

BARCLAYS MERCANTILE LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997**

REGISTERED NUMBER 1033336



BARCLAYS MERCANTILE LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and financial statements for the year ended 31st December 1997.

PRINCIPAL ACTIVITIES

The Company holds contracts of employment for staff who undertake duties on behalf of certain other companies within the Barclays Mercantile group of companies. The employment and pension costs of these staff are borne and accounted for by the relevant companies.

RESULTS

The profit on ordinary activities after taxation for the year amounted to £1,874,000 (1996: £1,578,000). The directors recommend that no dividend for the year be paid (1996: £Nil).

CREDITOR PAYMENT POLICY

The Company endeavours to pay all creditors in accordance with the payment terms stipulated by such suppliers.

Payment performance indicators are disclosed in the financial statements of Barclays Mercantile Business Finance Limited, which settles all amounts due to suppliers on the Company's behalf.

DIRECTORS AND THEIR INTERESTS

As previously reported, on 15th August 1997 Miss E S Ball resigned as a director of the Company and Mr D Thompson was appointed in her stead.

The directors holding office at the end of the year, and their beneficial interests in relevant shares or debentures as disclosed by the register kept under the provisions of Section 325 of the Companies Act 1985 are listed below:-

Ordinary Shares of £1 each in Barclays PLC

	<u>Beneficial</u> <u>At 31.12.97</u>	<u>Options</u> <u>At 31.12.97</u>	<u>Options+</u> <u>Granted</u>	<u>Options+</u> <u>Exercised</u>	<u>Options</u> <u>At 1.1.97</u>	<u>Beneficial</u> <u>At 1.1.97</u>
Ms S Box	1,009	Nil	Nil	Nil	Nil	406
Mr C N Rouse	2,481	2,585	184	276	2,677	2,098
Mr D Thompson	13,710	4,914	246	1,295	*5,443	*12,817

+ During the year

* At date of appointment

On 20th August 1998 Ms S Box and Mr C N Rouse resigned as Directors of the Company and Mr C L R Boobyer, Mr J D Callender and Mr P S Maxwell were appointed Directors.

BARCLAYS MERCANTILE LIMITED

REPORT OF THE DIRECTORS (continued)

EMPLOYMENT POLICIES

The Company is an equal opportunity employer and seeks to avoid discrimination on the grounds of race, ethnic origin, sex, age or marital status.

The employment and pension costs of the Company are borne by other companies within the Barclays Mercantile group of companies.

Communication and consultation amongst all levels of employees are fostered by the Company in a comprehensive manner. In 1997 the programme to improve staff communications was continued. Information was disseminated on matters of corporate and personal interest through meetings and regular newsletters.

Participation in the Barclays PLC 1991 UK profit sharing schemes, SAYE share option schemes and Sharesave schemes is open to eligible employees, and an executive share option scheme is currently available to certain senior executives.

EMPLOYMENT OF DISABLED PERSONS

The Company encourages applications for employment from disabled persons who can meet the requirement of the job. Where employees become disabled the Company makes strenuous efforts to continue to employ them.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the auditors' report set out on page 4, 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 1985 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 are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors consider that in preparing the financial statements on pages 5 to 9, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all the accounting standards which they consider to be applicable have been followed.

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 that the financial statements comply with the Companies Act 1985.

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

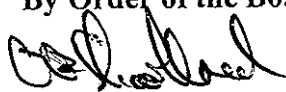
BARCLAYS MERCANTILE LIMITED

REPORT OF THE DIRECTORS (continued)

AUDITORS

As previously reported, an Elective Resolution has been passed by the Shareholders of the Company pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually. The previous auditors, Price Waterhouse, having merged with Coopers & Lybrand resigned and the new firm, PricewaterhouseCoopers, was appointed by the Directors, with said appointment being subsequently confirmed by the Shareholders. PricewaterhouseCoopers have indicated their willingness to continue in office.

By Order of the Board



C F Shoolbred
Secretary

Registered Office:

Churchill Plaza, Churchill Way
Basingstoke Hampshire
RG21 7GP

Date: 22 OCT 1998

BARCLAYS MERCANTILE LIMITED

**REPORT OF THE AUDITORS TO THE MEMBERS OF
BARCLAYS MERCANTILE LIMITED**

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on those statements, and to report our opinion to you.

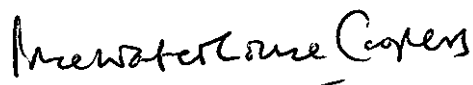
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st December 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS

Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London
SE1 9SY

Date: 22 October 1998

BARCLAYS MERCANTILE LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1997**

	Notes	<u>1997</u> £'000	<u>1996</u> £'000
INTEREST RECEIVABLE AND SIMILAR INCOME		2,735	2,356
		-----	-----
PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR BEFORE TAXATION	2	2,735	2,356
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	3	(861)	(778)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR AFTER TAXATION TRANSFERRED TO RESERVES		<u>1,874</u>	<u>1,578</u>

Turnover and profit on ordinary activities before taxation relate exclusively to continuing operations.

STATEMENT OF RESERVES <u>FOR THE YEAR ENDED 31ST DECEMBER 1997</u>	<u>1997</u> £'000	<u>1996</u> £'000
RETAINED RESERVES AT 1ST JANUARY	8,318	6,740
RETAINED PROFIT FOR THE YEAR	1,874	1,578
	-----	-----
RETAINED RESERVES AT 31ST DECEMBER	<u>10,192</u>	<u>8,318</u>

The retained profits for the year are equal to the recognised gains for the year.

BARCLAYS MERCANTILE LIMITED**BALANCE SHEET AT 31ST DECEMBER 1997**

	Notes	<u>1997</u> £'000	<u>1996</u> £'000
CURRENT ASSETS			
DEBTORS: Amounts due from group undertakings		42,831	40,096
		-----	-----
CREDITORS: Amounts falling due within one year			
Corporation tax		(1,639)	(778)
		-----	-----
NET CURRENT ASSETS BEING ALSO TOTAL ASSETS LESS CURRENT LIABILITIES		<u>41,192</u>	<u>39,318</u>
		=====	=====
CAPITAL AND RESERVES			
Called up share capital:			
Authorised, allotted and fully paid			
31,000,000 ordinary shares of £1 each		31,000	31,000
Reserves		10,192	8,318
		-----	-----
TOTAL SHAREHOLDERS' FUNDS - EQUITY INTERESTS	7	<u>41,192</u>	<u>39,318</u>
		=====	=====

Approved by the Board on 22 OCT 1998


DIRECTOR

S.D. CAWENDER

BARCLAYS MERCANTILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31ST DECEMBER 1997**

1. ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The Company prepares its financial statements on the historical cost basis of accounting and in accordance with applicable Accounting Standards.

(b) CASH FLOW STATEMENT

The Company, which is a wholly owned subsidiary, has elected to utilise the exemption provided in Financial Reporting Standard 1 and does not produce a cash flow statement.

(c) RELATED PARTY TRANSACTIONS

The Company, which is a wholly owned subsidiary and is consolidated within the financial statements of Barclays PLC (see note 6), has elected to utilise the exemption provided in Financial Reporting Standard 8 and does not disclose transactions with related parties which are members of the Barclays Group.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is arrived at after taking into account:

	<u>1997</u> £'000	<u>1996</u> £'000
Interest receivable from parent undertakings:	2,735	2,356

Auditors remuneration is borne by Barclays Mercantile Business Finance Limited, a fellow subsidiary undertaking.

3. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge in the profit and loss account, based on a Corporation Tax rate of 31.5% (1996: 33%) which is at a rate at which group relief can be utilised, represents:-

	<u>1997</u> £'000	<u>1996</u> £'000
Current Year:	(861)	(778)
	=====	=====

BARCLAYS MERCANTILE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1997

4. EMOLUMENTS OF DIRECTORS

	<u>1997</u> £'000	<u>1996</u> £'000
Directors' emoluments including pension contributions and ex-gratia payments	66 ===	25 ===

Included in the above are the emoluments of the highest paid director of £66,000 (1996:£25,000).

The number of directors eligible for the Company's defined benefits scheme is 1 (1996:1).

The accrued pension figures below, in respect of the highest paid Director, represents the annual pension accrued to date within the main Group pension scheme and are payable on retirement at contractual retirement date, based on the Director's service to date and current pensionable salary.

Pension accrued during the year £	At 31st December 1997 £	At 31st December 1996 £
3775	17608	13833

The number of directors who exercised share options during the year is Nil (1996:Nil).

5. PENSIONS

Eligible employees of Barclays Mercantile Limited are members of the Mercantile Group Pension and Life Assurance Plan. All pension costs arising from this scheme have been paid and borne by fellow group undertakings and are disclosed as appropriate in the financial statements of those companies.

Formal actuarial valuations of the scheme, which is a funded defined benefit scheme, are carried out by a qualified actuary at intervals not exceeding three years. The latest actuarial valuation report was dated February 1995 and related to service by members up to 31st May 1994. The report, which was produced using the projected unit method of funding, showed no deficiency on a current funding level basis. The principal actuarial assumptions adopted were that, over the long term, the annual rate of return on investments would be 9% and the annual increases in total pensionable remuneration would average 7%. The actuarial value of assets was sufficient to cover 129% of the benefits based on projected pensionable remuneration which had accrued to members.

BARCLAYS MERCANTILE LIMITED

5. PENSIONS (continued)

The market value of the assets of the scheme at the date of valuation was £126.2 million. On an ongoing basis, there was a surplus in the fund which is being used to reduce employer's contributions from 15.4% to nil for eleven years commencing 1st June 1994.

6. PARENT UNDERTAKINGS AND ULTIMATE PARENT COMPANY

Barclays Bank PLC is the parent undertaking of the smallest group to consolidate the financial statements of Barclays Mercantile Limited.

Barclays PLC is the ultimate parent undertaking of the largest group to consolidate the same financial statements and is the ultimate controlling party.

Copies of the financial statements of Barclays PLC and Barclays Bank PLC may be obtained from the Company Secretary, Barclays Bank PLC, 54 Lombard Street, London, EC3P 3AH.

7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Opening shareholders' fund	39,318	37,740
Profit for financial year	1,874	1,578
	-----	-----
Closing shareholders' funds	<u>41,192</u>	<u>39,318</u>