Barclays Mercantile Business Finance Limited

Report and financial statements
For the year ended 31 December 2014

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REGISTERED NUMBER: 898129

Barclays Mercantile Business Finance Limited
Report and financial statements
For the year ended 31 December 2014

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The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2014.

Results and dividends

During the year the Company made a profit after tax of £19.2m (2013: £42.3m).

An interim dividend of £Nil was paid during the year (2013: £55.0m). The Directors do not recommend the payment of a final dividend (2013: £nil).

Change in UK corporation tax rate

The main rate of corporation tax was reduced from 23% to 21% on 1 April 2014. Further reductions were substantively enacted in July 2013 reducing the rate to 20% on 1 April 2015. These reductions in rate are more fully explained in note 28 of the financial statements.

Directors

The Directors of the Company, who served during the year and up to the date of signing the financial statements, together with their dates of appointment and resignation, where appropriate, are as shown below:

A Asquith	(resigned 16 April 2014)
S G Bolton	(appointed 1 April 2014)
D C Hawkins	(appointed 21 May 2014)
J T Leather	
A N Ottaway	
D J Watson	

Going concern

After reviewing the Company's performance projections, the available banking facilities and taking into account the support available from Barclays Bank PLC, the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' report set out on pages 6 to 7 is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by the Companies Act 2006 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The Directors have prepared the financial statements in accordance with International Financial Reporting Standards ('IFRS') as published by the International Accounting Standards Board. They are also in accordance with IFRS as adopted by the European Union.

Statement of Directors' responsibilities (Continued)

The Directors consider that in preparing the financial statements on pages 8 to 62:

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

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

Financial instruments

Barclays financial risk management objectives and policies, which are followed by the Company, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in the note 24 'Financial Risks' on pages 49 to 59.

Directors third party indemnity provisions

Qualifying third party indemnity provisions were in force during the course of the financial year ended 31 December 2014 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

Employee involvement

The Barclays Group maintains a regular programme of meetings in each of its regions and areas at which views and information are freely exchanged. In addition, regular meetings are held which are attended by the elected representatives of the staff and representatives of the Staff Union and Personnel (Group Human Resources) Department. Employees of the Company are eligible to participate in Barclays PLC Sharesave Scheme and the Barclays PLC Sharepurchase Plan.

Employment of disabled persons

The Company gives every consideration to applications for employment from handicapped or disabled persons who are able to meet the requirements of the job. As far as possible, training, career development and promotion opportunities will be available to such persons.

Where existing employees become disabled the Company makes every effort to continue to employ them.

Independent Auditors

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

Statement of disclosure of information to Auditors

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

By Order of the Board

J T Leather
Director

Date: 22 July 2015
Company number: 898129

Business review and principal activities

During the year the principal activity of the Company, its subsidiaries and associated undertakings continued to be the provision of leasing and other financial facilities to business customers.

Business performance

The results of the Company show a profit before tax of £47.0m (2013: £51.1m) and a profit after tax of £19.2m (2013: £42.3m) for the year. The Company has net assets of £167.8m (2013: £150.3m). Net cash from operating activities for 2014 was £68.7m (2013: £92.8m).

Future outlook

Whilst the UK economic conditions are expected to remain challenging in 2015, through continued focus on; key client relationships, cost management and tight impairment controls, the Directors remain confident in the future business outlook of the Company.

The Directors consider the Company's balance sheet and cash flow position to be strong and remain confident in the long-term business performance.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. These risks are more fully explained in note 24 of the financial statements.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human factors or from external agents.

Business risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Barclays PLC group and are not managed separately. Accordingly, the principal risks and uncertainties of Barclays PLC, which include those of the Company, are discussed in the Group's annual report which does not form part of this report.

Key performance indicators
The directors of Barclays PLC manage the group's operations on a business cluster basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the relevant business cluster, which includes the Company, is discussed in the Barclays PLC annual report, which does not form part of this report.

By Order of the Board

J T Leather
Director

Date: 22 July 2015
Company number: 898129

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF BARCLAYS MERCANTILE BUSINESS FINANCE LIMITED

Report on the financial statements

Our opinion

In our opinion, Barclays Mercantile Business Finance Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Barclays Mercantile Business Finance Limited's financial statements comprise:

- the Income statement and the Statement of comprehensive income for the year then ended;
- the Balance sheet as at 31 December 2014;
- the Statement of changes in equity for the year then ended; and
- the Cash flow statement for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Jeremy Foster

Jeremy Foster (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 23 July 2015

Barclays Mercantile Business Finance Limited
Income statement
For the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Continuing operations			
Lease revenue	4	**59.6**	63.9
Operating lease depreciation	13	**(1.4)**	(1.8)
Credit impairments	7	**0.2**	7.5
Interest income	8	**9.0**	12.2
Interest expense	8	**(25.8)**	(29.1)
Net income from leasing activities		**41.6**	52.7
Foreign exchange gains		**0.5**	0.5
Administrative expenses	5	**(2.7)**	(25.4)
Income from partnerships and group undertakings	6	**9.6**	2.8
Fair value (losses)/ gains on derivative financial instruments		**(2.0)**	20.5
Profit on sale of investments	12	**-**	-
Profit before tax		**47.0**	51.1
Tax	11	**(27.8)**	(8.8)
Profit for the year		**19.2**	42.3

Profit after tax for the year was £19.2m (2013: £42.3m).

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

Barclays Mercantile Business Finance Limited
Statement of comprehensive income
For the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Profit after tax		**19.2**	42.3
Other comprehensive income not recycled to profit or loss			
Actuarial (loss)/gain on retirement benefit remeasurement	20	**(1.7)**	(0.9)
Other comprehensive income for the year		**17.5**	(0.9)
Total comprehensive income for the year		17.5	41.4

Total comprehensive income for the year 2014 is £17.5m (2013: £41.4m)

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

Barclays Mercantile Business Finance Limited
Balance sheet
As at 31 December 2014

	Notes	2014 £m	2013 £m
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1.5**	4.0
Investments	14	**5.5**	5.6
Advances to customers		**3.5**	4.2
Finance lease receivables	18	**708.3**	731.1
Derivative financial instruments	24	**1.2**	4.0
Total non-current assets		**720.0**	748.9
Current assets			
Finance lease receivables	18	**507.1**	536.7
Advances to customers		**3.0**	3.2
Amounts due from immediate parent undertaking	15	**19.1**	39.9
Amounts due from other related parties	15	**120.4**	250.8
Other receivables	15	**3.3**	4.0
Total current assets		**652.9**	834.6
Total assets		**1,372.9**	1,583.5
LIABILITIES			
Current liabilities			
Amounts payable to immediate parent undertaking	17	**(1,055.3)**	(1,273.7)
Amounts payable to other related parties	17	**(54.0)**	(54.6)
Group relief payable		**(37.4)**	(30.0)
Foreign tax payable	11	**(15.6)**	-
Derivative financial instruments	24	**(0.3)**	(0.6)
Provisions	20	**-**	(8.3)
Other payables	17	**(15.7)**	(33.4)
Total current liabilities		**(1,178.3)**	(1,400.6)
Net current liabilities		**(525.4)**	(566.0)
Non-current liabilities			
Deferred tax liabilities	19	**(8.2)**	(14.4)
Provisions	20	**(9.4)**	(8.5)
Derivative financial instruments	24	**(9.2)**	(9.7)
Total non-current liabilities		**(26.8)**	(32.6)
Net assets		**167.8**	150.3

Barclays Mercantile Business Finance Limited
Balance sheet
As at 31 December 2014 (continued)

	Notes	2014 £m	2013 £m
SHAREHOLDERS' EQUITY			
Called up share capital	22	**94.0**	**94.0**
Retained earnings		**73.8**	**56.3**
Total shareholders' equity		**167.8**	**150.3**

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

The financial statements were approved by the Board of Directors and authorised for issue on 22 July 2015 and were signed on its behalf by:

J T Leather
DIRECTOR

Date: 22 July 2015
Company Number: 898129

Barclays Mercantile Business Finance Limited
Statement of changes in equity
For the year ended 31 December 2014

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 January 2014	**94.0**	**56.3**	**150.3**
Profit after tax	-	19.2	19.2
Post retirement medical benefit remeasurement	-	(1.7)	(1.7)
Dividends paid	-	-	-
Balance at 31 December 2014	**94.0**	**73.8**	**167.8**

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 January 2013	94.0	69.9	163.9
Profit after tax	-	42.3	42.3
Post retirement medical benefit remeasurement	-	(0.9)	(0.9)
Dividends paid	-	(55.0)	(55.0)
Balance at 31 December 2013	94.0	56.3	150.3

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

Barclays Mercantile Business Finance Limited
Cash flow statement
For the year ended 31 December 2014

	2014 £m	2013 £m
Continuing operations		
Reconciliation of profit before tax to net cash flows from operating activities		
Profit before tax	**47.0**	51.1
Non-cash movement in finance lease receivables	**473.1**	494.3
Non-cash movement in operating lease assets	**1.4**	1.8
Non-cash movement in equipment/intangible assets	**0.2**	0.2
Interest income	**(9.0)**	(12.2)
Interest expense	**25.8**	29.1
Effect of exchange rate changes on cash and cash equivalents	**0.7**	0.5
Movement in provisions	**(8.4)**	8.1
(Profit)/loss on termination/sale of finance lease receivables	**1.1**	(2.7)
Profit on disposal of operating lease assets	**(0.1)**	(0.3)
Fair value gain on derivative financial instruments	**2.0**	(20.5)
Net (decrease)/increase in payables	**(17.6)**	(24.2)
Net decrease/(increase) in receivables and advances to customers	**1.7**	11.3
Cash generated from operations	**517.9**	536.5
Purchase of assets for use in finance lease receivables	**(675.4)**	(592.3)
Proceeds from sale of finance lease receivables	**253.5**	182.2
Proceeds from sale of operating lease assets	**1.1**	1.5
Provision payments	**(0.5)**	(0.6)
Interest received	**9.0**	12.2
Interest paid	**(25.8)**	(29.1)
Tax payments	**(11.1)**	(17.6)
Net cash from operating activities	**68.7**	92.8
Cash flows from investing activities		
Net proceeds from sale of investment in participating interests/subsidiaries	**-**	-
Net cash from investing activities		-
Cash flows from financing activities		
Dividends paid	**-**	(55.0)
Financing from immediate parent undertaking	**53.7**	61.5
Net cash used in financing activities	**53.7**	6.5
Net increase in cash and cash equivalents	**122.4**	99.3
Cash and cash equivalents at beginning of year	**(757.0)**	(855.8)
Effect of exchange rate changes	**(0.7)**	(0.5)
Cash and cash equivalents at end of year	**(635.3)**	(757.0)
Cash and cash equivalents comprise:		
Amounts due from immediate parent undertaking	**7.4**	7.2
Amounts due to immediate parent undertaking	**(642.7)**	(764.2)
	(635.3)	(757.0)

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

1. Reporting entity

These financial statements are prepared for Barclays Mercantile Business Finance Limited (the 'Company'), the principal activity of which is the provision of leasing and other financial facilities to business and agricultural customers. The financial statements are prepared for the Company only. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC and the ultimate holding company and the parent undertaking of the largest group that presents group financial statements is Barclays PLC, both of which prepare consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS'), and accordingly consolidated financial statements have not been prepared.

The Company is a private limited company, domiciled and incorporated in the United Kingdom. The address of the registered office of the Company is Churchill Plaza, Churchill Way, Basingstoke, Hampshire RG21 7GP.

2. Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union. The principal accounting policies applied in the preparation of the consolidated and individual financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

3. Summary of significant accounting policies

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

Basis of preparation

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

Material prior period errors are corrected retrospectively in the first set of financial statements authorised for issue after their discovery by either restating the comparative amounts for the prior period(s) presented in which the error occurred or, if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. Certain comparative amounts may also be amended for minor presentational purposes only

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements such as tax (note 11), allowance for impairment (note 16), pension commitments (note 21), fair value of financial instruments (note 25) and credit risk (note 24).

3. Summary of significant accounting policies (continued)

(a) Foreign currency translation

Items included in the financial statements of the Company are measured using their functional currency, being the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Exchange differences on equities and similar non-monetary items held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on equities classified as available-for-sale financial assets and non-monetary items are included directly in equity.

(b) Revenue recognition

Other than income from leasing as described below (see 3(n)), the income statement is credited with income from instalment credit and other financing arrangements using the actuarial method which apportions interest and charges over the period during which repayments fall due to give a constant periodic rate of return on the net investment.

(c) Dividends from subsidiaries and associates

Dividend income is recognised when the right to receive payment is established, which is when the dividends are received or the dividends are appropriately authorised by the subsidiary or associate.

(d) Interest

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

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

In calculating effective interest, the Company estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

3. Summary of significant accounting policies (continued)

(e) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised on deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is regarded as probable that sufficient taxable profits will be available against which the deductible temporary difference, unused tax losses and unused tax credits can be utilised.

Deferred and current tax assets and liabilities are only offset where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously with the same tax authority.

(f) Financial assets and liabilities

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

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

Financial instruments at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are stated at amortised cost using the effective interest method (see 3 (d)). They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

3. Summary of significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Available for sale

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

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

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

Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, (see above) which are held at fair value through profit or loss. Financial liabilities are derecognised when extinguished. The Company's financial liabilities comprise trade and other payables and borrowings in the balance sheet.

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid value in an active market wherever possible. Where no such active market exists for the particular asset, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Impairment of financial assets

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

3. Summary of significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Impairment of financial assets (continued)

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

The Company first assesses whether objective evidence of impairment exists individually for individually significant financial assets and then collectively assesses remaining financial assets that are not individually significant. In addition, portfolios of financial assets with similar credit risk characteristics are also collectively assessed.

Impairment allowances are calculated, based on the difference between the carrying amount of the asset and its estimated recoverable amount, calculated by reference to the expected cash flows from it, discounted at the original effective interest rate for the asset.

Netting

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

(g) Derivatives

Derivatives are measured at fair value on initial recognition and subsequently the resulting gains and losses are recognised in the income statement. The fair value of derivatives is generally determined by reference to open market prices or by calculating the expected cash flows under the terms of each specific contract, discounted back to their present value using an appropriate market based pricing model.

(h) Property, plant and equipment

Property and equipment is stated at cost less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Depreciation is provided on the depreciable amount of items of property and equipment on a straight-line basis over their estimated useful lives. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its economic life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of replaced parts are derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

The Company uses the following annual rates in calculating depreciation:

Equipment installed in freehold and leasehold property*	7-10%
Computers and similar equipment	20-33%
Fixtures and fittings and other equipment	10-20%

*Where leasehold property 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.

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the Company takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, the Company estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

(i) Intangible assets

Computer software

Computer software is stated at cost, less amortisation and provisions for impairment, if any.

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Company, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred.

Capitalised computer software is amortised over 3 to 5 years, on a straight-line basis.

(j) Impairment of property, plant and equipment and intangible assets

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment and intangible assets, are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset's or the cash-generating unit's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis.

3. Summary of significant accounting policies (continued)

(j) Impairment of property, plant and equipment and intangible assets (continued)

The carrying values of tangible and intangible assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the related asset's recoverable amount. The carrying amount of the asset will only be increased up to the amount that it would have been had the original impairment not been recognised. For the purpose of conducting impairment reviews, cash-generating units are the lowest level at which management monitors the return on investment in assets.

(k) Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment, if any.

(l) Investments in associates and joint ventures

Investments in associates and joint ventures are stated at cost less impairment if, any.

(m) Share capital and dividends

Share issue costs

Incremental costs directly attributable to the issue of new shares or options or the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

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

(n) Leases

As lessor

Assets leased to customers under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return. Where there is a change in the lease cash flow assumptions, for example as a result of a change in the corporation tax rate, the resultant change in the lease receivable balances is recognised in the current period income statement within lease revenue.

Assets leased to customers under agreements, which do not transfer substantially all the risks and rewards of ownership, are classified as operating leases. The leased assets are included within property, plant and equipment on the Company's balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Renewal rental income earned during the secondary rental period is recognised as lease revenue on a receivable basis.

3. Summary of significant accounting policies (continued)

(n) Leases (continued)

Termination profits and/or losses are included in lease revenue.

As lessee

Assets leased under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. A liability is recognised equal to the present value of the lease payments, discounted at the rate of interest implicit in the lease, and the difference between the total payments under the lease and the liability is recognised as interest expense, allocated to future accounting periods over the period of the lease. Assets acquired on finance leases are capitalised and depreciated over their estimated economic lives.

Operating lease rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

(o) Employee benefits

Defined benefit schemes

The Company is a member of the post retirement health care scheme as well as other benefit schemes offered by Barclays PLC. The Company also bears costs in relation to Barclays PLC UK Retirement Fund where Barclays Mercantile Limited is the employing entity. There are no contractual arrangements to share actuarial gains and losses arising in these schemes. Contributions to the fund are recognised as an expense in the income statement in the accounting period to which they relate. Any unpaid contributions are recognised in the balance sheet as a liability.

IAS 19 (revised) has been adopted by the Group from the mandatory effective date of 1 January 2013 and application is retrospective. The main change is that the Group recognises the liabilities (or assets) arising from its defined benefit pension schemes in full. The deferral of actuarial gains and losses, which was an option applied by Barclays under the previous standard, is no longer permitted. The expected return on assets assumption has also been replaced by an assumed return on assets in line with the discount rate.

Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the plan, are recognised in other comprehensive income. For further details on the impacts of IAS 19 (Revised) restatements please refer to Note 20.

Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Defined contribution schemes

For defined contribution schemes, the Company recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

Post retirement healthcare

The Company also provides healthcare to certain retired employees, which are accrued as a liability in the financial statements over the period of employment, using a methodology similar to that for defined benefit pension plans.

3. Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Company has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in the income statement in staff costs, which is included within administrative expenses.

(p) Share-based payments to employees

The remuneration packages of the Company's employees include equity settled share-based payments in the shares of Barclays PLC. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that the services are received (the vesting period). The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the Barclays PLC share price over the life of the option and other relevant factors. Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value.

Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately, the amount recognised in the income statement reflects the number of vested shares or share options. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market related vesting condition is met, provided that the non-market vesting conditions are met. Similarly, non-vesting conditions are taken into account in estimating the grant date fair value and share based payment charges are recognised when all non-market vesting conditions are satisfied irrespective of whether the non-vesting conditions are satisfied. If meeting a non-vesting condition is a matter of choice, failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

3. Summary of significant accounting policies (continued)

(q) Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefits will be necessary to settle the obligation, and these can be reliably estimated. When a leasehold property ceases to be used in the business, or a demonstrable commitment has been made to cease to use a property where the costs exceed the benefits of the property, provision is made, where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income.

Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. An obligation exists when the Company 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. The provision raised is normally utilised within nine 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) Cash and cash equivalents

For the purposes of the cash flow statement, cash amounts comprise amounts due from/owed to the immediate parent undertaking and other fellow subsidiary undertakings. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. Trading balances are not considered to be part of cash equivalents.

(s) Residual value provisions

Residual values represent the estimated value of the leased asset at the end of the lease period. Residual values are calculated after analysing the market place and the Company's own historical experience in the market. Residual values of leased assets are reviewed regularly and any impairment identified is charged to the income statement in the period in which it arises.

(t) Borrowing costs

The Company does not capitalise borrowing costs.

3. Summary of significant accounting policies (continued)

Future accounting developments

There have been and are expected to be a number of significant changes to the Company's financial reporting after 2014 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

In 2014, the IASB issued IFRS 9, Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. It will lead to significant changes in the accounting for financial instruments. The key changes relate to:

- Financial assets. Financial assets will be held at either fair value or amortised cost, except for equity investments not held for trading and certain debt instruments, which may be held at fair value through other comprehensive income;

- Financial liabilities. Gains and losses arising from changes in own credit on non-derivative financial liabilities designated at fair value through profit or loss will be excluded from the Income Statement and instead taken to other comprehensive income;

- Impairment. Credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss will be reflected in impairment allowances; and

- Hedge accounting. Hedge accounting will be more closely aligned with financial risk management.

Adoption is not mandatory until periods beginning on or after 1 January 2018. The standard has not been endorsed by the EU. The expected impact of the standard is not expected to be significant.

In addition, the IASB has indicated that it will issue a new standard on accounting for leases. Under the proposals, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The IASB also plans to issue a new standard on insurance contracts. The Company will consider the financial impacts of these new standards as they are finalised.

4. Lease revenue

Lease revenue represents income from agreements entered into relating to leased assets, instalment credit, and other financial facilities. Income is calculated in accordance with note 3 (n).

The net income from leasing activities (excluding interest income and interest expense detailed below in note 8) is arrived at after taking into account:

	2014 £m	2013 £m
Profit on the sale of operating lease assets	0.1	0.3
Profit/(loss) on the termination/sale of finance lease receivables	2.9	2.7
Residual value impairment	0.1	0.1
Repricing adjustment (note 28)	-	(0.7)

5. Administrative expenses

Audit fees of £22,000 (2013: £22,000), are borne by Barclays Bank PLC.

6. Income from partnerships and group undertakings

Income from partnerships and group undertakings comprises the following:

	2014 £m	2013 £m
Income from shares in group undertakings	9.6	2.8
Total income from partnerships and group undertakings	9.6	2.8

7. Credit Impairments

Credit impairments for the year primarily consists of VAT recoveries of £Nil (2013: £ 6.9m) from HMRC in respect of hire purchase loans written off during prior years.

8. Interest income and interest expense

Interest income and interest expense comprise the following:

	2014 £m	2013 £m
Interest income		
Immediate parent undertaking	-	0.2
Other related parties	**9.0**	11.9
Other	-	0.1
Total interest income	**9.0**	12.2
Interest expense		
Immediate parent undertaking	**(24.3)**	(27.6)
Other related parties	**(1.5)**	(1.5)
Total interest expense	**(25.8)**	(29.1)

Interest expense is that specifically associated with the funding of leased assets and loans to customers.

9. Employees including directors

(i) Staff costs comprise the following:

	2014 £m	2013 £m
Wages and salaries	**8.2**	8.8
Social security costs	**0.9**	1.1
Pension costs	**2.3**	1.9
Other post-retirement benefits	**0.3**	0.3
Share based payments (note 23)	**0.2**	0.2
Total	**11.9**	12.3

The share based payments cost disclosed above is on a service rendered basis. The share based payment costs relating to employees of the company is £0.2m (2013: £0.2m).

The average number of employees of Barclays Mercantile Limited and Barclays Bank PLC seconded to the Company and its subsidiaries during the year was as follows:

	2014 Number	2013 Number
Selling and Marketing	**116**	136
Administration	**59**	44
	175	180

(ii) Directors' remuneration:

The Directors did not receive any emoluments in respect of their services to the Company during the year (2013: £nil).

During the year 0 (2013: 0) Directors exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive Scheme.

10. Dividends

No dividend was paid during the year (2013: total dividends of £55.0m equating to £0.585 per share).

11. Tax

The analysis of the charge for the year is as follows:

	2014 £m	2013 £m
Current tax:		
Current year	**(14.0)**	(15.5)
Adjustment for prior years	**(20.0)**	7.7
Deferred tax: (note 19)		
Current year	**7.0**	6.3
Adjustment for prior years	**(0.8)**	(7.3)
Total charge	**(27.8)**	(8.8)

The effective rate of tax is 59.15% (2013: 17%). The increase in the rate from last year is primarily due to adjustment for prior years as detailed below.

Included in Adjustment for prior years is an amount of £17.9m, (€23.0m) (2013 : £ Nil) recognised as foreign tax charge in relation to a tax claim under an indemnity provided in a loan agreement. An amount of £2.4m was paid during May 2014 with further payments expected in 2015. The liability under the indemnity is now disclosed as foreign tax payable in the financial statements.

A numerical reconciliation of the applicable tax rate and the average effective tax rate is as follows:

	2014 £m	2013 £m
Profit before tax	**47.0**	51.1
Tax charge at standard UK corporation tax rate of 21.5% (2013: 23.25%)	**(10.1)**	(11.8)
Adjustment for prior years	**(20.8)**	0.4
Non-taxable gains and income (including amounts offset by unrecognised tax losses)	**3.5**	0.4
Changes in tax rates	**(0.4)**	2.1
Other non-allowable expenses	**-**	0.1
Overall tax charge	**(27.8)**	(8.8)
Effective tax rate %	**59.15%**	17%

12. Profit on sale of investments

There were no significant disposals during the last two years.

13. Property, plant and equipment

Movements in, and details of, the Company's property, plant and equipment are as follows:

	2014			2013		
	Equipment	Leased assets	Total	Equipment	Leased assets	Total
	£m	£m	£m	£m	£m	£m
Cost						
At beginning of year	3.5	22.7	26.2	3.6	28.1	31.7
Additions	-	-	-	-	-	-
Transfer to finance lease receivables	-	-	-	-	(0.6)	(0.6)
Disposals	(0.1)	(6.6)	(6.7)	(0.1)	(4.8)	(4.9)
At end of year	3.4	16.1	19.5	3.5	22.7	26.2
Accumulated depreciation						
At beginning of year	(2.8)	(19.4)	(22.2)	(2.7)	(21.6)	(24.3)
Disposals	0.1	5.6	5.7	0.1	3.5	3.6
Depreciation charge for year	(0.1)	(1.4)	(1.5)	(0.2)	(1.8)	(2.0)
Transfer to finance lease receivables	-	-	-	-	0.5	0.5
At end of year	(2.8)	(15.2)	(18.0)	(2.8)	(19.4)	(22.2)
Net book value	0.6	0.9	1.5	0.7	3.3	4.0

14. Investments

Subsidiary undertakings

The Company owns the whole of the issued ordinary share capital of the following undertakings, which are mainly engaged in leasing or other financial activities, except where otherwise shown.

Country of registration or incorporation	Company name	Percentage of equity share capital held	Accounting reference date
United Kingdom	Barclay Leasing Limited	100%	31 December
United Kingdom	Barclays Export and Finance Company Limited	100%	31 January
United Kingdom	Barclays Leasing (No.9) Limited	100%	30 September
United Kingdom	Barclays Mercantile Highland Finance Limited (in liquidation since April 2012)	100%	31 December
United Kingdom	BMBF (No.3) Limited	100%	31 March
United Kingdom	BMBF (No.6) Limited	100%	30 June
United Kingdom	BMBF (No.9) Limited	100%	30 September
United Kingdom	BMBF (No.12) Limited	100%	31 December
United Kingdom	BMBF (No.18) Limited	100%	30 June
United Kingdom	BMBF (No.21) Limited	100%	31 December
United Kingdom	BMBF (No.24) Limited	100%	31 December
United Kingdom	BMBF USD NO 1 Limited	100%	31 December
United Kingdom	BMI (No.6) Limited	100%	30 June
United Kingdom	BMI (No.9) Limited	100%	30 September
United Kingdom	BMI (NO.18) Limited	100%	31 December
United Kingdom	Claas Finance Limited	51%	30 September
United Kingdom	J.V. Estates Limited	100%	31 March
United Kingdom	MCC Leasing (No.6) Limited	100%	30 June
United Kingdom	MCC Leasing (No.24) Limited	100%	31 March
United Kingdom	Mercantile Industrial Leasing Limited	100%	30 September

14. Investments (continued)

Movements in, and details of, the Company's investments are as follows:

	Shares in group undertakings	Investments in participating interests	Total
	£m	£m	£m
Cost			
At 1 January 2014	**5.5**	**0.1**	**5.6**
Disposals	-	**(0.1)**	**(0.1)**
At 31 December 2014	**5.5**	-	**5.5**
Investments			
At 31 December 2014	**5.5**	-	**5.5**
At 31 December 2013	5.5	0.1	5.6

The Company's investments in participating interests of £0.1m, represented by 51% in the partnership capital of Barclays AssetPlan partnership was disposed during the year on dissolution of the partnership in June 2014. (2013: £0.1m)

The Directors believe the value of investments at 31 December 2014 was not less than the book value of £5.5m (2013: £5.6m).

15. Amounts due from related parties and other receivables

An analysis of amounts due from related parties and other receivables is as follows:

	2014	2013
	£m	£m
Amounts due from related parties:		
Immediate parent undertaking	**19.1**	39.9
Fellow subsidiary undertakings	**120.4**	250.8
Other receivables	**3.3**	4.0
Total	**142.8**	294.7

£1.7m (2013: £1.7m) of the amounts due from the parent company relate to accrued interest on numerous derivative instruments, which are renewed periodically and have varying interest rates. The remaining amounts due from the parent company, subsidiary and other group undertakings have no fixed maturity date and are unsecured, bearing interest at rates varying throughout the year based on prevailing market interest rates.

Other receivables have no fixed maturity date, are unsecured and are non-interest bearing. Their fair value is disclosed in note 25.

Information relating to financial risks is in note 24.

16. Allowance for impairment

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

2014	At 1 January	Amounts written off	Amounts released	Amounts charged against profit	At 31 December
	£m	£m	£m	£m	£m
Advances to customers	(0.3)	0.2	-	-	(0.1)
Finance lease receivables	(6.4)	4.1	0.8	(1.7)	(3.2)
Total	**(6.7)**	**4.3**	**0.8**	**(1.7)**	**(3.3)**

2013	At 1 January	Amounts written off	Amounts released	Amounts charged against profit	At 31 December
	£m	£m	£m	£m	£m
Advances to customers	(2.9)	2.4	0.3	(0.1)	(0.3)
Finance lease receivables	(12.3)	5.9	3.3	(3.3)	(6.4)
Total	(15.2)	8.3	3.6	(3.4)	(6.7)

17. Amounts owed to related parties and other payables

An analysis of amounts owed to related parties and other payables is as follows:

	2014 Current £m	2013 Current £m
Amounts due to related parties:		
Immediate parent undertaking	**(1,055.3)**	(1,273.7)
Fellow subsidiary undertakings	**(54.0)**	(54.6)
Other payables	**(15.7)**	(33.4)
Total	**(1,125.0)**	(1,361.7)

£2.5m (2013: £4.9m) of the amounts owed to the parent company relate to accrued interest on derivative instruments, which are renewed periodically and have varying interest rates.

The amounts owed to the parent company, subsidiary and other group undertakings have no fixed maturity date and are unsecured, bearing interest at rates varying throughout the year based on prevailing market interest rates. Other payables have no fixed maturity date, are unsecured and are non-interest bearing.

The fair value of borrowings is disclosed in note 25.

18. Leasing

The Company is a lessor under finance leases, providing asset financing for its customers and leasing assets for its own use. In addition, assets leased by the Company may be sublet to other parties. An analysis of the impact of these transactions on the Company's balance sheet and income statement is as follows:

(a) As lessor

Finance lease receivables

An analysis of finance lease receivables is as follows:

2014	Gross investment in finance lease receivables £m	Future finance income £m	Net investment in finance lease receivables £m	Unguaranteed residual values £m
Not more than one year	**542.7**	**(35.6)**	**507.1**	**44.1**
Over one year but not more than two years	**335.4**	**(20.8)**	**314.6**	**35.8**
More than two years but not more than five years	**382.0**	**(18.2)**	**363.8**	**70.3**
More than five years	**31.3**	**(1.4)**	**29.9**	**7.4**
Total more than one year	**748.7**	**(40.4)**	**708.3**	**113.5**
Total	**1,291.4**	**(76.0)**	**1,215.4**	**157.6**

2013	Gross investment in finance lease receivables £m	Future finance income £m	Net investment in finance lease receivables £m	Unguaranteed residual values £m
Not more than one year	575.1	(38.4)	536.7	50.1
Over one year but not more than two years	339.3	(22.5)	316.8	32.5
More than two years but not more than five years	404.5	(19.9)	384.6	68.6
More than five years	31.1	(1.4)	29.7	9.2
Total more than one year	774.9	(43.8)	731.1	110.3
Total	1350.0	(82.2)	1,267.8	160.4

18. Leasing (continued)

During the year £675.4m (2013: £592.3m) of assets were acquired for use in finance leases and finance leases with a net book value of £52.8m (2013: £43.2m) were terminated/sold. The credit and interest rate risk inherent in these leases is detailed in note 24.

An analysis of the fair value of the Company's finance lease receivables is detailed in note 25.

Operating lease receivables

The Company acts as lessor, whereby items of plant and equipment are purchased and then leased to third parties under arrangements qualifying as operating leases. The items purchased to satisfy these leases are treated as plant and equipment in the Company's financial statements and are generally disposed of at the end of the lease term.

The future minimum lease payments expected to be received under non-cancellable operating leases at 31 December were as follows:

	2014	2013
	£m	£m
Plant and equipment		
Not more than one year	**0.7**	1.2
More than one year but not more than five years	-	0.7
More than five years	-	-

19. Deferred tax

The components of and the movement on the deferred income tax account during the year were as follows:

	Accelerated tax depreciation	Partnership accelerated tax depreciation	Rental apportionment	Other	Total
	£m	£m	£m	£m	£m
Assets	-	-	-	0.5	0.5
Liabilities	(12.3)	-	(2.6)	-	(14.9)
At 1 January 2014	(12.3)	-	(2.6)	0.5	(14.4)
Income statement credit	6.1	-	0.3	(0.2)	6.2
	(6.2)	-	(2.3)	0.3	(8.2)
Assets	-	-	-	0.3	0.3
Liabilities	(6.2)	-	(2.3)	-	(8.5)
At 31 December 2014	(6.2)	-	(2.3)	0.5	(8.2)

	Accelerated tax depreciation	Partnership accelerated tax depreciation	Rental apportionment	Other	Total
	£m	£m	£m	£m	£m
Assets	-	-	-	0.9	0.9
Liabilities	(11.8)	-	(2.5)	-	(14.3)
At 1 January 2013	(11.8)	-	(2.5)	0.9	(13.4)
Income statement credit/(charge)	(0.5)	-	(0.1)	(0.4)	(1.0)
	(12.3)	-	(2.6)	0.5	(14.4)
Assets	-	-	-	0.5	0.5
Liabilities	(12.3)	-	(2.6)	-	(14.9)
At 31 December 2013	(12.3)	-	(2.6)	0.5	(14.4)

Deferred income taxes are provided in full on temporary differences under the liability method using a principal tax rate of 20% (2013: 20%).

The amount of defered tax liability expected to be settled after more than 12 months is £6.0m (2013: £14.9m).

The amount of deferred tax asset expected to be recovered after more than 12 months is £0.3m (2013: £0.5m).

The deferred tax asset is recognised based on management assessment that it is probable that the Company will have taxable profits against which the temporary differences can be utilised.

20. Provisions

Movements on the Company's provisions in the year were as follows:

	Post retirement benefits	**Payment Protection Insurance redress**	**Other Provisions**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 January 2014	**(7.6)**	**(0.9)**	**(8.3)**	**(16.8)**
Payments made	**0.5**	**0.1**	**-**	**0.6**
Provision movements	**(0.3)**	**0.5**	**8.3**	**8.5**
Actuarial loss as per IAS 19 (revised)	**(1.7)**	**-**	**-**	**(1.7)**
At 31 December 2014	**(9.1)**	**(0.3)**	**-**	**(9.4)**

	Post retirement benefits	Payment Protection Insurance redress	Other Provisions	Total
	£m	£m	£m	£m
At 1 January 2013	(6.8)	(1.6)	-	(8.4)
Payments made	0.4	0.2	-	0.6
Provision movements	(0.3)	0.5	(8.3)	(8.1)
Actuarial gain as per IAS 19 (revised)	(0.9)	-	-	(0.9)
At 31 December 2013	(7.6)	(0.9)	(8.3)	(16.8)

An analysis of total provisions by type is shown below:

	2014	
	Current	**Non-current**
	£m	**£m**
Post-retirement benefits	-	**(9.1)**
Payment Protection Insurance redress	-	**(0.3)**
Other Provisions	-	-
Total	-	**(9.4)**

	2013	
	Current	Non-current
	£m	£m
Post-retirement benefits	-	(7.6)
Payment Protection Insurance redress	-	(0.9)
Other Provisions	(8.3)	-
Total	(8.3)	(8.5)

20. Provisions (continued)

Post-retirement benefits

The provision of £9.1m (2013: £7.6m) relates to healthcare post-retirement benefits (see note 21).

IAS 19 (revised) has been adopted by the Group from the mandatory effective date of 1 January 2013 and application is retrospective. The main change is that the Group recognises the liabilities (or assets) arising from its defined benefit pension schemes in full. The deferral of actuarial gains and losses, which was an option applied by Barclays under the previous standard, is no longer permitted. The expected return on assets assumption has also been replaced by an assumed return on assets in line with the discount rate. .

Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the plan, are recognised in other comprehensive income. For further details on the impacts of IAS 19 (revised) restatements please refer to Note 21.

Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Payment Protection Insurance redress

Following the conclusion of the 2011 judicial review, a provision for PPI redress was raised in 2012 based on FSA guidelines and historic industry experience in resolving similar claims. At 31 December 2013 the provision was £0.9m. During the year ended 31 December 2014, £0.1m of this provision was utilised and £0.5m was released reducing the provision to £0.3m.

Other Provisions

As of 31 December 2013, included within other provisions is an amount £ 8.3m (€ 10.0m) in relation to a tax claim under an indemnity in a loan agreement. The total amount payable under this indemnity has been recognised as part of current tax charge for an amount of £ 17.9m (€ 23.0m) during the year ended December 31, 2014.

21. Retirement benefit obligations

The Company is now a member of the post retirement health care scheme as well as other benefit schemes offered by Barclays PLC. The Company also bears costs in relation to Barclays Bank PLC Group pension scheme, the UKRF where Barclays Mercantile Limited is the employing entity. There are no contractual arrangements between the Company and Barclays Bank PLC to charge the net defined benefit cost arising in this scheme. The Company recognises as a pension expense an allocation of the group charge, which is determined based on pensionable salaries of the Company's employees.

Pension Schemes

UK Retirement Fund (UKRF)
The UKRF is the Group's main scheme, representing 92% of the Group's total retirement benefit obligations. The UKRF was closed to new entrants on 1 October 2012, and comprises ten sections, the most significant of which are:

- Afterwork, which comprises a contributory cash balance defined benefit element, and a voluntary defined contribution element. The cash balance element is accrued each year and revalued until Normal Retirement Age in line with the increase in Retail Price Index (RPI) (up to a maximum of 5% p.a.). An investment related increase of up to 2% a year may also be added at Barclays discretion. Between 1 October 2003 and 1 October 2012 the majority of new employees outside of Investment Bank were eligible to join this section. The costs of ill-health retirements and death in service benefits for Afterwork members are borne by the UKRF. The main risks that Barclays runs in relation to Afterwork are more limited than in traditional final salary pension plans, being the risk of needing to make additional contributions if pre-retirement investment returns are not sufficient to provide for the benefits. The discretionary element of the benefit provides a partial buffer against this risk.

- The 1964 Pension Scheme: most employees recruited before July 1997 built up benefits in this non contributory defined benefit scheme in respect of service up to 31 March 2010. Pensions were calculated by reference to service and pensionable salary. From 1 April 2010 members became eligible to accrue future service benefits in either Afterwork or Pension Investment Plan (PIP), a historic defined contribution section which is now closed to future contributions. The risks that Barclays runs in relation to the 1964 pension section are typical of final salary pension plans, principally that investment returns fall short of expectations, that inflation exceeds expectations, and that retirees live longer than expected.

Barclays Pension Savings Plan (BPSP)
From 1 October 2012 a new UK pension scheme, the BPSP, was established to satisfy Auto Enrolment legislation. The BPSP is a defined contribution scheme (Group Personal Pension) providing benefits for all new Barclays UK hires from 1 October 2012, Investment Bank UK employees who were in PIP as at 1 October 2012, and also all UK employees who were not members of a pension scheme as at that date. As a defined contribution plan, BPSP is not subject to the same investment return, inflation or longevity risks that defined benefit plans face. Members' benefits reflect contributions paid and the level of investment returns achieved.

Apart from the UKRF and the BPSP, Barclays operates a number of smaller pension and long-term employee benefits and post-retirement healthcare plans globally, the largest of which are the US and South African defined benefit schemes. Many of the plans are funded, with assets backing the obligations held in separate legal vehicles such as trusts. Others are operated on an unfunded basis. The benefits provided the approach to funding and the legal basis of the plans reflect their local environments.

21. Retirement benefit obligations (continued)

Barclays Asset Finance Retiree Healthcare Plan

The Barclays Healthcare Trust provides private medical benefits for those former Barclays employees (including Barclays Asset Finance) who had a certain managerial grade as at 1st January 1991 and who left Barclays with an immediate pension before 30th June 1999. The benefit is funded by the Barclays Healthcare Trust and is administered by AXA PPP Healthcare Administration Services Limited.

Governance

The UKRF operates under trust law and is managed and administered on behalf of the members in accordance with the terms of the Trust Deed and Rules and all relevant legislation. The Corporate Trustee is Barclays Pension Funds Trustees Limited, a private limited company and a wholly owned subsidiary of Barclays Bank PLC. The Trustee is the legal owner of the assets of the UKRF which are held separately from the assets of the Group.

The Trustee Board comprises six Management Directors selected by Barclays, of whom three are independent Directors with no relationship with Barclays or the UKRF, plus three Member Nominated Directors selected from eligible active staff and pensioner members who apply for the role.

The BPSP is a Group Personal Pension arrangement which operates as a collection of personal pension plans. Each personal pension plan is a direct contract between the employee and the BPSP provider (Legal & General Assurance Society Limited), and is regulated by the FCA.

Similar principles of pension governance apply to the Group's other pension schemes, although different legislation covers overseas schemes where, in most cases, the Group has the power to determine the funding rate.

In addition to the UKRF, the Company contributes to the Barclays Asset Finance Retiree Healthcare Plan in the UK and this is disclosed below under the heading 'Post retirement'.

21. Retirement benefit obligations (continued)

The following tables present an analysis of defined benefit obligations, the fair value of plan assets and the amounts recognised in the income statement for the UKRF pension scheme and the Barclays Asset Finance Retiree Healthcare Plan.

Amounts recognised

Income statement charge

	2014 Pension £m	2014 Post retirement £m	2013 Pension £m	2013 Post retirement £m
Staff cost charge				
Current service cost	258	-	280	-
Net finance cost	59	-	29	-
Past service cost	2			
Total included in staff costs	319	-	309	-

£2.3m (2013: £1.9m) of the total staff costs of £319m (2013: £309m) above is the amount attributable to the Company and is included in other administrative expenses.

Change in benefit obligation

	2014 Pension £m	2014 Post retirement £m	2013 Pension £m	2013 Post retirement £m
Benefit obligation at beginning of year	(25,093)	(7)	(23,643)	(7)
Current service cost	(258)	-	(280)	-
Interest cost	(1,101)	-	(1,003)	-
Past service cost	2	-	-	-
Curtailments or settlement	-	-	-	-
Remeasurement loss – financial	(2,382)	-	(997)	-
Remeasurement loss – demographic	(340)	(1)	-	-
Remeasurement loss - experience	418	(1)	31	-
Contributions by plan participants	(2)	-	(1)	-
Benefits paid	825	-	799	-
Exchange and other movements	-	-	1	-
Benefit obligation at the end of the year	(27,931)	(9)	(25,093)	(7)

21. Retirement benefit obligations (continued)

Change in plan assets

	2014 Pension £m	2014 Post retirement £m	2013 Pension £m	2013 Post retirement £m
Fair value of plan assets at beginning of the year	**23,661**	-	22,845	-
Interest income on scheme assets	**1,042**	-	974	-
Employer contribution	**241**	-	238	-
Remeasurement - return on plan assets greater than discount rate	**2,705**	-	400	-
Employee contribution	**2**	-	1	-
Benefits paid	**(825)**	-	(799)	-
Exchange and other adjustments	**1**	-	2	-
Fair value of plan assets at the end of the year	**26,827**	-	23,661	-

Amounts recognised on the consolidated balance sheet of Barclays Bank PLC

The UKRF pension and UK post-retirement benefit assets and liabilities recognised on the consolidated Barclays Bank PLC balance sheet are as follows:

	2014 Pension £m	2014 Post retirement £m	2013 Pension £m	2013 Post retirement £m
Benefit obligation at end of year	**(27,931)**	**(9)**	(25,093)	(7)
Fair value of plan assets at end of year	**26,827**	-	23,661	-
Net recognised asset/(liability)	**(1,104)**	**(9)**	(1,432)	(7)
Recognised assets	-	-	-	-
Recognised liability	**(1,104)**	**(9)**	(1,432)	(7)
Net recognised asset/(liability)	**(1,104)**	**(9)**	(1,432)	(7)

As at 31st December 2014, the UKRF's IAS 19 scheme assets were in deficit versus obligations by £1,104m (2013: deficit of £1,432m). The most significant driver for this change was an increase in long term RPI inflation which was partially offset by higher corporate bond yields and asset out performance.

21. Retirement benefit obligations (continued)

Assumptions

Actuarial valuation of the schemes' obligation is dependent upon a series of assumptions, below is a summary of the main financial and demographic assumptions adopted.

Principal assumptions - UKRF	2014 %p.a.	2013 %p.a.
Discount rate	**3.67**	4.46
Rate of increase in salaries	**2.55**	2.92
Inflation rate	**3.05**	3.42
Rate of increase for pensions in payment	**2.98**	3.32
Rate of increase for pensions in deferment	**2.98**	3.32
Afterwork revaluation rate	**3.35**	3.70

Principal assumptions - Barclays Asset Finance Retiree Healthcare Plan	2014 %p.a.	2013 %p.a.
Discount rate	**3.67**	4.46
Inflation rate	**n/a**	n/a
Medical cost trend rate for 1 January 2015 to 31 December 2015	**7.00**	7.00
Medical cost trend rate for 1 January 2016 to 31 December 2016	**6.50**	6.50
Medical cost trend rate for 1 January 2017 to 31 December 2017	**6.00**	6.00
Medical cost trend rate for 1 January 2018 to 31 December 2018	**5.50**	5.50

The UKRF discount rate assumption for 2014 and 2013 is taken based on the single equivalent discount rate implied by the Towers Watson RATE Link model.

Mortality assumptions

Barclays Asset Finance Retiree Healthcare Plan's post-retirement mortality assumptions were based on the standard 2000 series tables published by the Institute and Faculty of Actuaries as they are considered to be most relevant.

The UKRF's post-retirement mortality assumptions are based on a best estimate assumption derived from an analysis in 2014 of Barclays own post-retirement mortality experience, and taking account of the recent evidence from published mortality surveys. An allowance has been made for future mortality improvements based on the 2013 core projection model published by the Continuous Mortality Investigation Bureau subject to a long term trend of 1.25% pa in future improvements. The table below shows how the assumed life expectancy at 60, for members of the UKRF, has varied over the last three years:

	2014	2013	2012
Longevity at 60 for current pensioners (years)			
- Males	**28.3**	27.9	27.8
- Females	**29.9**	29.0	28.9
Longevity at 60 for future pensioners currently aged 40 years			
- Males	**30.1**	29.3	29.2
- Females	**31.9**	30.6	30.5

21. Retirement benefit obligations (continued)

Sensitivity analysis on principal assumptions

The sensitivity analysis has been calculated by valuing the UKRF liabilities using the amended assumptions shown in the table below and keeping the remaining assumptions the same as disclosed in the UKRF assumptions table above, except in the case of the inflation sensitivity where other assumptions that depend on assumed inflation have also been amended correspondingly. The difference between the recalculated liability figure and that stated in the balance sheet reconciliation table above is the figure shown. The selection of these movements to illustrate the sensitivity of the defined benefit obligation to key assumptions should not be interpreted as Barclays expressing any specific view of the probability of such movements happening.

The following table shows a sensitivity analysis of the most material assumptions on the UKRF benefit obligation:

Change in key assumptions

	2014		2013	
	Impact on UKRF defined benefit obligation		Impact on UKRF defined benefit obligation	
	(Decrease)/ Increase	**(Decrease)/ Increase**	(Decrease)/ Increase	(Decrease)/ Increase
	%	**£bn**	%	£bn
0.5% increase in discount rate	**(9.0)**	**(2.5)**	(9.2)	(2.3)
0.5% increase in assumed price inflation	**7.3**	**2.0**	7.8	2.0
1 year increase to life expectancy at 60	**3.5**	**1.0**	3.0	0.8

The weighted average duration of the benefit payments reflected in the defined benefit obligation for the UKRF is 19 years.

Post-retirement health care

A one-percentage point change in assumed health care trend rates, assuming all other assumptions remain constant would have the following effects for 2014:

	1% increase £m	1% decrease £m
Effect on total of service and interest cost components	33.0	(29.0)
Effect on post-retirement benefit obligation	935.0	(813.0)

21. Retirement benefit obligations (continued)

Assets

A long-term investment strategy has been set for the UKRF, with its asset allocation comprising a mixture of equities, bonds, property and other appropriate assets. This recognises that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others. The long-term investment strategy ensures, amongst other aims, that investments are adequately diversified. Asset managers are permitted some flexibility to vary the asset allocation from the long-term investment strategy within control ranges agreed with the Trustee from time to time.

The UKRF also employs derivative instruments, where appropriate, to achieve a desired exposure or return, or to match assets more closely to liabilities. The value of assets shown reflects the actual physical assets held by the scheme, with any derivative holdings reflected on a mark to market basis.

The value of the assets of the schemes, their percentage in relation to total scheme assets, were as follows:

	2014		2013	
	Value	% of total fair value of scheme assets	Value	% of total fair value of scheme assets
	£m	%	£m	%
Equities - Quoted	**5,808**	**21.6**	2,355	10.0
Equities - Non Quoted	**1,537**	**5.7**	1,270	5.4
Bonds - Fixed Government	**609**	**2.3**	888	3.8
Bonds - Index-Linked Government	**7,114**	**26.5**	6,365	26.8
Bonds - Corporate and other	**5,317**	**19.8**	3,533	14.9
Property - Commercial	**1,945**	**7.3**	1,320	5.6
Derivatives	**1,472**	**5.5**	1,425	6.0
Cash	**2,644**	**9.9**	3,903	16.5
Pooled funds	**284**	**1.1**	2,342	9.9
Other	**97**	**0.3**	260	1.1
Fair value of plan assets	**26,827**	**100**	23,661	100

The UKRF also invests in investment vehicles which may hold shares or debt issued by the Barclays Group.

Approximately a third of the UK Retirement Fund assets are invested in liability driven investment strategies; primarily UK gilts as well as interest rate and inflation swaps. These are used to better match the fund's assets to its liabilities. The swaps are used to reduce the scheme's inflation and duration risks against its liabilities.

21. Retirement benefit obligations (continued)

Funding

The latest triennial funding valuation of the UKRF was carried out with an effective date of 30 September 2013. This was completed in 2014 and showed a deficit of £3.6bn and a funding level of 87.4%. The Bank and Trustee agreed a scheme-specific funding target, statement of funding principles, a schedule of contributions and a recovery plan to eliminate the deficit in the Fund. The main differences between the funding and IAS 19 assumptions are a more prudent longevity assumption for funding and a different approach to setting the discount rate.

The recovery plan to eliminate the deficit will result in the Bank paying deficit contributions to the Fund until 2021. Deficit contributions of £300m are payable in 2015, and also in 2016. Further deficit contributions of £740m p.a. are payable during 2017 to 2021. Up to £500m of the 2021 deficit contributions are payable in 2017 depending on the deficit level at that time. These deficit contributions are in addition to the regular contributions to meet the Group's share of the cost of benefits accruing over each year.

In non-valuation years the Scheme Actuary prepares an annual update of the funding position. The latest annual update was carried out as at 30 September 2014 and showed a deficit of £4.6bn and a funding level of 85.4%. The increase in funding deficit over the year to 30 September 2014 can be mainly attributed to the fall in real gilt yields over the year.

Contributions paid with respect to the UKRF were as follows:

	£m
Contributions Paid	
2014	**241**
2013	**238**
2012	742

The Group's expected contribution to the UKRF in respect of defined benefits in 2015 is £622m (2014: £218m). In addition the expected contributions to UK defined contribution schemes in 2015 is £41m (2014: £46m) to the UKRF and £107m (2014: £103m) to the BPSP. For the material non-UK defined benefit schemes the expected contributions in 2015 are £56m (2014: £107m).

22. Share capital

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

	Number of Ordinary shares m	Ordinary Share capital £m	Total £m
At 1 January 2014 and 31 December 2014	94	94	94

The authorised share capital is £94m, (2013: £94m), comprising 94m (2013: 94m) ordinary shares of £1 each. All issued shares are fully paid.

23. Share based payments

The Barclays PLC Group operates share schemes for employees throughout the world, including the employees of the Company. The main current schemes from which the Company's employees benefit are as follows:

Sharesave

Eligible employees in the UK, Spain and Ireland may participate in the Barclays Sharesave scheme. Under this scheme, employees may enter into contracts to save up to £250 per month (Ireland: €300, Spain: €225) and at the expiry of a fixed term of three, five or seven years (Spain: three 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 are granted. Participants in the scheme have six months from the date of vest in which the option can be exercised.

UK Sharepurchase

Sharepurchase was introduced in January 2002. It is an HM Revenue & Customs approved all-employee share plan. The plan is open to all eligible UK employees, including executive Directors. Under the plan, participants are able to purchase up to £1,500 worth of Barclays PLC ordinary shares per tax year, which if kept in trust for five years can be withdrawn from the plan tax-free. Matching shares were introduced to the scheme during 2005 where the purchase of Barclays shares by the participant are matched equally by the Company up to a maximum value of £600 per tax year. Shares in the plan will earn dividends in the form of additional shares, which must normally be held by the trustee for three years before being eligible for release.

Executive Share Award Scheme (ESAS)

For certain employees of the Group an element of their annual bonus is in the form of a deferred award of a provisional allocation of Barclays PLC shares under ESAS. The total value of the bonus made to the employee, of which ESAS is an element, is dependent upon the business unit, Group and individual employee performance. The ESAS element of the annual bonus must normally be held for at least three years. Additional bonus shares are subsequently awarded to recipients of the provisional allocation and vest upon achieving continued service for three and five years from the date of award. ESAS awards are also made to eligible employees for recruitment purposes under JSAP (Joiners Share Award Plan). All awards are subject to potential forfeiture if the individual resigns and commences work with a competitor business. LTIP plans are cash and equity performance plans which after 3 years (dependant on performance) pay half in cash and the remaining half in shares which are placed into ESAS for a further 1 or 2 years.

Incentive Share Plan (Incentive Shares)

The Incentive Share Plan (Incentive Shares) was introduced in March 2008. Incentive Shares are granted to participants in the form of a provisional allocation of Barclays shares which vest upon achieving continued service after three years. Participants do not pay to receive an award or to receive a release of shares. Incentive Shares qualify for dividends.

Share Value Plan (SVP)

The SVP was introduced in March 2010 and approved by shareholders (for Executive Director participation and use of new issue shares) at the AGM in April 2011. SVP awards are granted to participants in the form of a conditional right to receive Barclays PLC shares or provisional allocations of Barclays PLC shares which vest or are considered for release over a period of three years in equal annual tranches. Participants do not pay to receive an award or to receive a release of shares. The grantor may also make a dividend equivalent payment to participants on release of a SVP award. SVP awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeiture in certain leaver scenarios.

23. Share based payments (continued)

The 2014 Income Statement charge of £0.2m (2013: £0.2m) for share based payments is included in salaries and accrued incentive payments. The charge arises from equity settled share based payments.

The following table is an extract from the Barclays Bank PLC financial statements.

The weighted average fair value of options and shares granted during the year at the measurement date is as follows:

	2014	2013
	£	£
ESAS	-	3.04
SVP	2.33	3.04
Others*	0.52-2.39	0.81-3.08

SVP and ESAS are nil cost awards respectively on which the performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards/options is based on the market value at that date.

*Others include: ISP, Share purchase and Sharesave.

23. Share based payments (continued)

An analysis of the movement in the number, weighted average exercise price of options is set out below:

	Sharesave (a) Number (000's)		Weighted average ex. Price (£)		Sharepurchase (a)(b) Number (000's)		Weighted average ex. Price (£)	
	2014	2013	2014	2013	2014	2013	2014	2013
Outstanding at beginning of year	**519**	570	**1.59**	1.77	82	1	-	-
Granted in the year	**124**	64	**1.78**	2.28	16	12	-	-
Rights Issue Adjustments	-	44	-	1.62	-	6		
Exercised in the year	**(129)**	(42)	**1.42**	2.25	(23)	(3)	-	-
Less: Forfeited in the year	**(57)**	(32)	**1.69**	1.42	(1)	(2)	-	-
Less: Expired in the year	**(17)**	(34)	**2.15**	3.21	-	-	-	-
Add/ Less: Transferred in / (out) during the year	**116**	(51)	**1.59**	1.77	6	68	-	-
Outstanding at end of year	**556**	519	**1.63**	1.59	80	82	-	-
Of which exercisable:	**31**	3	**2.01**	2.81	42	41	-	-

	SVP (a) (b) Number (000's)		Weighted average ex. Price (£)		Incentive Share Plan Number (000's)		Weighted average ex. Price (£)	
	2014	2013	2014	2013	2014	2013	2014	2013
Outstanding at beginning of year	**9**	25	**3.04**	2.40	-	-	-	-
Granted in the year	**37**	5	**2.33**	3.08	**16**	-	**2.33**	-
Exercised/released in the year	**(31)**	(3)	**2.31**	3.06	**(16)**	-	**2.31**	-
Less: Forfeited in the year	-	-		-	-	-	-	-
Less: Expired in the year	-	-		-	-	-	-	-
Less: Transferred in the year	**51**	(18)	-	-	-	-	-	-
Outstanding at end of year	**66**	9	**2.97**	3.04	-	-	-	-
Of which exercisable:	-	-	-	-	-	-	-	-

Notes
(a)Options granted over Barclays PLC shares
(b)Nil cost award

23. Share based payments (continued)

The table below, extracted from the Barclays Bank PLC financial statements, shows the weighted average share price at the date of exercise/release of shares:

	2014	2013
	£	£
SVP	2.31	3.04
Others	2.23-2.56	2.64-3.22

The exercise price range, the weighted average contractual remaining life, and number of options outstanding (including those exercisable) at the balance sheet date are as follows:

Exercise price range 2014	**2014 Weighted average remaining contractual life Years**	**Number of options outstanding**	Exercise price range 2013	2013 Weighted average remaining contractual life Years	Number of options outstanding
Sharesave			Sharesave		
£1.30 - £2.29	2.74	528,366	£1.30 - £2.29	3.00	487,639
£2.30 - £2.61	0.89	25,992	£2.50 - £3.49	1.83	29,358
£2.62 - £4.00	-	-	£3.50 - £4.49	-	-
£4.01 - £4.59	0.33	1,614	£4.50 - £5.49	1.02	2,357
Sharepurchase	-	80,758	Sharepurchase	-	82,686
SVP	0.89	66,417	SVP	1	9,002
ISP	-	-	ISP	-	-

As at 31 December 2014, the total liability arising from cash settled share based payment transactions was £4.2m (2013: £4m).

24. Financial risks

Financial risks

The Company's activities expose it to a variety of financial risks. The Company's Directors are required to follow the requirements of the Barclays Group risk management policies, which include specific guidelines on the management of credit, foreign exchange and interest rate risk and advises on the use of financial instruments to manage them. Similarly the Group policies are followed in relation to liquidity, operational and business risks.

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

The main financial risks that the Company is exposed to and its management policy with respect to those risks are as follows:

Credit risk

Credit risk is the risk that the Company's customers or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations in relation to the Company's financial assets.

The Company uses statistical modelling techniques in its credit rating system. These systems assist the Company in credit decisions on new commitments and in managing the portfolio of existing exposures. They enable the application of consistent risk measurement across all credit exposures. The key building blocks in the measurement system are the probability of customer default ('PD') (expressed through an internal risk rating), exposure at default ('EAD') and severity of loss-given-default ('LGD').

The Company assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties. Each internal rating corresponds to the statistical probability of a customer in that rating class defaulting within the next 12 month period. Exposure at default represents the expected level of utilisation of the credit facility when default occurs. At default the customer may not have drawn the loan/lease fully or may have already paid some of the principal, so that exposure is typically less than the approved loan limit. When a customer defaults, much of the outstanding loan/lease is usually recovered. The part that is not recovered, the actual loss, is the LGD. The three components above, PD, EAD, and LGD, are used to calculate the expected loss.

Credit exposures are actively managed, where weaknesses are detected action is taken to mitigate the risks. These include steps to reduce the amounts outstanding or the sale of assets. In addition, to mitigate the risk, security may be taken for funds advanced.

The Company's principal financial assets are amounts due from the immediate parent undertaking and other related parties, finance lease receivables, advances to customers and other receivables which represent the entity's maximum exposure to credit risk in relation to financial assets.

Collateral can be an important mitigant of credit risk and the Company has mitigated this risk in finance lease receivables and advances to customers by securing its net investment in finance lease receivables through retention of legal title to the leased assets. In addition, guarantees have been obtained from third parties which enables the Company to claim settlement in the event of default.

The Company also has the financial support of Barclays Bank PLC.

24. Financial risks (continued)

Credit risk (continued)

Maximum exposure to credit risk

Whilst the Company's maximum exposure to credit risk is the carrying value of the assets, the likely exposure is far less due to the collateral and credit risk mitigants described in the section above. The analysis presented below shows the financial effects of these mitigants.

As at 31 December 2014	Total exposure £m	Total collateral and other enhancements £'m
Finance lease receivables	**1,215.4**	**670.2**
Advances to customers	**6.5**	**1.2**
Amounts due from immediate parent undertaking	**19.1**	**-**
Amounts due from other related parties	**120.4**	**-**
Derivative financial instruments	**1.2**	**-**
Total maximum exposure at 31 December	**1,362.6**	**671.4**

As at 31 December 2013	Total exposure £m	Total collateral and other enhancements £m
Finance lease receivables	1,267.8	709.8
Advances to customers	7.4	4.4
Amounts due from immediate parent undertaking	39.9	-
Amounts due from other related parties	250.8	-
Derivative financial instruments	4.0	-
Total maximum exposure at 31 December	1,569.9	714.2

24. Financial risks (continued)

Credit risk (continued)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The analysis of credit risk concentrations presented on the following page is based on the industry the customer is engaged in.

Credit risk by concentrations by industrial sector:

2014	Financial services	Transport	Manufacturing	Postal and communications	Wholesale and Retail distribution	Business and other services	Total
	£m	£m	£m	£m	£m	£m	£m
Finance lease receivables	8.0	204.1	73.3	80.8	181.7	667.5	1215.4
Advances to customers	1.3	2.8	0.4	-	-	2.0	6.5
Amounts due from immediate parent undertaking	19.1	-	-	-	-	-	19.1
Amounts due from other related parties	120.4	-	-	-	-	-	120.4
Derivative financial instruments	1.2	-	-	-	-	-	1.2
Total maximum exposure at 31 December	**150.0**	**206.9**	**73.7**	**80.8**	**181.7**	**669.5**	**1362.6**

2013	Financial services	Transport	Manufacturing	Postal and communications	Wholesale and Retail distribution	Business and other services	Total
	£m	£m	£m	£m	£m	£m	£m
Finance lease receivables	4.4	217.7	123.7	115.0	236.0	571.0	1,267.8
Advances to customers	-	2.1	1.2	-	-	4.1	7.4
Amounts due from immediate parent undertaking	39.9	-	-	-	-	-	39.9
Amounts due from other related parties	250.8	-	-	-	-	-	250.8
Derivative financial instruments	4.0	-	-	-	-	-	4.0
Total maximum exposure at 31 December	299.1	219.8	124.9	115.0	236.0	575.1	1,569.9

24. Financial risks (continued)

Credit risk (continued)

Financial assets subject to credit risk

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

				2014		
		Advances to customers	**Amount due from related parties**	**Finance lease receivables**	**Derivative financial instruments**	**Total**
	Note	**£m**	**£m**	**£m**	**£m**	**£m**
As at 31 December						
Neither past due nor impaired	(a)	**6.5**	**139.5**	**1,212.9**	**1.2**	**1,360.1**
Past due but not individually impaired	(b)	**-**	**-**	**3.6**	**-**	**3.6**
Impaired	(c)	**0.1**	**-**	**2.1**	**-**	**2.2**
Total		**6.6**	**139.5**	**1,218.6**	**1.2**	**1,365.9**
Impairment allowance		**(0.1)**	**-**	**(3.2)**	**-**	**(3.3)**
Total carrying amount		**6.5**	**139.5**	**1,215.4**	**1.2**	**1,362.6**

				2013		
		Advances to customers	Amount due from related parties	Finance lease receivables	Derivative financial instruments	Total
	Note	£m	£m	£m	£m	£m
As at 31 December						
Neither past due nor impaired	(a)	7.1	290.7	1,257.4	4.0	1,559.2
Past due but not individually impaired	(b)	0.4	-	6.6	-	7.0
Impaired	(c)	0.2	-	10.2	-	10.4
Total		7.7	290.7	1,274.2	4.0	1,576.6
Impairment allowance		(0.3)	-	(6.4)	-	(6.7)
Total carrying amount		7.4	290.7	1,267.8	4.0	1,569.9

24. Financial risks (continued)

Credit risk (continued)

Financial assets subject to credit risk (continued)

a) Financial assets neither past due nor impaired

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

2014	Strong £m	Satisfactory £m	Higher risk £m	Total £m
Amounts due from related parties	139.5	-	-	139.5
Advances to customers	5.7	0.8	-	6.5
Finance lease receivables	695.9	506.7	10.3	1,212.9
Derivative financial instruments	1.2	-	-	1.2
Total financial assets subject to credit risk neither past due nor impaired	**842.3**	**507.5**	**10.3**	**1,360.1**

2013	Strong £m	Satisfactory £m	Higher risk £m	Total £m
Amounts due from related parties	290.7	-	-	290.7
Advances to customers	6.2	0.9	-	7.1
Finance lease receivables	716.8	538.4	2.2	1,257.4
Derivative financial instruments	4.0	-	-	4.0
Total financial assets subject to credit risk neither past due nor impaired	1,017.7	539.3	2.2	1,559.2

Strong indicates there is a very high likelihood of the asset being recovered in full.

Satisfactory indicates that whilst there is a high likelihood that the asset will be recovered and, therefore, of no cause for concern to the Company, the asset may not be collateralised, so has been conservatively classified as satisfactory, regardless of the fact that the output of the internal grading models may have indicated a higher classification. At the lower end of this grade there are customers that are being more carefully monitored.

Higher risk indicates there is a concern over the obligor's ability to make payments when due. However, these have not yet converted to actual delinquency. However, the customer or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts.

24. Financial risks (continued)

Credit risk (continued)

Financial assets subject to credit risk (continued)

(b) Financial assets past due but not individually impaired

An asset is considered past due when a counterparty has failed to make a payment when contractually due.

The age analysis of financial assets that are past due but not individually impaired is as follows:

2014	Past due 1 month £m	Over 1 month but not more than 2 months £m	Over 2 months but not more than 3 months £m	Past due 3 months and over £m	Total £m
Advances to customers	-	-	-		-
Finance lease receivables	3.2	-	-	0.4	3.6
Total financial assets past due but not individually impaired	3.2	-	-	0.4	3.6

2013	Past due 1 month £m	Over 1 month but not more than 2 months £m	Over 2 months but not more than 3 months £m	Past due 3 months and over £m	Total £m
Advances to customers	0.4	-	-	-	0.4
Finance lease receivables	4.4	0.3	0.4	1.5	6.6
Total financial assets past due but not individually impaired	4.8	0.3	0.4	1.5	7.0

24. Financial risks (continued)

Credit risk (continued)

Financial assets subject to credit risk (continued)

(c) Impaired financial assets

2014	Original carrying amount £m	Impairment allowance £m	Revised carrying amount £m
Advances to customers	0.1	(0.1)	-
Finance lease receivables	2.1	(1.7)	0.4
Total individually impaired financial assets	2.2	(1.8)	0.4
Total individually assessed		(1.8)	
Total collectively assessed		(1.5)	
Total impairment allowance		(3.3)	

2013	Original carrying amount £m	Impairment allowance £m	Revised carrying amount £m
Advances to customers	0.2	(0.2)	-
Finance lease receivables	10.2	(5.7)	4.5
Total individually impaired financial assets	10.4	(5.9)	4.5
Total individually assessed		(5.9)	
Total collectively assessed		(0.8)	
Total impairment allowance		(6.7)	

Market risk

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

Foreign exchange risk

The Company is exposed to two sources of foreign exchange risk:

a) that the Company's foreign currency assets are not matched by foreign currency borrowings in the same currency, creating exposure to exchange gains/losses

b) the translational foreign currency exposure arising from changes in foreign exchange rates resulting in changes to the Sterling equivalent value of non-Sterling denominated capital resources (including investments in subsidiaries).

24. Financial risks (continued)

Foreign exchange risk (continued)

The Company manages its foreign currency exposure by matching its foreign currency lending with the same foreign currency borrowing.

The Company's principal exchange rate related contracts are forward foreign exchange contracts. These contracts are agreements to buy or sell a specified amount of foreign currency, usually on a specified future date at an agreed rate. The Company uses these contracts to purchase assets on behalf of the customer for the immediate drawdown into sterling financial assets. Customers indemnify the Company against foreign exchange risk arising from failure to drawdown on the due date.

At 31 December 2014, the Company had net USD asset of £0.1m (2013: £1.3m), net EUR liability of £10.3m (2013: £16.4m) and net Swiss franc asset of £nil (2013: £nil). All fall due within 12 months of the balance sheet date.

The following sensitivity table demonstrates the effects of a 10% rise or fall in euro exchange rates, which is the major foreign currency exposure of the Company:

Effect on income/equity

	2014				2013			
	Impact on profit after tax and equity if currency weakens 10% vs GBP		**Impact on profit after tax and equity if currency strengthens 10% vs GBP**		Impact on profit after tax and equity if currency weakens 10% vs GBP		Impact on profit after tax and equity if currency strengthens 10% vs GBP	
	£m	%	**£m**	%	£m	%	£m	%
Income	1.0	5.2	(1.0)	5.2	0.1	2	(0.1)	2
Equity	1.0	5.2	(1.0)	5.2	0.1	2	(0.1)	2

Interest rate risk

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

The Company primarily lends at a variable rate and finances it with floating rate debt with the parent company. To the extent of fixed rate lending, cash flows arising are hedged using interest rate swaps contracted with the parent company. Of the Company's borrowings £nil (2013: £nil) are at fixed rate.

24. Financial risks (continued)

Interest rate risk (continued)

At 31 December 2014, if interest rates for the year had been 10 basis points higher/lower with all other variables being constant, there would have been no significant impact to the profit/(loss) before tax, as the lower funding cost would have been compensated by lower customer interest income.

Interest rate swaps

An interest rate Swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract.

The notional principal of the outstanding interest rate swaps together with the fair value of the contracts is shown below:

	2014			2013		
	Notional principal	Fair value of contracts with positive fair values	Contracts with negative fair values	Notional principal	Contracts with positive fair values	Contracts with negative fair values
	£m	£m	£m	£m	£m	£m
Sterling interest rate swaps	1,066.0	1.2	(9.3)	1,169.6	4.0	(9.9)
Currency interest rate swaps	29.8	-	(0.2)	24.5	-	(0.4)
	1,095.8	1.2	(9.5)	1,194.1	4.0	(10.3)

The profit on derivatives in the income statement is due to the favourable changes in the mark to market value of the Company's interest rate swaps.

Liquidity risk

Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient to meet its payment obligations as they fall due.

The Company has the financial support of its parent, Barclays Bank PLC, that is designed to ensure the Company has sufficient available funds for operations and planned expansion.

Contractual maturity of financial assets and financial liabilities

The table below presents the discounted cash flows receivable/payable by the Company under financial assets/liabilities by remaining contractual maturities at the balance sheet date.

As all financial liabilities are either on demand or are short-term in nature, the amounts disclosed in the table for financial liabilities represent both the contractual discounted and undiscounted cash flows (i.e. nominal values).

24. Financial risks (continued)

Liquidity risk (continued)

Contractual maturity of financial assets and financial liabilities (continued)

	On demand £m	<1 year £m	1-5 years £m	>5 years £m	Total 2014 £m
Assets					
Finance lease receivables	**-**	**507.1**	**678.5**	**29.8**	**1,215.4**
Advances to customers	**-**	**3.0**	**3.0**	**0.5**	**6.5**
Derivative financial instruments	**-**	**-**	**0.3**	**0.9**	**1.2**
Amounts due from related parties	**139.5**	**-**	**-**	**-**	**139.5**
Other receivables	**-**	**1.7**	**-**	**-**	**1.7**
Total	**139.5**	**511.8**	**681.8**	**31.2**	**1,364.3**
Liabilities					
Derivative financial instruments	**-**	**(0.3)**	**(6.4)**	**(2.8)**	**(9.5)**
Amounts due to related parties	**(1,109.3)**	**-**	**-**	**-**	**(1,109.3)**
Other payables	**-**	**(10.9)**	**-**	**-**	**(10.9)**
Total	**(1,109.3)**	**(11.2)**	**(6.4)**	**(2.8)**	**(1,129.7)**
Contractual maturity gap	**(969.8)**	**500.6**	**675.4**	**28.4**	
Cumulative contractual maturity gap	**(969.8)**	**(469.2)**	**206.2**	**234.6**	

	On demand £m	<1 year £m	1-5 years £m	>5 years £m	Total 2013 £m
Assets					
Finance lease receivables	-	536.7	701.4	29.7	1,267.8
Advances to customers	-	3.2	3.8	0.4	7.4
Derivative financial instruments	-	-	2.6	1.4	4.0
Amounts due from related parties	290.7	-	-	-	290.7
Other receivables	-	2.8	-	-	2.8
Total	290.7	542.7	707.8	31.5	1,572.7
Liabilities					
Derivative financial instruments	-	(0.6)	(9.4)	(0.3)	(10.3)
Amounts due to related parties	(1,328.3)	-	-	-	(1,328.3)
Other payables	-	(29.8)	-	-	(29.8)
Total	(1,328.3)	(30.4)	(9.4)	(0.3)	(1,368.4)
Contractual maturity gap	(1,037.6)	512.3	698.4	31.2	
Cumulative contractual maturity gap	(1,037.6)	(525.3)	173.1	204.3	

25. Fair value of financial instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms length transaction between knowledgeable willing parties.

For finance lease receivables, advances to customers and amounts due from immediate parent undertaking and other related parties, the carrying amount is a reasonable approximation of fair value.

The fair value of advances to customers is calculated by the use of discounted cash flow techniques where the gross loan values are discounted at a rate of difference between contractual margins and hurdle rates or spreads where Barclays charges a margin over LIBOR depending on credit quality and loss given default and years to maturity.

For all other financial assets and liabilities, the fair value approximates carrying value due to the short-term nature of these financial assets and liabilities.

The fair value of derivative financial instruments is assessed using observable inputs such as market standard pricing techniques. The result of this assessment is disclosed in the income statement.

Valuation

IFRS 13 Fair Value Measurement requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices - Level 1

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

Valuation technique using observable inputs- Level 2

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

Valuation technique using significant unobservable inputs - Level 3

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

Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

Fair value of financial instruments (continued)

The following table shows the Company's assets and liabilities that are held at fair value analysed by fair value hierarchy and balance sheet classification:

Assets and liabilities held at fair value	Valuation technique using			
	Quoted market prices (Level 1) £'000	Observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
As at 31 December 2014				
Derivative financial assets	-	1.2	-	1.2
Total assets	**-**	**1.2**	**-**	**1.2**
Derivative financial liabilities	-	(9.5)	-	(9.5)
Total Liabilities	**-**	**(9.5)**	**-**	**(9.5)**
As at 31 December 2013				
Derivative financial assets	-	4.0	-	4.0
Total assets	**-**	**4.0**	**-**	**4.0**
Derivative financial liabilities	-	(10.3)	-	(10.3)
Total Liabilities	**-**	**(10.3)**	**-**	**(10.3)**

The following table shows the Company's assets and liabilities that are held at amortised cost analysed by fair value hierarchy and balance sheet classification:

Assets and liabilities held at amortised cost	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Fair Value / Amortised cost £m
As at December 31, 2014				
Assets				
Advances to customers	-	-	6.5	6.5
Total	-	-	**6.5**	**6.5**

Assets and liabilities held at amortised cost	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Fair Value / Amortised cost £m
As at December 31, 2013				
Assets				
Advances to customers	-	-	7.4	7.4
Total	-	-	**7.4**	**7.4**

26. Future commitments

The Company has commitments of £14.0m (2013: £5.9m) as agreements to lend to customers 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.

27. Contingent liabilities

The Company granted an indemnity to a third party in 2010, in connection with the disposal of a majority of its shareholding in Barclays Leasing (No. 21) Limited (former subsidiary of Barclays Mercantile Business Finance Limited). The conditions necessary for a claim under the indemnity to arise have not been met and are not currently expected to be met in the future.

In the event that a claim under the indemnity were to arise, the Company's liability is estimated at approximately £56m, plus interest.

28. Change in UK corporation tax rate

During July 2013 substantive enactments reduced the main rate of corporation tax to 21% on 1 April 2014 and 20% on 1 April 2015 respectively; this is reflected in these financial statements. The effect of these changes on these financial statements was a reduction in the deferred tax liability at 31 December 2014 of £0.4m

29. Related party transactions

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

The definition of related parties includes parent company, ultimate parent company, subsidiary, associated and joint venture companies, as well as the Company's key management which includes its Directors. The Company, which is a wholly owned subsidiary and is consolidated within the financial statements of Barclays PLC (see note 31), has disclosed transactions with related parties which are members of the Barclays Group in notes 5, 6, 8, 9 ,10, 14, 15, 17, 21 and 23.

30. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Board of Directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management. The Company regards as capital its equity, as shown in the balance sheet.

Total capital is as follows:

	2014	2013
	£m	£m
Called up share capital	**94.0**	94.0
Retained earnings	**73.8**	56.3
Total capital resources	**167.8**	150.3

The significant movement in net capital resources includes fair value gains on derivative financial instruments.

In order to maintain or adjust the capital structure, the Company may limit the payment of dividends to shareholders, return capital to shareholders or issue new shares.

31. Parent undertaking and ultimate holding company

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