysis

	2002		2001 restated		2000 restated	
	(£m)	(%)	(£m)	(%)	(£m)	(%)
By geographical segments (a)(b)						
Interest receivable						
UK	**10,429**	**87**	11,328	84	9,347	80
Other European Union	**737**	**6**	862	6	679	6
United States	**262**	**2**	511	4	1,001	8
Rest of the World	**616**	**5**	757	6	761	6
	12,044	**100**	13,458	100	11,788	100
Fees and commissions receivable						
UK	**3,396**	**76**	3,095	74	2,581	70
Other European Union	**247**	**6**	258	6	262	7
United States	**537**	**12**	547	13	461	13
Rest of the World	**274**	**6**	302	7	372	10
	4,454	**100**	4,202	100	3,676	100
Dealing profits						
UK	**642**	**77**	729	72	583	87
Other European Union	**8**	**1**	21	2	1	—
United States	**136**	**16**	212	21	44	6
Rest of the World	**47**	**6**	49	5	49	7
	833	**100**	1,011	100	677	100
Other operating income						
UK	**150**	**41**	253	59	183	53
Other European Union	**207**	**57**	166	39	152	43
United States	**2**	**1**	1	—	9	2
Rest of the World	**5**	**1**	8	2	9	2
	364	**100**	428	100	353	100
Gross income (d)						
UK	**14,617**	**83**	15,405	81	12,694	77
Other European Union	**1,199**	**7**	1,307	7	1,094	7
United States	**937**	**5**	1,271	6	1,515	9
Rest of the World	**942**	**5**	1,116	6	1,191	7
	17,695	**100**	19,099	100	16,494	100
Profit on ordinary activities before tax						
UK	**2,898**	**91**	2,680	79	2,758	81
Other European Union	**351**	**11**	410	12	315	9
United States	**(218)**	**(7)**	85	2	67	2
Rest of the World	**174**	**5**	250	7	252	8
	3,205	**100**	3,425	100	3,392	100
Attributable profit						
UK	**2,025**	**90**	1,922	79	1,990	82
Other European Union	**284**	**13**	347	14	252	10
United States	**(161)**	**(7)**	48	2	41	2
Rest of the World	**82**	**4**	129	5	162	6
	2,230	**100**	2,446	100	2,445	100

	2002		2001 restated		2000 restated	
	(£m)	(%)	(£m)	(%)	(£m)	(%)
Total assets						
UK	**302,386**	**75**	266,830	75	235,339	75
Other European Union	**26,126**	**6**	20,278	5	18,788	6
United States	**51,919**	**13**	48,701	14	38,662	12
Rest of the World	**22,635**	**6**	20,803	6	23,397	7
	403,066	**100**	356,612	100	316,186	100
Net assets						
UK	**11,084**	**72**	10,572	72	9,555	71
Other European Union	**2,521**	**16**	2,294	16	2,188	17
United States	**1,074**	**7**	988	7	1,002	7
Rest of the World	**682**	**5**	765	5	688	5
	15,361	**100**	14,619	100	13,433	100
By class of business (a),(b)						
Net interest income						
Personal Financial Services	**1,892**	**31**	1,954	33	1,396	27
Barclays Private Clients	**766**	**12**	829	14	788	16
Barclaycard	**886**	**14**	807	14	681	13
Business Banking	**1,620**	**26**	1,553	25	1,488	29
Barclays Africa	**160**	**3**	176	3	179	4
Barclays Capital	**889**	**14**	639	11	474	9
Barclays Global Investors	**12**	**—**	5	—	6	—
Other operations and Head office functions	**32**	**1**	38	1	103	2
Other items (c)	**(52)**	**(1)**	(35)	(1)	(7)	—
	6,205	**100**	5,966	100	5,108	100
Non interest income						
Personal Financial Services	**1,076**	**21**	998	19	702	16
Barclays Private Clients	**557**	**11**	718	14	729	17
Barclaycard	**696**	**14**	579	11	518	11
Business Banking	**888**	**17**	829	16	795	17
Barclays Africa	**115**	**2**	136	3	133	3
Barclays Capital	**1,350**	**26**	1,448	28	1,172	26
Barclays Global Investors	**538**	**11**	518	10	434	10
Other operations and Head office functions	**(98)**	**(2)**	(50)	(1)	(97)	—
	5,122	**100**	5,176	100	4,386	100
Total income (d)						
Personal Financial Services	**2,968**	**26**	2,952	26	2,098	22
Barclays Private Clients	**1,323**	**12**	1,547	14	1,517	16
Barclaycard	**1,582**	**14**	1,386	12	1,199	13
Business Banking	**2,508**	**22**	2,382	21	2,283	24
Barclays Africa	**275**	**2**	312	3	312	3
Barclays Capital	**2,239**	**20**	2,087	19	1,646	17
Barclays Global Investors	**550**	**5**	523	5	440	5
Other operations and Head office functions	**(66)**	**(1)**	(12)	—	6	—
Other items (c)	**(52)**	**—**	(35)	—	(7)	—
	11,327	**100**	11,142	100	9,494	100

	2002		2001 restated		2000 restated	
	(£m)	(%)	(£m)	(%)	(£m)	(%)
Profit/(loss) on ordinary activities before tax						
Personal Financial Service	**867**	**27**	803	23	557	16
Barclays Private Clients	**281**	**9**	553	16	553	16
Barclaycard	**615**	**19**	504	15	429	13
Business Banking	**1,219**	**38**	1,050	31	1,006	30
Barclays Africa	**89**	**3**	123	4	93	3
Barclays Capital	**581**	**18**	655	19	517	15
Barclays Global Investors	**110**	**4**	78	2	59	2
Other operations	**(179)**	**(6)**	(28)	(1)	79	2
Head office functions	**(121)**	**(4)**	(80)	(2)	(64)	(2)
Other items (c)	**(257)**	**(8)**	(233)	(7)	163	5
	3,205	**100**	3,425	100	3,392	100
Total assets						
Personal Financial Services	**71,871**	**18**	64,314	18	60,993	19
Barclays Private Clients	**14,016**	**3**	13,886	4	14,098	5
Barclaycard	**10,669**	**3**	9,404	3	9,867	3
Business Banking	**47,315**	**12**	44,132	12	41,344	13

Barclays Africa	**2,632**	**1**	2,756	1	2,291	1
Barclays Capital	**236,472**	**58**	201,301	57	167,197	53
Barclays Global Investors	**494**	**—**	308	—	259	—
Other operations and Head office functions	**8,379**	**2**	8,250	2	7,157	2
Goodwill	**3,934**	**1**	4,091	1	4,269	1
Retail life-fund attributable to policyholders	**7,284**	**2**	8,170	2	8,711	3
	403,066	**100**	356,612	100	316,186	100
Net assets						
Personal Financial Services	**6,041**	**39**	6,375	44	5,783	43
Barclays Private Clients	**946**	**6**	933	6	906	7
Barclaycard	**1,759**	**11**	1,086	7	1,171	8
Business Banking	**3,080**	**20**	2,855	20	2,436	18
Barclays Africa	**244**	**2**	274	2	222	2
Barclays Capital	**2,279**	**16**	2,006	14	1,849	14
Barclays Global Investors	**358**	**2**	267	2	269	2
Other operations and Head office functions	**654**	**4**	823	5	797	6
	15,361	**100**	14,619	100	13,433	100

Notes

(a) The analyses above are for Barclays PLC. Figures for attributable profit differ for Barclays Bank PLC and are shown on page 200.
(b) Basis of geographical and class of business analysis—see Accounting presentation on page 103.
(c) "Other items" within class of business net interest income and total income reflects fair value adjustments relating to the acquisition of Woolwich plc of (£52m) (2001: (£35m), 2000: (£7m). "Other items" in profit/(loss) on ordinary activities before tax consist of (i) Goodwill amortisation £254m (2001: £229m, 2000: £51m) and (ii) an exceptional item charge of £3m (2001: £4m charge, 2000: £214m credit).
(d) Gross income for geographical disclosure includes interest receivable, fees and commissions receivable, dealing profits and other operating income. Total income for class of business disclosure analyses operating income from the profit and loss account.

62 Retirement benefits

FRS 17 "Retirement Benefits" will be effective for companies subject to UK accounting standards for years beginning on or after 1st January 2005. In 2002, the standard requires disclosures to be made of the amount of the asset or liability that would have been recognised in the balance sheet and the amounts that would have been recognised in the performance statements if the standard had been implemented.

As described in note 5, Barclays provides pension plans for employees in most parts of the world. For the purposes of the standard, the UK Retirement Fund (UKRF) and other defined benefit pension schemes in the UK, US, and Germany, are considered to be material. The scheme in Germany and one of the US schemes are unfunded. The disclosures below reflect actuarial valuations as at 31st December 2002 by a professionally qualified independent actuary using the projected unit method. This method results in the current service cost in respect of closed schemes increasing as the members of the scheme approach retirement.

Other than protected rights contributions in respect of RIS and PIP members, no contributions were paid to the UKRF in 2002. The current contribution holiday is expected to continue until 2004. Other UK schemes paid contributions of £27m in the year (2001: £13m) and are expected to pay contributions of £27m next year. Overseas schemes paid contributions of £1m in the year (2001: £nil) and are expected to pay contributions of £1m next year.

The main financial assumptions used in the actuarial valuations were:

	2002		2001	
	UK schemes	Overseas schemes	UK schemes	Overseas schemes
	(% p.a.)			
Inflation	**2.3**	**2-2.5**	2.5	2-3.5
Rate of increase in salaries	**3.8**	**3.5-4.5**	4	3.5-4.5
Rate of increase for pensions in payment and deferred pensions	**2.3-3.25**	**1.25-2**	2.5-3.25	1.75-2
Rate used to discount scheme liabilities	**5.7**	**5.5-6.75**	5.75	5.3-7.25

The value of the assets and liabilities of the schemes, the assumed long-term real rates of return and the assets and liabilities as at 31st December 2002 and 31st December 2001 were as follows:

	2002				2001			
	UK schemes		Overseas schemes		UK schemes		Overseas schemes	
	Real rate of return	Value	Real rate of return	Value	Real rate of return	Value	Real rate of return	Value
	(%)	(£m)	(%)	(£m)	(%)	(£m)	(%)	(£m)
UK equities	**6.0**	**2,492**	**6.0**	**6**	5.25	4,984	5.25	16
US equities	**6.0**	**795**	**6.0**	**78**	5.25	969	5.25	135
Other equities	**6.3**	**2,077**	**6.3**	**15**	5.5	2,650	5.5	11
UK corporate bonds	**3.2-3.3**	**927**	**—**	**—**	3.2	595	—	—
UK fixed interest gilts	**2.1**	**448**	**—**	**—**	2.5	96	—	—
UK index-linked gilts	**2.1**	**1,779**	**—**	**—**	2.5	1,136	—	—
Property	**4.7**	**1,159**	**—**	**—**	4.25	1,177	—	—
US debt fund	**—**	**—**	**1.9**	**42**	—	—	2.0	56
US Treasury stock	**1.5**	**61**	**0.7**	**34**	2.5	41	—	—

Other overseas bonds and government stock	**3.3-4.1**	**475**	**—**	**—**	3.2-3.6	340	—	—
Cash	**2**	**231**	**—**	**—**	2.0	187	—	—
Other (a)		**205**		**—**		194		—
Asset transfer following the creation of FirstCaribbean		**(121)**		**—**		—		—
Fair value of scheme assets		**10,528**		**175**		12,369		218
Present value of scheme liabilities (b)		**(12,017)**		**(214)**		(11,955)		(226)
Net (deficit)/surplus in the schemes		**(1,489)**		**(39)**		414		(8)

Net deficit in UK schemes includes a deficit of £1,311m (2001: surplus of £377m) relating to the UKRF.

Notes

(a) Other includes £194m (2001: £194m) representing the money purchase assets of the UKRF.
(b) Present value of scheme liabilities includes £194m (2001: £194m) representing money purchase liabilities of the UKRF.

The surpluses and deficits would be presented in the balance sheet as follows:

	2002		2001	
	Pension asset	Pension liability	Pension asset	Pension liability
	(£ millions)			
Scheme surpluses/(deficits)	**28**	**(1,556)**	550	(144)
Related deferred tax (liability)/asset	**(8)**	**467**	(165)	43
Net pension asset/(liability)	**20**	**(1,089)**	385	(101)

As described in note 5, the Group also provides post-retirement health care to certain UK and US pensioners. The disclosures below reflect actuarial valuations as at 31st December 2002 by a professionally qualified independent actuary. The rate of increase in medical expenses used in the actuarial valuation was 4.8% in the UK (2001: 5%) and 4.75% in the US (2001: 6%) and the discount rate used was 5.7% in the UK (2001: 5.75%) and 6.75% in the US (2001: 7.25%). The liability was as follows:

	2002	2001
	(£ millions)	
Deficit	**(306)**	(304)
Related deferred tax asset	**92**	91
Net post-retirement liability	**(214)**	(213)

The net reserve for pension schemes and post-retirement healthcare is (£1,283m) (2001: £71m).

The amounts that would have been recognised in the profit and loss account and statement of total recognised gains and losses in respect of pension schemes and post-retirement health care in 2002 were as follows:

	2002
	(£ millions)
Analysis of amounts charged to operating profit	
Current service cost (a)	**322**
Past service cost	**19**
Gains and losses on settlements and curtailments	**5**
Total operating charge	**346**

Note

(a) Current service cost includes £48m relating to the RIS and PIP section of the UKRF.

	2002
	(£ millions)
Analysis of amounts included as other finance income	
Expected return on scheme assets	**892**
Interest on scheme liabilities	**(699)**
Net return	**193**

	2002 UK schemes			2002 Overseas schemes		
		As % of scheme assets	As % of present value of scheme liabilities		As % of scheme assets	As % of present value of scheme liabilities
	(£m)	(%)	(%)	(£m)	(%)	(%)
Analysis of amounts included in the statement of total recognised gains and losses						
Actual return less expected return on scheme assets	**2,153**	**21**		**31**	**18**	
Experience gains and losses arising on the scheme liabilities	**(33)**		**—**	**2**		**1**
Changes in assumptions underlying the present value of scheme liabilities	**(302)**		**3**	**(2)**		**1**
Actuarial loss recognised in statement of total recognised gains and losses	**1,818**		**15**	**31**		**14**

	UK pension schemes	Overseas pension schemes	Post-retirement health care
		(£ millions)	
Analysis of movements in pension scheme and post-retirement healthcare surpluses/(deficits) during 2002			
Surplus/(deficit) in the schemes at beginning of year	**414**	**(8)**	**(304)**
Contributions	**42**	**1**	**17**
Current service cost	**(316)**	**(5)**	**(1)**
Past service cost	**(18)**	**(1)**	**—**
Settlements and curtailments	**(6)**	**1**	**—**
Exchange movements	**—**	**2**	**4**
Other finance income/(cost)	**209**	**2**	**(18)**
Actuarial loss	**(1,814)**	**(31)**	**(4)**
Deficit in the schemes at end of year	**(1,489)**	**(39)**	**(306)**

63 Differences between UK GAAP and US GAAP accounting principles

The accounts presented in this report have been prepared in accordance with accounting principles generally accepted in the UK (UK GAAP). Such principles vary in significant respects from those generally accepted in the United States (US GAAP). Preparing the financial statements requires management to make estimates and assumptions that affect reported income, expenses, assets and liabilities and disclosures of contingent assets and liabilities. Actual results could be different from those estimates. The significant differences applicable to the Group's accounts are summarised below.

UK GAAP	US GAAP
Goodwill Goodwill arising on acquisitions of subsidiary and associated undertakings and joint ventures is capitalised and amortised through the profit and loss account over its expected useful economic life (with a maximum of 20 years). Capitalised goodwill is written off when judged to be irrecoverable. In the event of a subsequent disposal, any goodwill previously charged directly against reserves under Statement of Standard Accounting Practice (SSAP) 22 will be written back and reflected in the profit or loss on disposal.	Prior to 1st January 2002, goodwill was capitalised and amortised over its useful economic life under the provisions of APB16. SFAS 141 and SFAS 142 require intangible assets currently held on the balance sheet to be separately identified, amortisation to cease being charged on goodwill balances and goodwill balances to be reviewed annually for impairment. US GAAP can require the recognition of certain assets and liabilities that would either not be recognised or have a different measurement value under UK GAAP. This will lead to a different value of goodwill for US purposes.
Core deposit intangibles Under UK GAAP the value of depositor relationships is not considered to be a separately identifiable asset and is included within goodwill.	In relation to the acquisition of a deposit taking institution, a separate intangible asset representing depositor relationships is recognised. To the extent that such an asset is recognised there is a commensurate reduction in the amount of recorded goodwill. The value ascribed is amortised to net income over the average life of the depositor relationships in question. Following the issue of SFAS 147, on the acquisition of financial institutions after 1st October 2002 the excess of assumed liabilities over acquired assets is treated as part of goodwill rather than as an unidentifiable intangible asset. Intangible assets are reviewed annually for impairment under the provisions of SFAS 144 as required by SFAS 147.
Pensions In respect of defined benefit schemes, pension fund assets are assessed actuarially at the present value of the expected future investment income, which is consistent with SSAP 24. Most liabilities are discounted at a long-term interest rate and variations from regular cost are allocated over the expected average remaining service lives of current employees.	In respect of defined benefit schemes, the same basic actuarial method is used under SFAS 87 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 service lives of current employees.

For defined contribution schemes the net pension cost recognised in the profit and loss account represents the contributions payable to the scheme, in accordance with SSAP 24.	For defined contribution schemes SFAS 87 provides for the same treatment as under UK GAAP.
Post-retirement benefits Post-retirement health care liabilities are assessed actuarially on a similar basis to pension liabilities under SSAP 24 and are discounted at a long-term rate. 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 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 Gross earnings under finance leases are allocated in such a way as to give a constant periodic rate of return on the (post-tax) net cash investment.	Application of SFAS 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, the magnitude of the difference depending upon the value and average age of the leasing portfolio at each period end.

UK GAAP	US GAAP
Leasing—lessee In accordance with FRS 5 and SSAP 21, leases are 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 13. All other leases are classified as operating leases. Provisions are made for certain losses arising on subleases of leases treated as finance leases under SFAS 13.
Deferred tax Prior to 1st January 2002 deferred tax was recognised using the liability method on timing differences that have originated but not reversed at the balance sheet date. Following the introduction of FRS 19 deferred tax is now provided in full in respect of timing differences which have not reversed at the the balance sheet date.	Under SFAS 109, a liability method is also used, but deferred tax assets and liabilities are calculated for all temporary differences. 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.
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. From 1st January 2000, following the introduction of FRS 15, the revalued book amounts are being retained without subsequent revaluation subject to the requirement to test for impairment. Depreciation is charged on the cost or revalued amounts of freehold and long-leasehold properties over their estimated useful economic lives.	Revaluations of property are not permitted in the accounts under US GAAP. As a result, when a revalued property is disposed of, a greater profit or lower loss is generally recorded under US GAAP than under UK GAAP. Freehold and long-leasehold property is depreciated over its estimated useful economic life based on the historical cost.
Shareholders' interest in the retail long-term assurance fund The value of the shareholders' interest in the retail long-term assurance fund represents an estimate of the net present value of the profits inherent in the in-force policies.	The net present value of the profits inherent in the in-force life and pensions policies of the long-term assurance fund 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 60 and SFAS 97.
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 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.
Share compensation schemes Where shares are purchased, the difference between the purchase price and any contribution made by the employee is charged to the profit and loss account in the period to which it relates. Where shares are issued, or options granted, the charge made to the profit and loss account is the difference between the fair value at the time the award is made and any contribution made by the employee. For these purposes fair value is equal to the intrinsic value of the option.	The Group adopted SFAS 123 which encourages the adoption of accounting for share compensation schemes, based on their estimated fair values at the date of the grant. Accordingly, the Group charges this fair value to the profit and loss account over the period to their vesting dates.

UK GAAP	US GAAP
Fair value of securities Positions in debt securities and equity shares are stated at cost less provision for diminution in value. The cost of dated investment securities is adjusted for the amortisation of premiums or discount on purchase. Investment securities are those intended for use on a continuing basis by the Group. Movements resulting from changes in foreign currency exchange rates are reflected in the profit and loss account.	Under SFAS 115, debt and marketable equity securities are classified as one of three types. Trading securities are carried at fair value with changes in fair value taken through profit and loss; where there is the ability and intent to hold to maturity, such securities are recorded at amortised cost (only debt securities may be held to maturity); and those held for continuing use in the business, but available for sale, which are carried at fair value with movements in fair value recorded in shareholders' equity, unless any losses constitute an other than temporary impairment difference, in which case the change is reflected in profit and loss account. Under EITF 96-15, as amended by SFAS 133, the change in value of available for sale securities as a result of changes in foreign currency exchange rates is reflected in shareholders' equity. Under US GAAP all short sold security positions are marked to market and the unrealised gain or loss is reflected in the profit and loss account.
Loan origination Costs associated with loan origination, for example incentives in the form of cashbacks and discounts, are written off as incurred as permitted by the British Bankers Association Statement of Recommended Practice (SORP) on Advances.	SFAS 91 requires incremental direct costs of loan origination to be deferred and amortised over the life of the loan as an adjustment to interest income.
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.
Taxation Profit before tax and the tax charge for the year includes tax at the effective rate on the shareholders' interest in the long-term assurance fund.	Income before tax and the tax charge do not include such adjustments for tax.
Acceptances Acceptances are bills that the drawee has agreed to pay. They are not recorded within the balance sheet.	Acceptances and the related customer liabilities are recorded within the balance sheet.
Transfer and servicing of financial assets Under FRS 5, where a transaction involving a previously recognised asset transfers to others (a) all significant rights or other access to benefits relating to that asset and (b) all significant exposure to the risks inherent in those benefits, the entire asset should cease to be recognised.	Under SFAS 140, control passes where the following criteria are met: (a) the assets are isolated from the transferor (the seller) i.e. they are beyond the reach of the transferor, even in bankruptcy or other receivership, (b) the transferee (the buyer) has the right—free of any conditions that constrain it from taking advantage of the right—to pledge or exchange the assets, and (c) the transferor does not maintain effective control over the transferred assets. Transfers of assets not deemed as sales cause a gross-up of the balance sheet to show the assets transferred as remaining on the balance sheet. In addition, non-cash collateral received on certain stock lending transactions results in a balance sheet gross-up under the provisions of FAS 140.
Extinguishment of liabilities Under FRS 5, a liability is extinguished if an entity's obligation to transfer economic benefits is satisfied, removed or is no longer likely to occur. Satisfaction would encompass an "in-substance" defeasance transaction where liabilities are satisfied from the cash flows arising from essentially risk free assets transferred by the debtor to an irrevocable defeasance trust.	Under SFAS 140, a debtor may de-recognise a liability if and only if either (a) the debtor pays the creditor and is relieved of its obligation for the liability, or (b) the debtor is legally released from being the primary obligor under the liability either financially or by the creditor. SFAS 140 does not allow for the de-recognition of a liability by means of an "in-substance" defeasance transaction or if it is no longer believed likely that the liability will be settled.

UK GAAP	US GAAP
Netting Under FRS 5, items should be aggregated into a single item where there is a right to insist on net settlement and the debit balance matures no later than the credit balance.	Under FASB interpretation No (FIN) 39, netting is only permitted where there is a legal right of set-off and an intention to settle on a net basis. In addition, under FIN 41, repurchase and reverse repurchase agreements may only be netted where they have the same explicit settlement date specified at the inception of the agreement. Netting presentation differences exist between UK and US GAAP in relation to repurchase and reverse repurchase agreements, securities lending and borrowing agreements, receivables and payables in respect of unsettled trades, long and short securities, and cash collateral held against derivatives.
Own shares Own shares are holdings of Barclays PLC listed shares reacquired on the open market. Shares are purchased by employee benefit trusts or held as part of the trading equity operations and shown as assets where Barclays retains the risks and rewards of ownership. They are	ARB31 requires shares purchased at balance sheet date to be held at cost and deducted from equity.

carried at cost less impairment or fair value respectively.

UK GAAP	US GAAP
Restructuring of business provisions In accordance with FRS 3 and FRS 12, provisions have been made for any direct costs and net future operating losses arising from a business that management is committed to restructure, sell or terminate, has a detailed formal plan for exit, and has raised a valid expectation of carrying out the restructuring plan.	Emerging Issues Task Force (EITF) 94-3 and Staff Accounting Bulletin (SAB) 100 set out specific conditions which must be met to enable liabilities relating to restructuring, sale or involuntary terminations to be recognised in the period management approve the termination plan. In respect of costs other than employee termination benefits, the basic requirements for recognition at the date of commitment to the plan to terminate are that they are not associated with, or do not benefit, activities that will be continued.
Computer software developed or obtained for internal use The Group's general policy is to write-off such expenditure as incurred except where the software is required to facilitate the use of new hardware. Capitalised amounts are recorded as tangible fixed assets.	AICPA Statement of Position (SOP) 98-1 requires certain costs incurred in respect of software for internal use to be capitalised and subsequently amortised over its useful life. Capitalised amounts are reviewed regularly for impairment.
Derivatives Where a derivative is documented and evidenced as reasonably expected to match or eliminate risk from a transaction, hedge accounting is applied. Profits or losses on that derivative are included in the relevant income or expense category as part of the yield on that transaction. Derivatives that are not hedge accounted are recorded at fair value, with the change recorded in the profit and loss account.	SFAS 133 requires all derivatives to be recorded at fair value. If certain conditions are met then the derivative may be designated as a fair value or cash flow hedge. The change in value of the fair value hedge is recorded in income along with the change in fair value of the hedged asset or liability. The change in value of a cash flow hedge is recorded in other comprehensive income and reclassified to income as the hedged cash flows affect earnings. Barclays has chosen not to update the documentation of hedges to comply fully with the requirements of SFAS 133. Certain terms and conditions of hybrid contracts which themselves would be standalone derivatives are bifurcated from the underlying hybrid contract and fair valued if they are not clearly and closely related to the contract they are contained in. These are referred to as embedded derivatives.

UK GAAP	US GAAP
Investment contracts In accordance with FRS 5, certain products offered to institutional pension funds are accounted for as investment products when the substance of the investment is that of managed funds. The assets and related liabilities are excluded from consolidated balance sheet.	The legal form of these products is similar to insurance contracts, which are accounted for in accordance with SFAS 97. Accordingly, the assets and liabilities associated with these products are recorded on the balance sheet.
Consolidation of special purpose entities Entities should be consolidated when they are under the control of the reporting entity. Under FRS 2 control is the ability to direct the financial and operating policies of the entity with a view to gaining economic benefit and may be exercised through majority voting rights or other means. Under FRS 5 control may also be evidenced by the party that receives the benefits of the net assets of the entity where financial and operating policies are predetermined.	Entities should be consolidated when they are under the control of the reporting entity. This is presumed when the reporting entity is the majority owner. However, this presumption can be rebutted in certain circumstances, if the entity meets criteria set out in EITF 90-15, EITF 96-21 and in relation to Qualifying Special Purpose Entities under the provisions of FAS 140. In cases where the reporting entity is not the majority owner, entities may still be required to be consolidated in certain circumstances if they fail to meet the criteria set out in EITF Topic D-14 to avoid consolidation.
Earnings per share Basic earnings per share (EPS) is net income per weighted average share in issue. Diluted EPS measures the effect that existing options would have on the basic EPS if they were to be exercised, by increasing the number of ordinary shares.	The basic EPS under US GAAP differs only to the extent that income under US GAAP differs. In addition, the Diluted EPS differs as the increased shares are reduced by the number of shares that could be bought (using the average market price over the year) with the assumed exercise proceeds (actual proceeds arising on exercise plus unamortised compensation costs, where appropriate). Any options that are antidilutive are excluded from this calculation.
Cash flow statement The cashflow statement is prepared according to the requirements of FRS 1 (revised). It defines cash as cash and balances at central banks and loans and advances to banks repayable on demand.	The cash flow statement for US GAAP is prepared under SFAS 95, as amended by SFAS 104. This defines cash being inclusive of cash equivalents which are short-term highly liquid investments that are both readily convertible into known amounts of cash and that are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

The two statements differ with regard to the classification of items within the cash flow statement and with regard to the definition of cash.

	Classification under FRS 1 (revised)	Classification under SFAS 95/104
Dividends received	Returns on investment and servicing of finance	Operating activities
Dividends paid—equity	Equity dividends paid	Financing activities
Tax paid	Taxation	Operating activities
Net change in loans and advances, including finance lease receivables	Operating activities	Investing activities

Net change in deposits and debt securities in issue	Operating activities	Financing activities

Applicable developments in US GAAP

SFAS 143: "Accounting for Asset Retirement Obligations"

SFAS 143 was issued in June 2001. It requires a provision to be raised for the legal obligation in relation to the other-than-temporary removal of a tangible fixed asset, at fair value, when incurred. It is effective for Barclays from 1st January 2003. It is not expected to have a material impact on the financial statements.

SFAS 146: "Accounting for costs associated with exit or disposals"

SFAS 146 was issued in June 2002 and is effective for Barclays from 1st January 2003 and addresses the financial accounting and reporting for costs associated with exit or disposal activities. This standard requires that the fair value of a liability for a cost associated with an exit or disposal activity be recognised when the liability is incurred and nullifies EITF 94-3 which requires the recognition of a liability at the date of an entity's commitment to an exit plan. This is not expected to have a material effect on the Group's results.

SFAS 147: "Accounting of certain financial institutions, an amendment to SFAS 72 and 144 and FIN 9"

SFAS 147 was issued on 1st October 2002 and amends the requirements of FASB 72 and 144 and FIN 9. It requires that for acquisitions of financial institutions that occur after 1st October 2002 and which meet the definitions of a business combination, the excess of assumed liabilities over acquired assets should be treated as goodwill rather than as an unidentifiable intangible asset. In addition the standard requires that long term customer relationship intangible assets of financial institutions should be subject to the same impairment tests as required by FAS 144 "Impairment of Disposal of Long-Lived Assets. The effect of the adoption in 2002 was not material".

SFAS 148: "Accounting for share-based compensation-transition and disclosures"

SFAS 148 was issued on 1st January 2003. It amends SFAS 123 to provide alternate methods of transition for entities voluntarily adopting a fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS 123. Barclays adopted the fair value method of accounting for stock-based employee compensation from 1st January 1996 and therefore is not affected by this standard.

EITF Issue 02-03 "Issues involved in accounting for derivative contracts held for trading purposes and contracts involved in Energy Trading and Risk Management activities"

The EITF discussed issue 02-03 through much of 2002 and reached a final consensus at the 25th October meeting. The FASB staff's view on the impact of the consensus on non-energy derivative contracts was clarified at the 21st November 2002 meeting.

The principal requirement affecting Barclays is that, for energy derivative contracts with effect from July 2002 and non-energy contracts with effect from 21st November 2002, where the fair value is not determined using either observable market prices or models which use market-observable variables as inputs, the unrealised gain or loss at inception on new contracts should not be recognised. The impact on the reported results for 2002 was not material.

FIN 45: Guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others.

FIN 45 was issued on 25th November 2002. It addresses disclosure requirements for guarantors in respect of guarantees issued (including guarantees embedded in other contracts) and requires recognition of a liability to be recognised for all obligations assumed under guarantees issued.

The disclosure requirements are effective for periods ending after 15th December 2002 and are reflected on page 185 in this report. The measurement requirements are effective for guarantees issued from 1st January 2003. Barclays is currently assessing the impact this will have on future reporting.

FIN 46: Consolidation of variable interest entities.

FIN 46 was issued on 17th January 2003. This addresses the criteria to be applied when determining whether certain special purpose entities (variable interest entities) should be consolidated and requires disclosures to be made if the involvement with an unconsolidated variable interest entity is significant. The interpretation is effective for interests in vehicles acquired after 31st January 2003. The disclosure requirements of the interpretation are effective for interests Barclays has acquired before 1st February 2003 for the year ended 31st December 2003. The guidance may be applied prospectively with a cumulative effect adjustment in the period of initial application or by restating comparatives with a cumulative effect adjustment in the first year restated.

Barclays is assessing the impact of FIN 46 on all entities with which it is involved. Management's assessment of the possible impact as regards consolidation or deconsolidation is ongoing. Where it has been identified as possible that entities will be consolidated or that the relationship with such an entity will need to be disclosed once the new pronouncement is effective, the relationships are discussed on page 183.

	Note	2002	2001	2000
			(£ millions)	
Attributable profit of Barclays PLC Group (UK GAAP)		**2,230**	2,465	2,473
Prior year adjustment (UK GAAP)	(y)	**—**	(19)	(28)
		2,230	2,446	2,445
Goodwill	(a)	**237**	5	(12)
Core deposit intangibles	(b)	**(64)**	(64)	(12)
Pension cost	(c)	**(195)**	(203)	(193)
Post-retirement benefits	(c)	**(18)**	(17)	(15)
Leasing—lessor		**(7)**	9	(14)

Leasing—lessee		**(10)**	(3)	3
Deferred tax	(d),(y)	**(32)**	30	(175)
Share compensation schemes	(e),(y)	**(82)**	(81)	(44)
Shareholders' interest in the long-term assurance fund	(f)	**109**	87	(20)
Provisions for restructuring of business	(l)	**(22)**	23	15
Disposal of investments		**—**	(3)	(12)
Extinguishment of liabilities		**(159)**	—	—
Revaluation of property		**5**	1	4
Business Combinations	(k)	**206**	—	—
Internal use software	(n)	**(207)**	70	123
Internal hedging	(o)	**—**	—	148
Derivatives	(q)	**553**	278	—
Fair value of securities	(h)	**(276)**	(39)	—
Foreign exchange on available for sale securities	(p)	**152**	210	—
Loan origination		**31**	43	17
Fair value amortisation credit	(s)	**8**	8	1
Consolidation of special purpose entities		**—**	72	(72)
Tax effect on the above UK/US GAAP reconciling items		**17**	(177)	8
Net income (US GAAP)		**2,476**	2,695	2,195

Barclays PLC Group	Note	p	p	p
Basic earnings per 25p ordinary share	(g)	**37.4**	40.5	36.3
Diluted earnings per 25p ordinary share	(g)	**37.2**	40.1	35.9

	Note	2002	2001
		(£ millions)	
Equity shareholders' funds (UK GAAP)		**15,205**	14,508
Prior year adjustment (UK GAAP)	(y)	**—**	(23)
		15,205	14,485
Goodwill	(a)	**298**	71
Core deposit intangibles	(b)	**(140)**	(76)
Pension cost	(c)	**(848)**	(462)
Post-retirement benefits	(c)	**(50)**	(32)
Leasing—lessor		**(166)**	(159)
Leasing—lessee		**—**	10
Deferred tax	(d),(y)	**—**	32
Share compensation schemes	(e)	**—**	(191)
Shareholders' interest in the long-term assurance fund	(f),(y)	**(549)**	(658)
Revaluation of property	(i)	**(241)**	(313)
Fair value of securities	(h)	**515**	387
Dividend payable		**787**	728
Own shares		**(59)**	(6)
Extinguishment of liabilities		**(159)**	—
Provisions for restructuring of business	(l)	**16**	38
Internal use software	(n)	**81**	288
Derivatives	(q)	**1,273**	628
Loan origination		**91**	60
Fair value amortisation credit	(s)	**17**	9
Tax effect on the above UK/US GAAP reconciling items		**(56)**	(26)
Shareholders' equity (US GAAP)		**16,015**	14,813

Selected financial data, adjusted from UK GAAP to reflect the main differences from US GAAP, is given on page 203.

(a) Goodwill

On 1st January 2002, the Group implemented SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and other tangible assets". The Group reviewed the carrying value of its goodwill as at 1st January 2002 and considered that there was no impairment to be recognised. From the date of implementation, goodwill is no longer amortised. Due to significant changes in the operating environments of certain subsidiaries, further impairment tests were conducted based on expected future earnings and the value of comparable businesses and an impairment charge of £24m was made during the year. The effect on net income of applying this standard to previous periods would have been:

	2001	2000
	(£ millions)	
Reported net income	2,695	2,195
Goodwill amortisation	199	40
Net income	2,894	2,235

The current carrying value of goodwill for US GAAP purposes has been allocated as follows to the reportable business segments of the Group:

	2002
	(£ millions)
Personal Financial Services	**2,712**

Barclays Private Clients	**629**
Barclaycard	**224**
Business Banking	**41**
Barclays Africa	**7**
Barclays Capital	**47**
Barclays Global Investors	**201**
Other Operations	**10**
	3,871

(b) Core deposit intangible

	2002	2001
	(£ millions)	
Balance bought forward	**374**	438
Additions	**8**	—
Amortisation charged to profit and loss	**(64)**	(64)
Balance carried forward	**318**	374

The core deposit intangible consists of £310m in relation to the acquisition of Woolwich plc and £8m in respect of the transaction that created FirstCaribbean. These amounts are allocated to the Personal Financial Services and Barclays Private Clients respectively for the purposes of conducting impairment reviews under SFAS 142.

(c) Pension cost and post-retirement benefits

The disclosures below reflect the amendments to the requirements of SFAS 87 and SFAS 106 arising from SFAS 132 "Employers' Disclosures about Pensions and Other Post-retirement Benefits".

The excess of pension 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 US GAAP have only been applied to the main UK pension scheme, the UK Retirement Fund (previously known as the Barclays Bank (1964) Pension Fund) and the Woolwich Pension Fund based on a valuation date of 30th September 2002. The following analysis relates to the UK Retirement Fund (1964 Pension Scheme and retirement investment scheme) and the Woolwich pension fund which makes up approximately 95% of all the Group's schemes in terms of assets and actuarial liabilities. The impact on income of applying US GAAP on the other Group schemes is considered to be immaterial.

The components of the pension and post-retirements expense which arise under US GAAP are as follows:

	2002		2001		2000	
	Pensions	Post-retirement benefits	Pensions	Post-retirement benefits	Pensions	Post retirement benefits
			(£ millions)			
Components of net periodic benefit cost						
Service cost	**275**	**1**	374	1	352	1
Interest cost	**624**	**18**	652	11	591	9
Expected return on plan assets	**(807)**	**—**	(854)	—	(788)	—
Amortisation of transition adjustment	**(23)**	**2**	(23)	2	(23)	2
Curtailment and termination benefits	**76**	**2**	(5)	—	—	—
Recognised net actuarial (gain)/deficit	**—**	**10**	—	3	—	4
Net periodic benefit cost	**145**	**33**	144	17	132	16

For measurement purposes, the calculation assumes a 12% and 4.75% annual rate of increase in the per capita cost of covered medical benefits and dental benefits respectively for pensioners in schemes in the US. The medical benefit rate is further assumed to reduce steadily each year to 4.75% in 2007 and remain at that level thereafter.

For pensioners in schemes in the UK a 4.75% annual rate of increase in the per capita cost of covered medical benefits was assumed.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care trend rates would have the following effects for 2002.

	1% increase	1% decrease
	(£ millions)	
Effect on total of service and interest cost components	**3**	**(3)**
Effect on post-retirement benefit obligation	**52**	**(46)**

The following table presents the estimated funded status of the pension schemes and post-retirement benefits (the latter are unfunded) under US GAAP:

	2002		2001		2000	
	Pensions	Post-retirement benefits	Pensions	Post-retirement benefits	Pensions	Post-retirement benefits
			(£ millions)			

Change in benefit obligation						
Benefit obligation at beginning of year	**10,789**	**295**	13,361	184	10,872	176
Adjustment for RIS	**—**	**—**	—	—	74	—
Service cost	**275**	**1**	374	1	352	1
Interest cost	**624**	**13**	652	11	591	9
Plan participants' contributions	**6**	**—**	7	—	4	—
Curtailment and termination benefits	**76**	**—**	(24)	—	—	—
Actuarial (gain)/loss	**941**	**28**	(3,159)	111	1,846	9
Benefits paid	**(415)**	**(16)**	(422)	(12)	(378)	(11)
Benefit obligation at end of year	**12,296**	**321**	10,789	295	13,361	184
Change in plan assets						
Fair value of plan assets at beginning of year	**11,135**	**—**	13,452	—	11,337	—
Adjustment for RIS	**—**	**—**	—	—	74	—
Actual return on plan assets	**(618)**	**—**	(1,981)	—	1,414	—
Employer contribution/transfers	**44**	**16**	97	12	1,001	11
Curtailment adjustment	**—**	**—**	(18)	—	—	—
Plan participants' contributions	**6**	**—**	7	—	4	—
Benefits paid	**(415)**	**(16)**	(422)	(12)	(378)	(11)
Fair value of plan assets at end of year	**10,152**	**—**	11,135	—	13,452	—
Funded status	**(2,144)**	**(321)**	346	(295)	91	(184)
Unrecognised transition amount	**(12)**	**13**	(35)	18	(57)	19
Unrecognised net actuarial (gain)/loss	**1,590**	**182**	(774)	164	(371)	57
Accrued benefit cost	**(566)**	**(126)**	(463)	(113)	(337)	(108)

The accumulated benefit obligations are £10,909m resulting in a minimum liability (excess of accumulated benefit obligations over market value of assets) of £757m. The accumulated benefit obligation exceeds the accrued benefit cost by £191m. This has been charged through other comprehensive income.

Pension plan assets are invested primarily in equities, fixed interest securities and property.

Further details of the post-retirement health care expense under UK GAAP are given in note 5 to the accounts.

In accordance with US GAAP requirements, the actuaries for the pensions plan used the following assumptions on a weighted average basis; discount rate of 5.3% (2001: 6.0%, 2000: 5.0%), rate of compensation increase of 3.75% (2001: 4.0%, 2000: 4.5%), and expected long-term rate of return on plan assets of 6.8% (2001: 7.5%, 2000: 6.5%).

In accordance with the US GAAP requirements, the accounting for the post-retirement benefits charge assumed a discount rate of 5.3% (2001: 6.0%, 2000: 5.0%) for UK benefits and 6.75% (2001: 7.25%, 2000: 7.5%) for US benefits, on a weighted average basis.

(d) Deferred tax

In accordance with SFAS No. 109 "Accounting for Income Taxes", the components of the net US GAAP deferred tax liability are as follows:

	2002	**2001**
	(£ millions)	
Deferred tax liabilities:		
Leasing transactions	**(766)**	(816)
Capital allowances	**—**	—
In respect of UK/US GAAP reconciling items	**(332)**	(160)
Other	**(266)**	(284)
Total deferred tax liabilities	**(1,364)**	(1,260)
Deferred tax assets:		
Specific allowances	**15**	39
General allowance	**245**	201
Tax losses	**203**	183
Capital allowances	**108**	14
In respect of UK/US GAAP reconciling items	**254**	139
Other	**159**	218
Total deferred tax assets before valuation allowance	**984**	794
Less: valuation allowance	**(159)**	(139)
Deferred tax assets less valuation allowance	**825**	655
Net deferred tax liability under US GAAP	**(539)**	(605)

(i) The main components of the tax charge attributable to continuing operations are shown in note 10 to the accounts. Included in the tax effect on net income of UK/US GAAP reconciling items for 2002 is a credit amount of £59m relating to deferred tax (2001: £61m, 2000: £58m).

(ii) The valuation allowance relates to the Group's capital losses and unrelieved overseas tax losses. These assets will be recognised in the future when it becomes likely that they will be utilised.

(e) Share compensation schemes

The SFAS 123 charge for the fair value of options granted since 1995 is £82m (2001: £81m, 2000: £44m).

The ESOS, SAYE, ISOP, the BGI Equity Ownership Plan (EOP), the Woolwich ESOP and the Woolwich SAYE scheme fall within the scope of SFAS 123.

Analysis of the movement in the number and weighted average exercise price of options are set out below. The prior year comparatives for all the schemes apart from the BGI Equity ownership plan have been restated to take into account the subdivision of each ordinary share of £1 each into four ordinary shares of 25p each.

	Executive Share Option Scheme (a)				SAYE Share Option Scheme (a)			
	Number (000's)		Weighted average ex. price (£)		Number (000's)		Weighted average ex. price (£)	
	2002	2001	2002	2001	2002	2001	2002	2001
Outstanding at beginning of year	**9,546**	14,352	**4.04**	3.89	**123,441**	132,458	**3.29**	2.92
Granted in the year	**—**	—	**—**	—	**30,216**	25,741	**3.50**	4.12
Exercised in the year	**(1,066)**	(4,085)	**3.56**	3.51	**(20,087)**	(27,066)	**3.22**	2.30
Less: Forfeited in the year	**(312)**	(721)	**4.33**	4.06	**(6,675)**	(7,692)	**3.51**	3.05
Outstanding at end of year	**8,168**	9,546	**4.09**	4.04	**126,895**	123,441	**3.34**	3.29

	Incentive Share Option Scheme plan (a)				BGI Equity ownership plan (b)			
	Number (000's)		Weighted average ex. price (£)		Number (000's)		Weighted average ex. price (£)	
	2002	2001	2002	2001	2002	2001	2002	2001
Outstanding at beginning of year	**42,523**	15,024	**4.83**	3.91	**13,407**	5,535	**7.87**	6.11
Granted in the year	**36,397**	28,215	**5.14**	5.15	**5,885**	8,498	**10.92**	8.98
Exercised in the year	**—**	—	**—**	—	**(659)**	(162)	**6.36**	6.11
Less: Forfeited in the year	**(1,327)**	(716)	**4.77**	4.37	**(824)**	(464)	**8.33**	7.95
Outstanding at end of year	**77,593**	42,523	**4.98**	4.83	**17,809**	13,407	**8.91**	7.87

	Woolwich ESOP scheme (a)				Woolwich SAYE scheme (a)			
	Number (000's)		Weighted average ex. price (£)		Number (000's)		Weighted average ex. price (£)	
	2002	2001	2002	2001	2002	2001	2002	2001
Outstanding at beginning of year	**10,448**	12,024	**3.79**	3.80	**4,529**	6,262	**3.18**	3.16
Granted in the year	**—**	—	**—**	—	**—**	—	**—**	—
Exercised in the year	**(1,522)**	(1,500)	**3.97**	3.84	**(504)**	(1,553)	**3.30**	3.10
Less: Forfeited in the year	**(141)**	(76)	**3.50**	3.87	**(261)**	(180)	**3.28**	3.17
Outstanding at end of year	**8,785**	10,448	**3.77**	3.79	**3,764**	4,529	**3.16**	3.18

	Woolwich ESOP (c)				Woolwich SAYE scheme (c)			
	Number (000's)		Weighted average ex. price (£)		Number (000's)		Weighted average ex. price (£)	
	2002	2001	2002	2001	2002	2001	2002	2001
Outstanding at beginning of year or upon acquisition if earlier	—	1,300	—	3.27	—	673	—	2.93
Rolled over into Barclays options	—	—	—	—	—	—	—	—
or cancelled for cash	—	—	—	—	—	—	—	—
Exercised in the year	—	(671)	—	3.22	—	(160)	—	2.87
Less: Forfeited in the year	—	(629)	—	3.32	—	(513)	—	2.95
Outstanding at end of year	—	—	—	—	—	—	—	—

Notes

(a) Options granted over Barclays PLC shares
(b) Options granted over BGI UK Holdings Limited shares
(c) Options granted over Woolwich plc shares

The disclosures of options outstanding only relate to those granted from 1995 onwards.

The range of exercise prices, weighted average fair values at the date of grant and the weighted average remaining contractual life for options outstanding at the balance sheet date are as follows:

	2002				2001			
	Exercise	Weighted average exercise	Weighted average	Weighted average remaining	Exercise	Weighted average exercise	Weighted average	Weighted average remaining

	price range (£)	price (£)	fair value (£)	life Years	price range (£)	price (£)	fair value (£)	life Years
Executive Share Option Scheme (a)	**1.76-4.45**	**4.09**	**1.13**	**6**	1.76-4.45	4.04	1.14	6
SAYE Share Option Scheme (a)	**1.57-4.11**	**3.33**	**1.85**	**3**	1.57-3.56	3.29	1.68	3
Incentive Share Option Plan (a)	**3.77-5.62**	**4.98**	**2.06**	**7**	3.77-4.22	4.83	1.94	9
BGI Equity Ownership Plan (b)	**6.11-10.92**	**8.91**	**3.03**	**9**	6.11-8.98	7.87	3.18	9
The Woolwich SAYE scheme (a)	**3.08-3.37**	**3.16**	**2.48**	**1**	3.08-3.37	3.18	2.44	2
The Woolwich ESOP (a)	**3.29-4.22**	**3.77**	**2.71**	**7**	3.29-4.22	3.79	2.68	8

Fair values for the ISOP, ESOS, SAYE, the Woolwich ESOP, the Woolwich SAYE and the BGI EOP are calculated at the date of grant using a binomial model which produces similar results to the Black-Scholes model. The significant weighted average assumptions used to estimate the fair value of the options granted in 2002 are as follows:

	ISOP	SAYE	BGI EOP (b)
Risk-free interest rate	**5.56**	**4.68**	**4.01**
Expected life (years)	**10**	**4**	**10**
Expected volatility	**51**	**59**	**—**

The range, weighted average exercise price, weighted average remaining contractual life and number of options outstanding, including those exercisable at year end (see page 178), are as follows:

Executive Price Range	Weighted average exercise price (£)	Weighted average remaining life Years	Number of options outstanding
Executive Share Option Scheme			
£1.50—£2.49	**2.04**	**4**	**260,000**
£2.50—£3.49	**3.47**	**5**	**611,068**
£3.50—£4.49	**4.22**	**8**	**7,296,804**
SAYE Share Option Scheme (a)			
£1.50—£2.49	**1.80**	**2**	**11,580,052**
£2.50—£3.49	**3.13**	**4**	**44,939,898**
£3.50—£4.49	**3.72**	**4**	**70,375,808**
BGI Equity Ownership Plan (b)			
£6.00—£9.99	**7.92**	**8**	**11,924,117**
£10.00—£13.99	**10.92**	**10**	**5,885,000**
Incentive Share Option Plan (a)			
£3.50—£4.49	**3.91**	**8**	**16,140,600**
£4.50—£5.49	**5.26**	**8**	**61,452,192**
Woolwich ESOP (a)			
£2.50—£3.49	**3.29**	**7**	**1,876,984**
£3.50—£4.49	**3.67**	**7**	**6,907,976**
Woolwich SAYE scheme (a)			
£2.50—£3.49	**3.16**	**1**	**3,764,117**

Notes

(a) Options granted over Barclays PLC shares
(b) Options granted over BGI UK Holdings Limited shares

The range, weighted average exercise price and number of options exercisable at the year end are as follows:

Exercise Price Range	Weighted average exercise price (£)	Number of options
Executive Share Option Scheme		
£1.50—£2.49	**2.04**	**260,000**
£2.50—£3.49	**3.47**	**611,068**
£3.50—£4.49	**4.28**	**6,595,980**
SAYE Share Option Scheme		
£1.50—£2.49	**1.57**	**5,394,840**
£2.50—£4.49	**3.36**	**1,429,500**
BGI Equity Ownership Plan		
£6.11—£8.98	**7.48**	**5,420,898**
Woolwich SAYE Scheme		
£2.50—£3.49	**—**	**—**
Woolwich ESOP		
£3.50—£4.49	**3.67**	**6,907,976**

The expected dividends for all schemes are assumed to grow in line with the expected increases in share prices for the industry sector until exercise.

The ESOS is a long-term incentive scheme and was available by invitation to certain senior executives of the Group with grants usually made annually. Options were issued at the market price at the date of the grant without any discount, calculated in accordance with the rules of the Scheme, and are normally exercisable between three and ten years from that date. No further awards are made under ESOS.

Eligible employees in the UK may participate in the SAYE. Under this Scheme, employees may enter into contracts to save up to £250 per month and, at the expiry of a fixed term of three, five or seven years, have the option to use these savings to acquire shares in the Company at a discount, calculated in accordance with the rules of the scheme. The discount is currently 20% of the market price at the date the options were granted.

The ISOP has been introduced to replace the ESOS. It is open by invitation to the employees and Directors of Barclays

PLC. Options are granted at the market price at the date of grant calculated in accordance with the rules of the Plan, and are normally exercisable between three and ten years from that date. The final number of shares over which the option may be exercised will be determined by reference to set performance criteria. The number of shares under option represents the maximum possible number that may be exercised.

The BGI Equity Ownership Plan is extended to senior employees of BGI. The exercise price of the options is determined by formula at the date of grant and is not less than the market value of the share at the time of grant. The options are granted over shares in BGI UK Holdings Limited, a subsidiary of Barclays Bank PLC. Options are normally not exercisable until vesting, with a third of the options held becoming exercisable at each anniversary of grant. Options lapse ten years after grant. At 31st December 2002 17.8m (2001: 13.4m) options were outstanding under the terms of the BGI Equity Ownership Plan enabling certain members of staff to subscribe for shares in BGIUK Holdings Limited between 2002 and 2011 at prices between £6.11 and £10.92.

The Woolwich ESOP and SAYE schemes have similar terms to the Barclays ESOS and SAYE schemes described above, issuing options over shares in Woolwich plc. No further awards will be made under either of these schemes. Following the acquisition of Woolwich plc by Barclays PLC holders of options under these two schemes were able to rollover the options for an option on the same terms, except for the withdrawal of the performance criteria, over Barclays shares, obtain a cash payment in exchange for cancellation of the options or choose to exercise the options at any time up to 24th April 2001. Upon exercise of an option over Woolwich plc shares, the option holder received £1.64 in cash and 0.1175 Barclays shares for each Woolwich share available under the option.

(f) Shareholders' interest in the long-term assurance fund

The adjustment to US GAAP net income in 2002 of £109m (2001: £87m, 2000: (£20m)) reflects the impact of the closure of the UK activity to new business.

(g) Earnings per share

	2002			2001			2000		
	Income	Weighted average Share no.	Per-Share amount	Income	Weighted average Share no.	Per-Share amount	Income	Weighted average Share no.	Per-Share amount
	(£m)	(in millions)	(Pence)	(£m)	(in millions)	(Pence)	(£m)	(in millions)	(Pence)
Basic EPS									
Net income (US GAAP) available to ordinary shareholders	**2,476**	**6,626**	**37.4**	2,695	6,651	40.5	2,195	6,055	36.3
Effect of dilutive securities									
Employee share options		**40**			60			52	
Other schemes		**(6)**			4			8	
Diluted EPS	**2,476**	**6,660**	**37.2**	2,695	6,715	40.1	2,195	6,115	35.9

The effect of applying SFAS 142 to the previous periods would have been:

	2001	2000
	(pence)	
Reported basic EPS	40.5	36.3
Goodwill amortisation	3.0	0.7
Adjusted basic EPS	43.5	37.0
Reported Diluted EPS	40.1	35.9
Goodwill amortisation	3.0	0.7
Adjusted Diluted EPS	43.1	36.6

UK EPS is detailed in note 13. Of the total number of employees' share options existing at the year end, the following were not included in the dilution calculation above because they were antidilutive:

	2002	2001	2000
		(in millions)	
Number of options	**80**	52	68

Certain incentive plan shares have been excluded from the calculation of the basic EPS as the trustee has waived all dividend and voting rights. These shares are subsequently brought into the diluted earnings per share calculation (called "Other schemes") above.

(h) Fair value of securities

Unlisted investment equity securities are outside the scope of SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities" and continued to be carried at cost of £456m at 31st December 2002 (2001: £121m). The fair value of these securities was £456m (2001: £126m). Included within fair value of securities is an adjustment of (£276m) (2001: (£39m), 2000: £nil) relating to mark to market of short positions.

All quoted investment securities are classified as being "available for sale" unless the Group has a clear intention and ability to hold them to maturity. Other debt securities are classified as trading securities (see note 18).

There were no material gross gains or gross losses realised on the transfer of debt and equity securities from the available for sale category into the trading category in 2002 or 2001.

(i) Revaluation of property

In 1990, £449m of property revaluation reserve was capitalised by the issue of bonus shares.

(j) Loan impairment and disclosure

SFAS 114 applies only to impaired loans, the measurement of which is based upon the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market value, or the fair value of the collateral if the loan is collateral dependent. Smaller balance homogeneous consumer loans that are collectively evaluated for impairment are outside the scope of SFAS 114, as are debt securities and leases. At 31st December 2002, the element of impaired loans outside the scope of SFAS 114 amounted to £1,922m (2001: £2,670m).

In accordance with SFAS 114, the Group's total impaired loans are those reported as non-performing on page 36, less impaired loans outside the scope of SFAS 114, and amount to £2,604m at 31st December 2002 (2001: £1,201m). Credit risk provisions of £1,335m, estimated in accordance with SFAS 114, were held against these loans (2001: £705m). The average level of such impaired lendings in 2002 was £2,147m (2001: £1,093m).

Where cash received represents the realisation of security, or there is doubt regarding the recovery of a loan, such receipts are treated as repayments of the loan principal. Otherwise, cash received in respect of impaired loans is recognised as interest income. Estimated interest income which was recognised in 2002 on impaired loans within the scope of SFAS 114 was £5m (2001: £36m).

SFAS 114 modifies the accounting for in-substance foreclosure, in that collateralised debts where the Group takes physical possession of the collateral, regardless of formal insolvency procedures, would be reclassified as if the collateral had been acquired for cash. At 31st December 2002, under US GAAP, the amount of collateral recorded at the lower of the book value of the debt or the fair value of the collateral that would be reclassified as "other real estate owned" was £6m (2001: £17m), as "other assets" was £nil (2001: £78m) and as equity was £6m (2001: £nil).

Included within loans and advances to customers are £830m (2001: £887m) which are held with the intention of resale.

(k) Business combination

On 11th October 2002, Barclays and Canadian Imperial Bank of Commerce completed the combination of their retail, corporate and offshore banking operations and created FirstCaribbean International Bank. Under both UK and US GAAPs Barclays accounts for the resulting interest as an associate. The transaction generated a gain of £206m under both UK and US GAAP, the gain being recorded through the Statement of Total Recognised Gains and Losses for UK GAAP under UITF 31 but in the profit and loss account under US GAAP (APB 29 and EITF 01-02). The net assets of the businesses transferred by Barclays to the new entity are not materially different under US GAAP.

Barclays share of the adjustments FirstCaribbean International Bank made to reflect its net income and net assets on a US GAAP basis of £6m are included in the appropriate reconciling item.

(l) Restructuring

During 2002, 2001 and 2000, the Group has implemented programmes to reduce the workforce. Costs under these programmes, in all three years, have primarily been incurred in Personal Financial Services, Barclays Private Clients and Business Banking. In addition, significant costs were also incurred in Other operations (during 2001 and 2000) and Barclays Capital (2001). The restructuring programmes are largely focused on activities within the UK involving a reshaping of the Group's operations through the centralisation of core processes and the application of new technologies.

During 2002, a restructuring charge of £187m (2001: £171m, 2000: £232m) was booked under UK GAAP, reflecting severance and other termination costs of £124m (2001: £114m, 2000: £171m), costs in connection with planned disposition of certain facilities £27m (2001: £38m, 2000: £27m) and other related costs of £36m (2001: £19m, 2000: £34m). Of the 2002 charge, £5m has been disallowed for US GAAP purposes. Of the 2001 charge, £11m was disallowed in 2001 and £4m charged in 2002. Of the 2000 charge £10m was disallowed in 2000, £13m was disallowed in 2001 and £19m was charged in 2002.

(m) Other EITF 94-3 disclosures

For exit plans which meet the conditions of EITF 94-3 as clarified by SAB 100, the US GAAP balance sheet liability at 31st December 2002 would have been £68m (2001: £88m) of which £31m (2001: £50m) was in respect of staff reduction costs covering 800 employees (2001: 1,100), £29m (2001: £35m) in respect of the planned disposition of certain facilities and £8m (2001: £3m) covering other related costs. Costs paid in the year to 31st December 2002 amounted to £132m (2001: £107m) in respect of a staff reduction of 2,600 employees (2001: 2,500), £37m (2001: £52m) relating to disposition of facilities and £31m, (2001: £18m) for other related costs.

(n) Internal use software

	2002		**2001**	
	(£ millions)			
Additional US GAAP shareholders' funds brought forward		**288**		218
Expenditure to be capitalised under US GAAP	**60**		186	
Amortisation	**(136)**		(110)	
Write-offs	**(131)**		(6)	
(Debit)/Credit to US GAAP net income		**(207)**		70
Additional US GAAP shareholders' funds carried forward		**81**		288

A review of costs capitalised in previous years and useful lives assigned has been undertaken in 2002. Capitalised costs which are no longer considered recoverable have been written off.

(o) Internal hedging

The adjustment in the year 31st December 2000 relates to marking to market internal hedging transactions involving derivatives, entered into from 1st January 1999, that had not been passed directly to market. Under UK GAAP, these transactions are measured as hedges on an accrual accounting basis in accordance with the accounting treatment of the transactions being hedged. These activities are described more fully on pages 51 to 54.

From 1st January 2001, internal hedging transactions that have not been passed directly to the market are included within the derivatives adjustment. The impact of such positions on shareholders' funds at 31st December 2001 forms part of the derivatives adjustment reported from the application of SFAS 133 (see q below).

(p) Foreign exchange differences on available for sale securities

Within individual legal entities Barclays holds securities in a number of different currencies which are classified as available for sale. In general, no foreign exchange exposure arises from this because, although the value of the assets changes in sterling terms according to the exchange rate, there is an identical offsetting change in the sterling value of the related funding. Under UK GAAP both the assets and the liabilities are generally translated at closing exchange rates and the differences between historical book value and current value are reflected in the profit and loss account.

Under US GAAP, the change in value of the investments is taken directly to reserves while the offsetting change in sterling terms of the borrowing is taken to profit and loss.

A similar difference arises where foreign currency assets are covered using forward contracts but where the Group does not manage these hedges to conform with the detailed US designation requirements. Prior to 2001, all these differences were included within the derivatives adjustment.

The impact of this requirement is to transfer net foreign exchange gains or losses on currency securities from net income to other comprehensive income. No difference between the Group's UK and US GAAP shareholder's equity arises from this transfer.

(q) Derivatives

SFAS 133 requires all derivatives to be recorded at fair value. If certain conditions are met then the derivative may be designated as a fair value hedge or cashflow hedge. Barclays has chosen not to update the documentation of hedges to fully comply with the requirements of SFAS 133 and therefore, in general, economic hedge relationships do not qualify for treatment as hedges under US GAAP. Accordingly, adjustments in current or past periods to US GAAP net income in respect of derivatives which qualify for hedge accounting under UK GAAP, are not necessarily indicative of the magnitude or direction of such adjustments to US GAAP net income in subsequent periods.

The adjustment to net income is composed of the following elements:

	2002	**2001**	**Transition**
		(£ millions)	
Mark to market adjustment	**548**	431	45
Embedded derivatives	**109**	(28)	(62)
Deferred gains and losses	**12**	33	(61)
Amortisation of fair value hedge	**(156)**	(128)	—
Reclassification of gains and losses from Other comprehensive income to net income	**40**	28	—
Hedges of available for sale securities	**—**	—	20
	553	336	(58)

(r) Consolidation

The Group has certain sponsored entities that do not meet the consolidation criteria of quasi-subsidiaries under FRS 5 but nevertheless fall to be consolidated under US GAAP. Total assets increase by £2,738m (2001: £2,748m).

In January 2003, the FASB issued FIN 46. This pronouncement modifies the framework for determining consolidation of certain entities that meet the definition of a "variable interest entity". This is met where the entity either does not have sufficient equity of the appropriate nature to support its expected losses, or the third party equity capital lacks certain characteristics which would be expected to be present within a controlling financial interest.

Entities which do not meet this definition would continue to apply the voting interest model and Barclays would generally consolidate when it has a controlling financial interest.

Under the variable interest model promulgated by FIN 46, all ownership, contractual and other pecuniary interests in the entity are evaluated to determine which of the holders, if any, hold a variable interest which will absorb the majority of the expected losses, expected residual returns, or both. This holder is the "primary beneficiary" of the variable interest entity and would be required to consolidate the entity.

The provisions of FIN 46 are immediately effective for variable interest entities created after 31st January 2003. The standard must be applied to all entities beginning in the first fiscal year after 15th June 2003.

For those variable interest entities which are in existence prior to 31st January 2003, and where Barclays has a significant variable interest or it is reasonably possible that Barclays would have to consolidate the entity on application of FIN 46, a transitional disclosure is required which quantifies the maximum exposure to loss as a consequence of Barclays involvement with the entity. The maximum exposure to loss represents a "worst case" scenario in the event that all such vehicles simultaneously fail. It does not provide an indication of ongoing exposure which is managed within the Group's risk management framework.

Where a maximum exposure to loss is quoted this represents the Group's total exposure and includes both drawn and undrawn lending facilities. The Group's exposure is determined by changes in the value of the variable interests it holds within these entities, which primarily comprise liquidity, credit enhancements, derivative transactions and financing arrangements.

The following is a summary of the nature, purpose, size and activities of those entities with which Barclays is currently involved, and which are expected to be impacted by FIN 46:

Multi-seller conduit programs

Barclays creates, administers and provides liquidity and credit enhancements to several commercial paper conduit programs, primarily in the United States. These conduits provide clients access to liquidity in the commercial paper markets by allowing them to sell consumer or trade receivables to the conduit, which then issues commercial paper to investors to fund the purchase. The conduits have sufficient collateral, credit enhancements and liquidity support to maintain an investment grade rating for the commercial paper.

The total assets of these conduits are £16,090m of which £3,086m are already consolidated by the Group under US GAAP. The maximum loss associated with the Group's relationships is £15,681m which includes commitments to provide liquidity to these vehicles to a maximum of £12,271m. These would be required to be provided in the event of the conduit's access to funding markets being restricted.

Management's initial assessment is that these multi-seller conduits in their current form would be required to be consolidated by the Group upon implementation of FIN 46.

Other securitisations

The Group provides financing to assist companies with the formation of client originated asset securitisation. These entities have minimal equity and rely upon funding in the form of senior notes to purchase the assets for securitisation. Since the Group only provides senior lending, the notes typically are not expected to absorb the first risk of loss. In addition, the Group has securitised some of its retail lending portfolio using entities established solely for that purpose. In some cases the funding of these entities has been provided by third party lenders, in others the lending has been provided by the Group.

Total maximum exposure to loss to these entities is £5,138m, total assets of the entities concerned is £5,222m, of which £2,710m are already consolidated by the Group under US GAAP.

Client intermediation

As a financial intermediary, the Group is involved in structuring transactions to meet investor and client needs. These transactions may involve entities that fall within the scope of FIN 46 structured by either Barclays or the client and that are used to modify cash flows of third party assets to create investments with specific risk or return profiles, or to assist clients in the efficient management of other risks. These transactions may include derivative instruments, and often contain contractual clauses to enable Barclays to terminate the transaction under certain circumstances, for example if the legal or accounting basis on which the transaction was completed changes. In addition, Barclays invests as a limited partner in lessor partnerships, specifically to acquire assets for leasing.

Total assets included within the entities structured by Barclays is £1,396m, of which £996m is already consolidated under US GAAP. The Group's maximum exposure to loss to these entities is £888m.

Credit structuring

The Group structures investments to provide specific risk profiles to investors. This may involve the sale of credit exposures, often by way of credit derivatives, to an entity which that entity subsequently funds by issuing securities. These securities may initially be held by Barclays prior to sale outside of the Group.

The maximum exposure to loss and total assets associated with these entities is £1,243m and £2,893m respectively. £2,881m of these assets are already consolidated under US GAAP.

Property and construction finance

In the normal course of business Barclays will often lend to entities formed to isolate the assets and cashflows associated with the particular project being funded. An example of these transactions is the Private Finance Initiative, which was launched by the UK Government in 1992 as a mechanism for pooling private capital and public sector resources to fund medium and large-scale projects including public buildings, transport infrastructure, information systems and the provision of vehicles and equipment. These are often structured such that the funding of the contracts are through an entity that is potentially subject to FIN 46. The maximum exposure to loss associated with these structures is £294m, and total assets of the associated entities is £278m.

Private equity transactions

In order to enable the Group to participate in private equity transactions, it is often necessary to structure deals using holding companies specifically set-up to facilitate the sale and purchase of shares or assets in the target company. The Group has acquired interests in these entities, which are included within debt or equity securities.

The maximum loss to such entities is £310m, which have total assets of £1,862m. These vehicles are not currently consolidated under US GAAP as they do not constitute a controlling interest under existing consolidation principles.

Fund of funds

The group uses fund platforms that are used by a limited number of independent third parties predominantly to facilitate their tailored hedge fund investment strategies. At any time, the Group may hold a significant proportion of the trust units issued by a fund platform which constitute variable interest in the fund.

These entities have assets under management of £288m. The maximum exposure to loss to these entities is £186m.

(s) Fair value amortisation credit

Fair value adjustments that are different from those in the UK are amortised over the expected life of the relevant asset/liability. This resulted in an additional credit of £8m (2001: £8m, 2000: £1m) under USGAAP.

(t) Collateral

The Group enters into reverse repos (see page 81) and stock borrowing transactions which are accounted for as collateralised loans. It is the Group's policy to seek collateral at the outset equal to 100% to 105% of the loan amount. The level of collateral held is monitored daily and further collateral calls made to bring the level of cash held and the market value of collateral in line with the loan balance.

Under certain transactions including reverse repo and stock borrowing transactions the Group is allowed to sell or repledge the collateral held. At 31st December 2002, the fair value of collateral held was £109bn (2001: £76bn) of which £93bn (2001: £76bn) related to items that have been sold or repledged.

The Group also enters into repos (see page 81) and stock lending transactions which are accounted for as secured borrowings. At 31st December 2002, the Group had given £53bn (2001: £55bn) of its assets as collateral in respect of these transactions. Of the total collateral given £36bn (2001: £41bn) was on terms which gave the recipient the right to sell or repledge comprising debt securities of £34bn (2001: £37bn) and equity securities of £2bn (2001: £4bn). The residual £17bn (2001: £14bn) was on terms by which the counterparty cannot sell or repledge and related to debt securities.

For the pledge of collateral to secure on-balance sheet liabilities see note 42 and in relation to contingent liabilities generally in support of the performance of a customer to third parties see note 45.

(u) Provisions for bad and doubtful debts

During 2002, there was a net write-back of £2m (2001: £9m charge, 2000: £nil) in respect of credit losses on derivatives. None of the year end specific provisions related to credit losses on derivatives (2001: £nil).

At 31st December 2002, £43m of the general provision (2001: £26m) was held in respect of off-balance sheet exposures (including derivatives).

The specific provision for contingent liabilities and commitments is £14m (2001: £12m).

(v) Guarantees

An element of Barclays normal banking business is to issue guarantees on behalf of its customers. In almost all cases, Barclays will hold collateral against the exposure, have a right of recourse to the customer or both. In addition, Barclays also issues guarantees on it own behalf. The major categories of these guarantees are:

Financial guarantees

These are given to banks and financial institutions on behalf of customers to secure loans, overdrafts and other banking facilities. These are commonly called facility guarantees.

Included within this category are stock borrowing indemnities. These relate to funds managed by Barclays on behalf of clients, which participate in stock lending programmes. Barclays indemnifies the clients against any losses incurred by the clients resulting from borrower default. Collateral, principally cash, is maintained against all stock borrowing transactions ranging from 102% to 105% of the securities loaned with adjustments to collateral made daily. It is possible that the exposure could exceed the collateral provided should the value of the security rise concurrently with the default of the borrowers.

Standby letters of credit

These are irrevocable commitments to pay a third party, on behalf of our customers, the value of which on demand is subject to certain criteria being complied with. Any amounts paid are debited to the customers accounts. These contracts are used when required in substitution of guarantees due to a greater acceptability in the beneficiary country.

Other guarantees

This category includes the following types of contracts:

Performance guarantees—a guarantee given by the bank on behalf of a customer, undertaking to pay a certain sum if our customer has failed to carry out the terms or certain terms of the contract.

Advance payment guarantees—enables the beneficiary to demand repayment of an advance in funds in certain circumstances.

Tender guarantees—provided during a tender process to lend support to a customer's commitment to a tender process.

Customs and Excise—guarantees provided to HM Customs and Excise to cover a customer's liability, most commonly for import duties.

Retention guarantees—similar to advance payments but are used to secure early release of retained contract payments.

The table below provides the maturity analysis of the above guarantees:

	Less than one year	One to three years	Four to five years	Over five years	Total
	(£ millions)				
Financial Guarantees	**8,044**	**958**	**285**	**366**	**9,653**
Standby Letters of Credit	**4,037**	**1,288**	**850**	**215**	**6,390**
Other Guarantees	**5,884**	**983**	**668**	**379**	**7,914**

Credit Card Guarantees

Under the Consumer Credit Act of 1974, Barclays may be liable to customers to refund payments made for unsatisfactory goods or services or unfulfilled contracts where payment was made through a credit card. The maximum liability that Barclays could have is the total credit limits marked to customers of £29,208m. These limits are included within commitments with a maturity of less than one year, as the limit can be revoked at any time.

Warranties and indemnities given as part of acquisition and disposal activity

Warranties and indemnities are routinely provided to counterparties as part of the terms and conditions required in a business acquisition, disposal or investing in joint ventures. Most commonly, these relate to indemnification against tax liabilities arising from pre-transaction activities. Usually the total liability in respect of warranties and indemnities for a transaction is capped and the maximum exposure under these is estimated to be £4.1bn.

In addition to the contracts described above, there are certain derivative contracts to which the Group is a counterparty that may meet the characteristics of a guarantee under FIN 45. These derivatives are recorded in the Group's balance sheet at fair value under US GAAP. These contracts include written put options that require the Group to purchase assets from the option holder at a specified price by a specified date in the future, as well as derivatives that effectively guarantee the return on a counterparty's reference portfolio of assets.

Certain written put options and credit derivatives permit cash settlement and do not require the option holder or the buyer of credit protection to own the reference asset. The Group does not consider these contracts to be guarantees as described in FIN 45.

Included in other provisions for liabilities and charges is £4m in respect of guarantees. The Group considers the amounts provided in the balance sheet represent a reasonable estimate of amounts actually anticipated to be paid under such arrangements.

(w) Total assets

In addition to the adjustments to total assets arising from the GAAP differences dealt with in the tables on page 172, and note r), there are other adjustments resulting from differences in GAAP.

In accordance with ARB No. 51, Barclays PLC shares shown for UK GAAP within Other assets in note 24 have been netted against US GAAP shareholders' equity.

The application of SFAS 140 resulted in an addition to US GAAP total assets of £9,454m (2001: £106m) in respect of funded loan participations, defeasance and servicing assets and liabilities which did not meet the SFAS requirements for derecognition. No adjustment to net income or shareholders' funds was required for 2002 or 2001.

Certain repurchase and reverse repurchase transactions have been netted in the UK as required under FRS 5. To the extent these arrangements do not satisfy the requirement of FIN 39 and FIN 41, total assets have been increased by £25,419m (2001: £10,970m).

Gross assets and liabilities have been increased by £36,541m (2001: £38,490m) due to inclusion of certain BGI insurance products.

Fair valuing assets and derivative positions under FAS 133 resulted in an increase to total assets of £3,307m (2001: £2,823m).

The inclusion of acceptances resulted in an increase in total assets under US GAAP of £2,588m (2001: £2,422m).

(x) Profit and loss account presentation

There are certain differences in the presentation of the profit and loss account between UK GAAP and US GAAP. For example, profits or losses on disposal of Group undertakings (2002: £3m loss, 2001: £4m loss, 2000: £214m profit) would be classified as operating income or expense under US GAAP rather than being shown separately. Under US GAAP, net interest received (2002: £75m, 2001: £387m paid, 2000: £216m paid) relating to trading activities would be shown within net interest revenue, rather than included in dealing profits. Reconciling differences arising from associated undertakings (2002: £6m profit, 2001: £nil, 2000: £nil) would be included within a single component of net income.

(y) Changes in UK GAAP

During 2002, Barclays restated the 2001 and 2000 Net Income and shareholders' funds under UK GAAP in respect of changes of accounting policy for deferred tax and the shareholders' interest in the long-term assurance funds, as described on pages 102 and 103. There has been no effect on the reported US GAAP figures and as a result the reconciling items reported in 2001 and 2000 have been restated as described below:

Net Income

	Original reconciliation item	Prior year adjustment	Restated reconciliation item
		(£ millions)	
2001			
Deferred tax	44	(14)	30
Shareholders' interest in the long-term assurance fund	42	45	87
Tax effect on the above UK/US GAAP reconciling item	(165)	(12)	(177)
Total affected reconciling items	(79)	19	(60)
2000			
Deferred tax	(162)	(13)	(175)
Shareholders' interest in the long-term assurance fund	(77)	57	(20)
Tax effect on the above UK/US GAAP reconciling item	24	(16)	8
Total affected reconciling items	(215)	28	(187)

Shareholders' funds

	Original reconciliation item	Prior year adjustment	Restated Reconciliation item
		(£ millions)	
2001			

Deferred tax	46	(14)	32
Shareholders' interest in the long-term assurance fund	(709)	51	(658)
Tax effect on the above UK/US GAAP reconciling item	(12)	(14)	(26)
Total affected reconciling items	(675)	23	(652)

64 Consolidated statement of cash flows

Interest paid in the year, including amounts relating to trading activities, was £10,167m (2001: £13,319m, 2000: £10,888m).

Set out below, for illustrative purposes, is a summary consolidated statement of cash flows presented on a US GAAP basis:

	2002	2001	2000
		(£ millions)	
Net cash provided by operating activities	**15,911**	7,047	4,318
Net cash used in investing activities	**(46,968)**	(32,413)	(17,768)
Net cash provided by financing activities	**34,333**	35,616	14,394
Effect of exchange rate changes on cash and due from banks	**990**	143	(977)
Net increase/(decrease) in cash and cash equivalents	**4,266**	10,393	(33)
Cash and cash equivalents at beginning of year	**45,972**	35,579	35,612
Cash and cash equivalents at end of year	**50,238**	45,972	35,579

65 Regulatory capital requirements

Capital adequacy and the use of regulatory capital are monitored by the Group, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practices (the Basel Committee) and European Community Directives, as implemented by the Financial Services Authority (FSA) for supervisory purposes. The FSA regards the risk asset ratio calculation, originally developed by the Basel Committee, as a key supervisory tool and sets individual minimum ratio requirements for banks in the UK at or above the minimum of 8%. The concept of risk weighting and the basis for calculating eligible capital resources are described under Capital ratios on page 86.

The following tables summarises capital resources and capital ratios, as defined for Supervisory purposes:

Barclays PLC Group and Barclays Bank PLC Group

	As at 31st December 2002	
	Amount	Ratio
	(£ millions)	%
Total net capital resources	**22,191**	**12.8**
Tier 1 capital resources	**14,204**	**8.2**

	As at 31st December 2001	
	Amount	Ratio
	(£ millions)	%
Total net capital resources	19,899	12.5
Tier 1 capital resources	12,405	7.8

66 Significant Group concentration of credit risk

SFAS 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 UK 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 UK. Lending in respect of home loans represents 40% (2001: 37%) of the total banking book lending to customers. 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. Outside the UK, 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 international banking markets, the Group has a significant concentration of credit risk with banks and other financial institutions. In total, credit risk exposure to financial institutions at 31st December 2002 was estimated to have amounted to £87bn (2001: £92bn) of which £60bn (2001: £55bn) consisted of placings and negotiable certificates of deposit and £10bn (2001: £9bn) of 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 932 (2001: 950) banking groups in countries all over the world.

67 Ratio of earnings to fixed charges and preference share dividends and payments made in respect of Reserve Capital Instruments (RCI's)

	2002	2001	2000	1999	1998