

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2006

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BARCLAYS LIFE ASSURANCE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

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BARCLAYS LIFE ASSURANCE COMPANY LIMITED

DIRECTORS AND OFFICERS

Directors

I G G Balls (Managing Director)
K V Smithson
N H Taylor (Non-Executive Director)
R Thomas

Company Secretary

Barcosec Limited

Registered Office

1 Churchill Place
London
E14 5HP

Auditors

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2006

The Directors present their report together with the audited financial statements for the year ended 30 November 2006.

Principal Activity

The Directors consider the financial position at the end of the year to be satisfactory. The principal activities of the Company are the underwriting of life and pensions policies. The Company ceased to seek new customers from 1 August 2001. Existing customers of the Company are able to make contributions to their policies, which will continue to be managed on their behalf.

Business Review:

Results & Performance

The results set out in pages 9 to 12, show a loss on ordinary activities before tax of £19,146,000 (2005 - loss of £5,120,000). The performance of the company during 2006 is in line with expectations. The business is closed to new business. In February 2006, the migration of Barclays Life policies to an outsourced policyholder system was completed. All policyholder administration is now processed on one system.

Business Environment

Pensions simplification ('A Day') has had the impact of increasing annuity premiums received. Barclays Life is working to ensure that FSA guidance on treating customers fairly is applied continuously.

Strategy

Barclays Life's success is dependent on efficiently managing the business in force, delivering excellent value to customers.

Principal Risks & Uncertainties

The process of risk management is addressed through a framework of policies, procedures and internal control. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority and an executive management team fulfills an important oversight role in this regard. The management is responsible for satisfying itself that a proper internal control framework exists to manage all risks and that the controls operate effectively.

Barclays Life has developed a framework for identifying the risks that each business sector and the company as a whole, is exposed to and their impact on economic capital. The process is risk based and uses Individual Capital Assessment principles to manage the capital requirements and to ensure sufficient capital is held to meet the requirements of policyholders and regulators.

The principal risks from our life insurance business arise from not being able to pay our obligations to policyholders as they fall due. Market and other risks, relating to the performance of those financial assets supporting our policyholder liabilities, are monitored by our investment committee on a continuous basis.

Future Outlook

Barclays Life is well positioned to meet its future liabilities to policyholders and shareholders. Meeting the needs of our clients is of paramount importance and we will aim to achieve high levels of service at all times.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2006 (continued)

Key Performance Indicators

The Board monitors progress of the company by reference to the following KPI's:

	2006 £millions	2005 £millions
Gross Premiums	387.1	349.6
Gross Claims Paid	(607.1)	(580.7)
Total Investment Income Net of Investment Costs	750.7	973.6
Policyholder Funds Under Management	6,311.8	5,938.5

Results and dividends

During the year the Company made a loss of £13,402,000, (2005: loss of £7,006,000). The directors do not recommend the payment of a final dividend (2005: £nil).

Directors

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

I G G Balls	
R Greenshields	(resigned 06 April 2006)
J P Hine	(resigned 26 January 2006)
K V Smithson	
N H Taylor	
R Thomas	(appointed 18 October 2006)

Directors' Interests in Shares (as defined by section 325 of the Companies Act 1985)

The Directors have no interests in the shares of the Company. N H Taylor has no interests in the ordinary shares of Barclays PLC, the ultimate holding company. The remaining Directors' interests in the ordinary shares of Barclays PLC are shown below:-

Directors' interests in Barclays PLC ordinary shares of 25p each

	1 December 2005	30 November 2006
I G G Balls	19,279	19,666
R Thomas	-	118

Beneficial interests in the table above represent shares held by Directors, either directly or through a nominee, their spouses and children under eighteen. They include any interests held through the Barclays PLC Group Share Purchase Plan, details of which can be found in the financial statements of Barclays PLC.

In addition, at 30 November 2006 the Directors, together with senior executives of the Barclays Group, were potential beneficiaries in respect of a total of 169,541,957 Barclays PLC ordinary shares of 25p each (1 December 2005 149,044,415 ordinary shares of 25p each in Barclays PLC) held by the trustees of the Barclays Group Employees' Benefit Trusts.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2006 (continued)

Directors' interests in ordinary shares in Barclays PLC under option under open incentive schemes

	Number held as at 1 December 2005(a)	During the year			Number held as at 30 November 2006
		Granted	Exercised	Lapsed	
I G G Balls	4,163	-	-	-	4,163
K V Smithson	-	1,833	-	-	1,833
R Thomas	3,156	-	-	-	3,156

(a) or date appointed to the Board if later.

More information on these schemes can be found in the financial statements of Barclays PLC.

Directors' interests in shares in Barclays PLC under option under closed incentive schemes

Incentive Share Option Plan (ISOP)

	Number held as at 1 December 2005		During the year			Number held as at 30 November 2006	
			Granted	Exercised	Lapsed (b)		
	Target Award Shares	Maximum number over which potentially exercisable	Target Award Shares	Maximum number over which potentially exercisable		Target Award Shares	Maximum number over which potentially exercisable
I G G Balls							
EP	40,000	60,000	-	-	-	40,000	60,000
TSR	10,000	40,000	-	-	-	10,000	40,000
K V Smithson							
EP	-	-	-	-	-	-	-
TSR	36,000	144,000	-	-	-	36,000	144,000

The 2002 grant vested on 10 February 2005. The result of the Economic Profit (EP) performance against the target has resulted in the Target Award vesting. The result of the relative Total Shareholder Return (TSR) performance target against the comparative group of companies resulted in a vesting multiplier of one times the Target Award.

Under the ISOP, participants are granted options over Barclays PLC ordinary shares which are exercisable at the market price set at the time of grant. The number of shares over which options can be exercised depends upon the performance of Barclays PLC.

More information on these schemes can be found in the financial statements of Barclays PLC.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2006 (continued)

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditors' Report set out on page 8, 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;

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new standards in the year;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm they have complied with the above requirements in preparing the financial statements.

The directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure 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 and detect fraud and other irregularities.

Creditors' payment policy

The Company's policy is to follow the DTI's Better Payment Practice Code, copies of which can be obtained from the Better Payment Practice Group's website at www.payontime.co.uk. The code states that a company should have a clear, consistent policy adhered to by the finance and purchasing departments, to settle bills in accordance with payment terms agreed with suppliers, dealing quickly with complaints and advising suppliers of disputes. Trade creditor payment days calculated in accordance with paragraph 12(3) of Schedule 7 of the Companies Act 1985 is separately disclosed in Barclays PLC Group Accounts.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that:

- 1) so far as each of them is aware, there is no information relevant to the audit of the Company's consolidated financial statements for the year ended 30 November 2006 of which the auditors are unaware; and
- 2) the director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

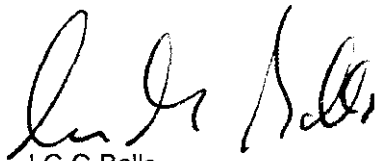
BARCLAYS LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2006 (continued)

Auditors

On 30 April 1999 an Elective Resolution was passed by the shareholders of the Company pursuant to section 386 of the Companies Act 1985 to dispense with the obligations to re-appoint the auditors annually. PricewaterhouseCoopers LLP have signified their willingness to continue in office.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'I G G Balls', is written over the printed name and title.

I G G Balls
Managing Director

20 February 2007

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS LIFE ASSURANCE COMPANY LIMITED

We have audited the financial statements of Barclays Life Assurance Company Limited for the year ended 30 November 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

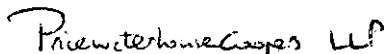
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2006 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

20 February 2007

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 NOVEMBER 2006

Technical Account - Long Term Business

	Notes	2006 £000	2005 £000
Earned premiums, net of reinsurance			
Gross premiums written	2	387,094	349,642
Outward reinsurance premiums	9	(143,698)	(163,895)
		<u>243,396</u>	<u>185,747</u>
Investment income (including realised gains)	3	459,112	375,380
Unrealised gains on investments	3	295,504	601,655
Other technical income, net of reinsurance		15,637	19,740
		<u>1,013,649</u>	<u>1,182,522</u>
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		(607,111)	(580,708)
- reinsurers' share	9	39,068	38,083
		<u>(568,043)</u>	<u>(542,625)</u>
Change in the provision for claims			
- gross amount		1,194	(135)
- reinsurers' share		(593)	(74)
		<u>601</u>	<u>(209)</u>
		<u>(567,442)</u>	<u>(542,834)</u>
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
- gross amount		(79,314)	(50,514)
- reinsurers' share		(7,055)	(24,043)
		<u>(86,369)</u>	<u>(74,557)</u>
Other technical provisions, net of reinsurance			
- technical provisions for linked liabilities, gross		(335,536)	(540,169)
- technical provisions for linked liabilities, reinsurers share		3,696	868
		<u>(331,840)</u>	<u>(539,301)</u>
		<u>(418,209)</u>	<u>(613,858)</u>
Net operating expenses	4	(28,137)	(31,492)
Investment expenses and charges	3	(3,951)	(3,481)
Tax attributable to the long term business	8	(11,415)	(679)
		<u>(43,503)</u>	<u>(35,652)</u>
Balance on the technical account – long term business		<u>(15,505)</u>	<u>(9,822)</u>

All of the amounts above are in respect of continuing operations.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 NOVEMBER 2006

Non-Technical Account

	Notes	2006 £000	2005 £000
Balance on the long term business technical account		(15,505)	(9,822)
Tax credit/(charge) attributable to balance on the long term business technical account	8	<u>(6,645)</u>	<u>679</u>
Shareholders' pre-tax loss from long term business		(22,150)	(9,143)
Investment Income (including realised gains)	3	3,433	3,172
Unrealised (losses)/gains on investments	3	<u>(429)</u>	<u>851</u>
Loss on ordinary activities before tax		<u>(19,146)</u>	<u>(5,120)</u>
Tax on ordinary activities	8	5,744	(1,886)
Loss for the financial year	15, 16	<u><u>(13,402)</u></u>	<u><u>(7,006)</u></u>

All recognised gains and losses are dealt with in the Profit and Loss account.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

BALANCE SHEET AS AT 30 NOVEMBER 2006

Assets

	Notes	2006 £000	2005 £000
Investments			
Investments in Group undertakings and participating interests	10	7,763	7,745
Other financial investments	11	1,051,433	1,000,901
		<u>1,059,196</u>	<u>1,008,646</u>
Assets held to cover linked liabilities	12	5,260,194	4,937,640
Reinsurers' share of technical provisions			
Long term business provision		67,544	74,599
Claims outstanding		1,194	1,787
Technical provisions for unit-linked liabilities	12	696,022	692,326
		<u>764,760</u>	<u>768,712</u>
Debtors			
Other debtors		24,439	13,030
Amount due from group undertaking		1,312	280
		<u>25,751</u>	<u>13,310</u>
Other assets			
Cash at bank and in hand	13	113,947	122,917
Prepayments and accrued income			
Accrued interest and rent		12,580	11,830
Total assets		<u>7,236,428</u>	<u>6,863,055</u>

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

BALANCE SHEET AS AT 30 NOVEMBER 2006

Liabilities

	Notes	2006 £000	2005 £000
Capital and reserves			
Called up share capital	14	30,000	30,000
Profit and loss account	15	96,850	110,252
Equity Shareholders' funds	16	126,850	140,252
Technical provisions			
Long term business provision		940,579	856,447
Claims outstanding		4,266	5,460
		944,845	861,907
Technical provisions for linked liabilities	12	5,926,348	5,595,628
Provision for other risks and charges			
Provision for taxation	19	60,900	52,600
Creditors			
Bank overdrafts		944	8,539
Creditors arising out of reinsurance operations		88,254	103,298
Other creditors: group undertakings		1,718	9,152
Other creditors including taxation and social security	18	82,688	84,358
		173,604	205,347
Accruals and deferred income		3,881	7,321
Total liabilities		<u>7,236,428</u>	<u>6,863,055</u>

The Board of directors approved the financial statements on pages 9 to 26 on 20 February 2007.



I G G Balls
Managing Director



K V Smithson
Director

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with the provisions of Section 255, and Schedule 9A to the Companies Act 1985. The financial statements have been prepared in accordance with applicable accounting standards and with the Association of British Insurers' Statement of Recommended Practice on Accounting for Insurance Business ("ABI SORP - 2005") dated December 2005.

Compliance with Statement of Standard Accounting Practice ("SSAP") 19 - Accounting for Investment Properties requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the accounting policy note below relating to investments.

The Company's results are consolidated within Barclays PLC. Accordingly, the Company has elected not to provide a Cash Flow Statement in accordance with Financial Reporting Standard 1 ("FRS") (revised 1996), Cash Flow Statement.

In accordance with FRS 8 the Company has not disclosed details of transactions with entities that are part of the group or investees of the group qualifying as related parties since 100 per cent of its voting rights are controlled within the group and the company is included as a subsidiary undertaking in the consolidated financial statements of its ultimate parent undertaking, Barclays PLC. Barclays PLC controls the Company.

Premiums

Premiums for unit linked business are accounted for when the policy liability is established. Other premiums, including reinsurance premiums are accounted for when due for payment.

Claims

Deaths and surrenders are accounted for when notified, maturities on the policy maturity date and regular withdrawals when due. Annuities are accounted for on payment date.

Claims payable includes related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same financial year as the related claim.

Long-term reinsurance contracts

Long-term business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, morbidity, investment, persistency and expenses. Such contracts are accounted for as insurance contracts.

Investments

Listed investments, unlisted investments and properties to which the benefits of policies are linked are valued at market values. Other listed securities are included in the balance sheet at their bid market value. Investments in subsidiary undertakings are included at their net asset value.

Under the Companies Act 1985 land and buildings are required to be depreciated over their expected useful economic lives. In respect of investment properties, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19 that no depreciation should be provided in respect of such investments. The directors consider that to depreciate the investment properties would not give a true and fair view and accordingly the provisions of SSAP 19 have been adopted. Depreciation is only one of the factors reflected in the annual valuations, and the amounts, which might otherwise have been shown, cannot reasonably be separately identified or quantified.

Investment Return

Investment return comprises, investment income, including dividends, interest, rents, gains and losses on the realisation of investments and related expenses, and movements in unrealised gains and losses.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES (continued)

Investment Return (continued)

Dividends are included as investment income on the date that the shares are quoted ex dividend. Interest, rents and expenses are accounted for on an accruals basis.

Policyholder fund investment income and expenses are dealt with through the technical account, whilst shareholder fund investment income and expenses are dealt with through the non-technical account.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and their original cost.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Unrealised gains and losses on policyholder fund investments are dealt with through the technical account. Unrealised gains and losses on shareholder fund investments are dealt with through the non-technical account.

Long-term Business Provision

The long-term business provision is determined by the Company's Directors following the annual investigation of the long term business and is calculated initially on a statutory solvency basis to comply with the reporting requirements under the Prudential Sourcebook for Insurers. The statutory solvency basis of valuation is then modified to remove certain contingency and other reserves required by Insurance Company regulations. The long-term business provision has been calculated using a cash flow method for unit-linked policies and the gross premium method for conventional policies.

Taxation

Current tax expense is charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year. To the extent that losses of an individual UK company are not offset in any one-year they can be carried back for one year, or carried forward indefinitely, to be offset against profits arising from the same company.

Deferred tax assets and liabilities are recognised in accordance with the provisions of FRS 19, issued in December 2000. The Company has chosen to apply the option available under FRS 19 of recognising such assets and liabilities on a discounted basis to reflect the time value of money. Except as set out in FRS 19, deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax on changes in the fair value of investments is recognised in the profit and loss account. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is calculated at the rates at which it is expected that the tax will arise and discounted to take into account the likely timing of payments and the pattern of the expected realisation on investments. The discount rates used are the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets or liabilities. Deferred tax is recognised in the profit and loss account for the period.

Different tax rules apply under UK law depending upon whether the business is life insurance or pension business. Tax on the life insurance business is based on investment returns less expenses attributable to that business. Tax on the pension business is based on the shareholders' profits or losses attributable to that business. The shareholders' portion of the long-term business is taxed at the shareholders' rate with the remaining portion taxed at rates applicable to the policyholders.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES (continued)

Taxation (continued)

The balance of the long-term business technical account is net of the total tax attributable to the long-term business. In order to present the profit on long-term insurance activities in the non-technical account on a pre-tax basis, where appropriate a tax credit attributable to the shareholders' portion of the tax provision for long-term business, calculated at the effective tax rate (where appropriate on a long-term basis) of the underlying business, is added. This shareholder tax add-back is then included in the tax expense on the profit on ordinary activities within the non-technical account. Further details are provided in note 8.

Retirement Benefits

The Company is a contributor to the Barclays Bank UK Retirement Fund ('UKRF'), which contains a defined benefit scheme. The UKRF is a group scheme, details of which are given in the financial statements of Barclays Bank PLC. The fund is valued every three years by a professionally qualified independent actuary, using the projected unit method. Costs are not determined for each individual company and hence contributions are charged in the Long Term Business Technical Account in the financial year in which they become payable.

Foreign Currency

Trading results denominated in foreign currencies are translated into sterling at average rates of exchange during the year. Assets and liabilities are translated at the exchange rate ruling at the financial year-end except where rates of exchange are fixed under contractual arrangements. Exchange differences are taken to the profit and loss account as they arise.

Financial Reporting Standard 27

The UK Accounting Standards Board requires certain capital disclosures to be made in accordance with the Financial Reporting Standard 27, Life Assurance (FRS27). The purpose of the capital statement is to set out the financial strength of the entity and to provide an analysis of the disposition and regulatory requirements. The disclosures required by FRS 27 are set out in Note 1 to the Financial Statements.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Management of Insurance Risk

Capital management

Barclays Life maintains an efficient capital structure of equity shareholders' funds consistent with the regulatory and market requirements of its business.

In reporting our financial strength, capital and solvency is measured using the regulations prescribed by the Financial Services Authority (FSA). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the company.

Capital management policies and objectives

The company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business,
- to satisfy the requirements of its policyholders and regulators
- to retain financial flexibility by maintaining strong liquidity

Restrictions on available capital resources

Barclays Life is required to hold sufficient capital to meet the FSA's capital requirements. Account is also taken of the Individual Capital Assessment which considers certain business risks not reflected in the statutory basis. For non-participating business, the capital requirement is calculated on the statutory basis, which is based on EU Directives.

The available capital is subject to certain restrictions as to its availability to meet capital requirements. In particular, no transfers from long-term funds can take place without an up to date actuarial valuation.

The capital held within the shareholders' funds is generally available to meet any requirements. The company's total available capital resources are £148.9m (2005: £155.1m) of which £145.8m (2005:£145.8m) is held by the insurance funds. The capital held by the insurance business is constrained by regulatory requirements. This means it may not be possible for the capital to be used to provide funding for other businesses. The capital statement also provides a reconciliation of shareholders' funds to regulatory capital.

The analysis below sets out the company's available capital resources.

Available capital resources

	Life Business Share-holder Funds 2006 £m	Total Life business 2006 £m
Total Shareholders' funds	126.8	126.8
Adjustment onto regulatory basis:		
Adjustment to asset	-	-
Internal loans	22.1	22.1
Total available capital resources	148.9	148.9

Other sources of capital include a contingent loan arranged, entered into with Barclays Reinsurance Dublin Ltd.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For a UK non-profit business, the relevant capital requirement is the minimum solvency requirement determined in accordance with FSA regulations.

Analysis of movement of capital resources

	Other £m 2006	Total £m 2006
Opening available capital resources	155.1	155.1
Effect of investment variations	(13.4)	(13.4)
Other factors (see note below)	7.2	7.2
Closing available capital resources	148.9	148.9

A contingent loan arrangement under an agreement entered into with Barclays Reinsurance Dublin Ltd has increased by £7.2m during the year.

Capital resource sensitivities

The capital position is sensitive to changes in market conditions, due to both changes in the value of the assets and the effect that changes in investment conditions may have on the value of the liabilities. It is also sensitive to assumptions and experience relating to mortality and morbidity and, to a lesser extent, expenses and persistency.

- mortality risk in relation to annuity business, which would arise if the mortality of annuitants was higher or lower than the assumptions used for reserving;
- market risk in relation to annuity business, which would arise if the return from the fixed interest investments supporting this business were lower than that assumed for reserving; and
- mortality risk in relation to term assurance business, which would arise if mortality of the lives insured were heavier than that assumed.

The timing of any impact on capital would depend on the interaction of past experience and assumptions about future experience. In general, if experience had deteriorated or was expected to deteriorate and management actions were not expected to reduce the future impact, then assumptions relating to future experience would be changed to reflect it. In this way, liabilities would be increased to anticipate the future impact of the experience with immediate impact on the capital position. Example of possible management actions include changes to the charging for mortality and morbidity in certain contracts.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SEGMENTAL ANALYSIS

Gross premiums written (all direct individual business)

	Regular premiums		Single premiums	
	2006	2005	2006	2005
	£000	£000	£000	£000
Non-participating:				
Life	45,998	48,720	-	-
Annuity	-	-	88,508	56,312
Pensions	972	808	-	-
	<u>46,970</u>	<u>49,528</u>	<u>88,508</u>	<u>56,312</u>
Linked:				
Life	96,963	113,865	-	-
Pensions	74,655	82,941	79,998	46,996
	<u>171,618</u>	<u>196,806</u>	<u>79,998</u>	<u>46,996</u>
	<u>218,588</u>	<u>246,334</u>	<u>168,506</u>	<u>103,308</u>

Gross new business premiums (all direct individual business)

	Regular premiums		Single premiums	
	2006	2005	2006	2005
	£000	£000	£000	£000
Non-participating:				
Life	-	-	-	-
Annuity	-	-	88,508	56,312
Pensions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>88,508</u>	<u>56,312</u>
Linked:				
Life	-	-	-	-
Pensions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>88,508</u>	<u>56,312</u>

In classifying new business premiums the following basis of recognition is adopted:

- recurrent single premium annuity contracts are included in new business, single premiums.
- pensions vested into annuity contracts during the financial year are included as new annuity single premium business at the annuity purchase price.
- where regular premiums are received other than annually the reported regular new business premiums are on an annualised basis.

Assets attributable to the long-term business fund

Of the total amount of assets shown on page 11, £7,168,985,000 (2005: £6,798,616,000) was attributable to the long-term business fund.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Segmental Analysis (continued)

Geographical Analysis

All business is conducted in the UK.

Reinsurance balance

The reinsurance balance amounted to a debit to the long-term business technical account at 30 November 2006 of £108,580,874 (2005: £149,062,629).

3. INVESTMENT RETURN SUMMARY

Long term business technical account

	2006 £000	2005 £000
Investment Income:		
Income from land and buildings	8,736	8,956
Interest income from investments held with group undertaking	5,900	6,221
Income from other investments -listed	152,531	154,101
-other	56,851	29,971
Net realised gains on investment	235,094	176,131
	<u>459,112</u>	<u>375,380</u>
Investment expenses and charges:		
Investment management expenses, including interest	(3,951)	(3,481)
	<u>295,504</u>	<u>601,655</u>
Net unrealised gains on investments		
Net investment return included in the long term business Technical Account	<u>750,665</u>	<u>973,554</u>

Non-technical account

Investment Income:		
Income from other investments - listed	3,433	3,172
Net unrealised (losses)/gains on investments	(429)	851
	<u>3,004</u>	<u>4,023</u>
Net investment return included in the non-technical account		
	<u>753,669</u>	<u>977,577</u>

4. NET OPERATING EXPENSES

	2006 £000	2005 £000
Administrative expenses	(16,904)	(16,637)
Group expense recharge	(11,233)	(14,855)
	<u>(28,137)</u>	<u>(31,492)</u>

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. AUDITORS' REMUNERATION

The Company's audit fees and expenses amounted to £276,078 (2005: £256,855). Fees paid to the auditors for non-audit tax service of £164,066 (2005: £181,536).

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

STAFF COSTS

	2006 £000	2005 £000
Wages and salaries	1,215	1,557
Social security costs	100	104
Other pension costs	3	1
Total staff costs	<u>1,318</u>	<u>1,662</u>

Barclays Bank PLC employs all of the Company's staff. The amounts shown above are those staff costs that the Company reimbursed to Barclays Bank PLC.

The average number of employees for the financial year was 26 (2005: 26). The employees were involved in the management and central administration of the Company. The investment administration and management, actuarial and operational administration is carried out by third parties.

7. DIRECTORS' EMOLUMENTS

	2006 £000	2005 £000
For services as directors and other emoluments		
Paid by the Company	259	235
Recharged by Barclays Bank PLC	-	61
	<u>259</u>	<u>296</u>

The remuneration of the highest paid director was £259,000 (2005: £235,000) and accrued pension of £31,353 (2005: £28,211) for the financial year ended 30 November 2006. Four directors were accruing retirement benefits under defined benefit pension scheme operated by other Barclays Group Companies (2005: Three).

One director exercised options under the Barclays PLC Sharesave scheme and Long Term Incentive Schemes during 2006 (2005: none).

The aggregate emoluments of the highest paid Director were as follows:

	2006 £000	2005 £000
Aggregate emoluments and benefits under the long term incentive schemes	<u>259</u>	<u>235</u>

There were no loans during the financial year to directors or Officers of the Company or other transactions, arrangements and agreements which require disclosure in accordance with Schedule 6 of the Companies Act 1985 or FRS 8 'Related Party Transactions'.

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TAXATION

i) Profit and loss account tax (credit) / charge

The tax expense for certain long-term business operations is attributable to shareholders and policyholders. The shareholders' portion of tax is determined using the long-term effective tax rate of the underlying business applied to the profits transferred to the non-technical account. A summary of the tax expense attributable to the long-term business technical account and shareholders' profits in the non-technical account is shown below:

	Long-term business technical account		Non technical account	
	2006	2005	2006	2005
	£000	£000	£000	£000
(a) Current tax expense / (benefit)				
Current: UK Corporation Tax	-	(3,894)*	901	1,207
Foreign	3,115	1,973		
Total	<u>3,115</u>	<u>(1,921)</u>	<u>901</u>	<u>1,207</u>
Deferred Tax	8,300	2,600	-	-
	<u>11,415</u>	<u>679</u>	<u>901</u>	<u>1,207</u>

*A tax provision previously created in Woolwich Life was no longer required following agreement with the Inland Revenue.

(b) By category of tax expense / (benefit)

UK Corporation Tax	<u>3,115</u>	<u>(1,921)</u>	<u>901</u>	<u>1,207</u>
	<u>3,115</u>	<u>(1,921)</u>	<u>901</u>	<u>1,207</u>
Deferred Tax	8,300	2,600	-	-
Shareholder tax attributable to balance on the long-term business technical account	-	-	(6,645)	679
	<u>11,415</u>	<u>679</u>	<u>(5,744)</u>	<u>1,886</u>

(c) By source of profit / (losses)

	2006	2005
	£000	£000
Tax on operating profit (based on long-term investment returns)		
Long term business	(6,645)	679
General business and shareholders	901	1,207
Tax on profit on ordinary activities	<u>(5,744)</u>	<u>1,886</u>

(d) Factors affecting tax charge for financial year

The tax assessed in the financial year is lower than the standard rate of corporation tax in the UK and the differences are explained below.

The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the financial year for which the profits will be taxed.

	2006	2005
	£000	£000
Loss on ordinary activities before tax	<u>(19,146)</u>	<u>(5,120)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	5,744	1,536
Effects of:		
Unwinding discount on the deferred tax liability	-	(2,600)
Other adjustments to taxable profit	-	(822)
Current tax charge for the financial year	<u>5,744</u>	<u>(1,886)</u>

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. GROUP REINSURANCE ARRANGEMENTS

On 26 September 2003 the Company entered into a reinsurance agreement with its Irish reinsurance subsidiary, Barclays Reinsurance Dublin Limited (the "Reinsurer") and during 2004 some amendments were made to the agreement. Under the terms of the reinsurance agreement, the Reinsurer has reinsured certain unit-linked life technical liabilities of the Company amounting to £653m (2005 £653m). Under the amended agreement premiums will be paid annually to the Reinsurer. From 30 November 2004 a premium will be paid to the Reinsurer broadly equivalent to the surplus emerging at each year end. The Reinsurer will hold assets during the term of the reinsurance agreement, which correspond to the unit-linked technical liabilities that are reinsured under the reinsurance agreement. The Reinsurance agreement now provides for assets and liabilities to remain unchanged at £653m until claims become payable to enable the Company to meet policy liabilities.

In addition, the Reinsurer has also reinsured the mortality and morbidity risks relating to the unit-linked life and pensions policies of the Company after taking account of all other reinsurance of such risks. Mortality premiums and claims amounting to £31.4m (2005 £33.8m) and £19.4m (2005 £18.4m), in respect of this reinsurance agreement, have been reflected in the Technical Account for the period to 30 November 2006.

10. INVESTMENTS IN GROUP UNDERTAKINGS AND OTHER PARTICIPATING INVESTMENTS

	Carrying value		Cost	
	2006	2005	2006	2005
Investment in subsidiaries	£000	£000	£000	£000
At 1 December 2005	7,745	7,728	7,707	7,707
Unrealised gain	18	17	-	-
At 30 November 2006	<u>7,763</u>	<u>7,745</u>	<u>7,707</u>	<u>7,707</u>

The following investments, both of which are 100% directly owned, were held at 30 November 2006:

Company name	Country of registration or incorporation	Class of Shares
BLAC Limited	England	Ordinary (41.176%) Ordinary Redeemable (58.824%)
Barclays Reinsurance Dublin Limited	Ireland	Ordinary

The Company has taken the exemption provided under the section 229 of the Companies Act not to prepare consolidated financial statements.

11. OTHER FINANCIAL INVESTMENTS

	Carrying value		Cost	
	2006	2005	2006	2005
	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts				
Attributable to the long term business	180,285	201,774	222,766	196,171
Attributable to Shareholders	58,633	54,608	56,497	52,043
	<u>238,918</u>	<u>256,382</u>	<u>279,263</u>	<u>248,214</u>
Debt securities and other fixed income securities				
Attributable to the long term business	812,515	744,519	759,490	711,374
	<u>1,051,433</u>	<u>1,000,901</u>	<u>1,038,753</u>	<u>959,588</u>

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Carrying value is market value unless otherwise stated.

Included in the carrying value above are amounts in respect of listed investments as follows:

	2006 £000	2005 £000
Shares and other variable yield securities and units in unit trusts	238,918	256,382
Debt securities and other fixed income securities	812,515	744,519
	<u>1,051,433</u>	<u>1,000,901</u>

12. ASSETS HELD TO COVER LINKED LIABILITIES

	Carrying value		Cost	
	2006 £000	2005 £000	2006 £000	2005 £000
Other Assets held to cover linked liabilities	5,260,194	4,937,640	4,142,289	4,023,530
Total Assets Held	<u>5,260,194</u>	<u>4,937,640</u>	<u>4,142,289</u>	<u>4,023,530</u>

Linked assets differ from linked liabilities as detailed below:

	Carrying value	
	2006 £000	2005 £000
Linked Assets	5,260,194	4,937,640
Reassured Linked Liability	696,022	692,326
Other liabilities	(29,868)	(34,338)
Linked liabilities	<u>5,926,348</u>	<u>5,595,628</u>

13. CASH AT BANK AND IN HAND

	2006 £000	2005 £000
Deposits held with group undertaking	107,289	87,419
Deposits held with other credit institutions	6,658	35,498
	<u>113,947</u>	<u>122,917</u>

14. CALLED UP SHARE CAPITAL

	2006 £000	2005 £000
Authorised 40,000,000 ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>
Allotted and fully paid 30,000,000 ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>

15. PROFIT AND LOSS ACCOUNT

	2006 £000	2005 £000
Loss for the financial year	(13,402)	(7,006)
Balance at 1 December	<u>110,252</u>	<u>117,258</u>
Balance at 30 November	<u>96,850</u>	<u>110,252</u>

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £000	2005 £000
Loss for the financial year	(13,402)	(7,006)
Opening shareholders' funds	140,252	147,258
Closing shareholders' funds	<u>126,850</u>	<u>140,252</u>

17. LONG TERM BUSINESS PROVISION

- The long-term business provision has been calculated using a cash flow method for unit-linked policies and the gross premium method for conventional policies.
- The principal assumptions underlying the calculation, for conventional business, were as follows:

Class of Business	2006 Mortality	2005 Mortality	2006 Interest Rate %	2005 Interest Rate %
Life:				
Term Assurances	TM/TF80 Ult*	TM/TF80 Ult*	2.80	2.80
Guaranteed Growth Bond	A67/70 Ult	A67/70 Ult	3.50	3.00
Pension:				
Term Assurances	TM/TF80 Ult*	TM/TF80 Ult*	3.50	3.50
Annuities in Payment	See text below	See text below	3.75	3.75

- (*) with adjustment for AIDS
- In 2005 the annuitant mortality basis was 75% RMV/FV92 subject to the CMI17 improvement factors. In 2006 the annuitant mortality basis is 80% RMV/FV92 subject to the CMI17 improvement factors until 2006 but thereafter assuming the following mortality improvements
 - For males the average of the long and medium cohort improvement factors
 - And for females 75% of the average of the long and medium cohort improvement factors
 - Subject in each case to a 1% floor
- The life expectancies for a 65 year old male and female, under this and last years annuitant mortality assumptions, as at this years valuation date, were as follows
 - 23.0 and 25.7 under last years basis
 - 24.2 and 26.4 under this years basis
- iii. For linked business, the unit liability was based on the value of units at bid price. The principal assumptions underlying the calculation of the non-unit liability were as follows:

Economic Assumptions

Class of Business	2006 Interest Rate %	2006 Inflation Rate %	2006 Unit Growth Rate before charges	2005 Interest Rate %	2005 Inflation Rate %	2005 Unit Growth Rate before charges
Life	3.00	5.50	5.25	3.00	5.50	5.25
Pensions	3.75	5.50	5.75	3.75	5.50	5.75

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Permanent health business claims in payment were valued using a disability termination table – (CMIR12 adjusted for the duration of claim).

iv. Deferred Tax

Future anticipated tax cash flows are included in the actuarial calculation and are discounted at the interest rate applicable to the appropriate business.

v. Significant Assumptions

Long term insurance provisions, together with related reinsurance recoveries, are established on the basis of current information and are subject to subsequent reassessment as changes to underlying factors occur. The results are particularly sensitive to the levels of future mortality (including the incidence of critical illnesses) and investment returns.

In the case of assured life business, including that which offers critical illness benefits, a worsening in mortality experience leads to increased claim levels and hence reduced profit. For annuity contracts the risk is that policyholders live longer than expected. Assured life business is subject to reinsurance which mitigates the risk. Annuity contracts are not generally reassured.

Calculation of technical provisions for conventional business and sterling reserves on unit linked business requires assumptions on the required rate of return on the company's investments. Profits will be reduced if long term investment returns are lower than those assumed.

Changes to valuation interest rates for conventional business and sterling reserves on unit linked business result from changes to the yield on the backing assets measured on a regulatory basis. The company matches assets and liabilities by duration, and whilst changes in liabilities are therefore broadly matched by similar changes to asset values the use of the regulatory basis for determining the valuation interest rate may also influence reported profit.

18. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2006 £000	2005 £000
Due within one year		
Corporation tax payable	3,367	2,466
Accrued expenses	7,463	11,159
Outstanding claims	29,920	38,845
Other creditors	41,938	31,888
Payable within one year	<u>82,688</u>	<u>84,358</u>

19. PROVISION FOR OTHER RISKS AND CHANGES

	2006 £000	2005 £000
Balance at 1 December	52,600	50,000
Charges for the year	8,300	2,600
Balance at 30 November	<u>60,900</u>	<u>52,600</u>

BARCLAYS LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

The potential liability for deferred tax provided in the financial statements is as follows:

	2006 £000	2005 £000
Deferred tax in respect of reinsured liabilities	146,700	146,700
Undiscounted provision for Deferred tax	146,700	146,700
Discount	(85,800)	(94,100)
Balance at 30 November	60,900	52,600

There are deferred tax assets not recognised in the accounts in respect of:

- Pension business losses of £300m (tax value £60m) since insufficient future profits are expected to arise allowing these losses to be utilised.
- Capital losses of £62m (tax value £12m) which are only available for offset against specific asset disposals and we cannot be certain they are available until appropriate disposals are identified.

20. ENDOWMENTS

Under the terms of an agreement with Barclays Bank PLC, the Company is reimbursed for the costs of administration and redress payments to policyholders in respect of endowment mortgage policies.

21. ULTIMATE HOLDING COMPANY

The parent Company of the smallest group that presents group accounts is Barclays Bank PLC. The ultimate holding Company and controlling party is Barclays PLC which is the parent company of the largest group that presents group accounts. Both companies are incorporated in Great Britain and registered in England and Wales. Barclays Bank PLC's and Barclays PLC's statutory accounts are available from the Group Corporate Secretariat, 1 Churchill Place, London, E14 5HP.