

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

Annual Report and Financial Statements
For the 11 month period ended 30 November 2001

REGISTERED NUMBER: 151731



WOOLWICH LIFE ASSURANCE COMPANY LIMITED

Annual Report and Financial Statements

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WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS AND OFFICERS

Directors

J P Hine
I G G Balls
C O Milson
R Coatesworth
I W Poston
D Holcroft

Appointed Actuary

Robert Coatesworth

Company Secretary

Barcosec Limited

Registered Office

Watling Street
Bexleyheath
Kent
DA6 7RR

Auditors

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT

For the 11 month period ended 30 November 2001

The Directors are pleased to present their annual report and audited financial statements for the 11 months ended 30 November 2001.

Review of business

The Company's principal activities are the marketing and underwriting of life assurance and pensions policies. The Directors consider the financial position at the end of the period to be satisfactory. Woolwich Life ceased to seek new customers through Woolwich plc retail outlets from 1 October 2001. Existing customers of Woolwich Life will continue to be able to make contributions to their Woolwich Life policies which will continue to be managed on their behalf.

Change of the financial year

The company changed its financial year to 30 November, during the current period. Accordingly 2001 financial information is in respect of the eleven months to that date. 2000 financial information is for the twelve months ended 31 December 2000.

Results, dividends and transfers to reserves

The results for the period are set out on pages 7 to 10. During the period the Company made a profit of £95,096,000 (2000: £29,466,000).

Post balance sheet events

The company declared a dividend of £140,000,000 after the end of the financial period.

Directors

The Directors of the Company during the period were:

J P Hine (appointed 20 June 2001)
I G G Balls (appointed 20 June 2001)
C O Milson (appointed 20 June 2001)
R Coatesworth (Appointed Actuary)
I W Poston
D Holcroft

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

No Director had an interest in the shares of the Company at any time during the period.

The share interests of the Directors of the Company at the period end and at the beginning of the period in the share capital of Barclays PLC are set out below:

	1 January 2001 (or date of appointment if later)	30 November 2001
R Coatesworth	-	-
D Holcroft	267	267
I W Poston	280	699
J P Hine	1,839	1,839
I G G Balls	3,473	3,473
C O Milson	2,409	3,134

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT

For the 11 month period ended 30 November 2001

Directors' Interests in Share Options and Allocations

Details of options to subscribe for ordinary shares and allocations of shares in Barclays PLC made to Directors of the Company during 2001 are set out below:

	At 1 Jan 2001	No. of Options		At 30 Nov 2001	Exercise Price £	Date from which exercisable	Expiry Date	
		Granted in 2001	Exercised in 2001					
IGG Balls	315	-	-	315	12.35	01.11.01	30.04.02	SS
	459	-	-	459	12.64	01.11.03	30.04.04	
	-	235	-	235	16.47	01.11.04	30.04.05	
RC Coatesworth	2,831	-	2,831	-	15.42	28.04.01	27.04.08	ESOP
	2,584	-	-	2,584	16.90	25.03.02	24.03.09	
	11,786	-	-	11,786	15.38	14.12.02	13.12.09	
	3,441	-	-	3,441	13.17	17.02.03	16.02.10	
	1,397	-	-	1,397	12.34	01.07.03	31.12.03	SS
JP Hine	2,500	-	-	2,500	15.90	14.08.01	13.08.08	ESOS
	5000	-	-	5,000	17.82	06.09.02	05.09.09	
	789	-	789	-	12.35	-	-	SS
	-	588	-	588	16.47	01.11.04	30.04.05	
D Holcroft	2,916	-	-	2,916	15.42	28.04.01	27.04.08	ESOP
	3,322	-	-	3,322	16.90	25.03.02	24.03.09	
	18,256	-	-	18,256	15.38	14.12.02	13.12.09	
	5,808	-	-	5,808	13.17	17.02.03	16.02.10	
	1,397	-	-	1,397	12.34	01.07.03	31.12.03	SS
CO Milson	2,500	-	-	2,500	15.90	14.08.01	13.08.08	ESOP
	2,500	-	-	2,500	17.82	06.09.02	05.09.09	
	1,125	-	1,125	-	7.97	-	-	SS
	217	-	-	217	12.67	01.11.02	30.04.03	
	167	-	-	167	12.35	01.11.03	30.04.04	
	137	-	-	137	14.26	01.11.04	30.04.05	
	64	-	-	64	12.64	01.11.03	30.04.04	
	-	305	-	305	16.47	01.11.04	30.04.05	
IW Poston	3,888	-	-	3,888	15.42	28.04.01	27.04.08	ESOP
	4,038	-	-	4,038	16.90	25.03.02	24.03.09	
	30,232	-	-	30,232	15.38	14.12.02	13.12.09	
	10,819	-	-	10,819	13.17	17.02.03	16.02.10	
	1,397	-	-	1,397	12.34	01.07.03	31.12.03	SS

ESOS = Options granted under the Barclays PLC Executive Share Option Scheme

SS = Options granted under the Barclays PLC SAYE Share Option Scheme and the Woolwich sharesave scheme

ESOP = Options granted under the Woolwich plc 1998 Woolwich Executive Share Option Plan

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT

For the 11 month period ended 30 November 2001

Shares under option under ISOP ^(a)

Under the Barclays PLC Incentive Share Option Plan (ISOP), participants are granted options over Barclays PLC ordinary shares which are exercisable at the market price set at the time of grant, dependent on Barclays performance against set performance targets. Performance targets are based on the growth in Group Economic Profit (EP) and for the most senior participants awards above a threshold are also subject to a tougher performance measure based on Total Shareholder Return (TSR) measured against the TSR of a financial services peer group. For the ISOP, EP is a measure based on profit after tax and minority interests less a charge for the cost of average shareholders' funds.

	At 1 Jan 2001		Granted in 2001		At 30 Nov 2001				
	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	Exercise price per share £	Date from which exercisable	Expiry date
IGG Balls									
EP	2,500	5,000	-	-	2,500	5,000	15.63	17.05.03	16.05.10
EP	-	-	2,500	5,000	2,500	5,000	21.36	12.03.04	11.03.11
RC Coatesworth									
EP	-	-	1,000	2,000	1,000	2,000	21.36	12.03.04	11.03.11
JP Hine									
EP	5,000	10,000	-	-	5,000	10,000	15.63	17.05.03	16.05.10
EP	-	-	5,000	10,000	5,000	10,000	21.36	12.03.04	11.03.11
D Holcroft									
EP	-	-	4,500	9,000	4,500	9,000	21.36	12.03.04	11.03.11
C Milson									
EP	3,000	6,000	-	-	3,000	6,000	15.63	17.05.03	16.05.10
EP	-	-	3,500	7,000	3,500	7,000	21.36	12.03.04	11.03.11
IW Poston									
EP	-	-	10,000	20,000	10,000	20,000	21.36	12.03.04	11.03.11
TSR	-	-	10,000	40,000	10,000	40,000	21.36	12.03.04	11.03.11

(a) No options either lapsed or were exercised during the period.

Creditors' payment policy

The Company's policy concerning the payment of creditors is to follow the CBI Prompt Payers' Code of Good Practice which 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 of disputes. Trade creditor payment days calculated in accordance with paragraph 12(3) of Schedule 7 of the Companies Act 1985 were 10 days at 30 November 2001 (2000: 39 days).

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT

For the 11 month period ended 30 November 2001

Holding Companies

The parent company of the smallest group that presents group financial statements is Woolwich plc. The ultimate holding company is Barclays PLC and copies of the group financial statements of Barclays PLC and Woolwich plc may be obtained from Group Corporate Secretariat, Barclays PLC, 54 Lombard Street, London EC3P 3AH. Both companies are incorporated in Great Britain and registered in England and Wales.

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 have signified their willingness to continue in office.

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditors' Report set out on page 6, 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 consider that in preparing the financial statements on Pages 7 to 22,

- 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, and
- that 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 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.

For and on behalf of the Board



Director

14 March 2002

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

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

We have audited the financial statements on pages 7 to 22, which have been prepared on the basis of the accounting policies set out on pages 11 to 13.

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

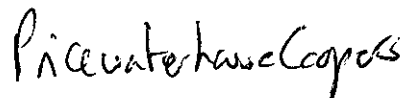
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 at 30 November 2001 and of its profit for the eleven month period 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
14 March 2002

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 11 MONTH PERIOD ENDED 30 NOVEMBER 2001

Technical Account - Long Term Business

	Notes	2001 £000	2000 (12 months) £000
Earned premiums, net of reinsurance			
Gross premiums written	1	92,852	148,197
Outward reinsurance premiums		(5,568)	(5,387)
		87,284	142,810
Investment income (including realised gains)	2	17,893	37,947
Other technical income, net of reinsurance-group undertakings	18	115,152	-
		220,329	180,757
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		(71,545)	(94,738)
- reinsurers' share		3,486	3,954
		(68,059)	(90,784)
Change in the provision for claims			
- gross amount		78	44
- reinsurers' share		161	(187)
		239	(143)
		(67,820)	(90,927)
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
- gross amount		15,430	58,345
		15,430	58,345
Other technical provisions, net of reinsurance			
- technical provisions for linked liabilities		20,041	(66,193)
		35,471	(7,848)
Net operating expenses	3	(33,991)	(12,306)
Investment expenses and charges	2	(3,137)	(846)
Unrealised losses on investments	2	(60,996)	(34,536)
Tax attributable to the long term business	6	4,333	(5,944)
		(93,791)	(53,632)
Balance on the technical account - long term business		94,189	28,350

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

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 11 MONTH PERIOD ENDED 30 NOVEMBER 2001

Non-Technical Account

	Notes	2001 £000	2000 (12 months) £000
Balance on the long term business technical account		94,189	28,350
Tax credit attributable to the balance on the long term Business technical account	6	(4,333)	5,944
Shareholders' pre-tax profit from long term business		89,856	34,294
Investment Income (including realised gains)	2	1,313	1,597
Other charges including value adjustments		(18)	(2)
Profit on ordinary activities before tax	4	91,151	35,889
Tax on ordinary activities	6	3,945	(6,423)
Profit for the financial period		95,096	29,466
Retained profit for the financial period		95,096	29,466

All the amounts above are in respect of continuing operations.

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

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

BALANCE SHEET AS AT 30 NOVEMBER 2001

Assets

		30 November 2001 £000	31 December 2000 £000
	Notes		
Investments			
Investments in Group undertakings and participating Interests	8	15,328	15,296
Other financial investments	9	263,949	156,333
		<u>279,277</u>	<u>171,629</u>
Assets held to cover linked liabilities	10	532,616	557,357
Reinsurers' share of technical provisions			
Claims outstanding		1,123	962
		<u>1,123</u>	<u>962</u>
Debtors			
Other debtors		118,737	8,381
		<u>118,737</u>	<u>8,381</u>
Other assets			
Tangible Assets	11	137	101
Cash at bank and in hand		1,577	1,939
		<u>1,714</u>	<u>2,040</u>
Prepayments and accrued income			
Accrued interest and rent		3,579	5,252
Deferred acquisition costs		-	23,428
Other prepayments and accrued income		29	62
		<u>3,608</u>	<u>28,742</u>
Total assets		<u>937,075</u>	<u>769,111</u>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

BALANCE SHEET AS AT 30 NOVEMBER 2001

Liabilities

	Notes	30 November 2001 £000	31 December 2000 £000
Capital and reserves			
Called up share capital	12	30,000	30,000
Profit and loss account	14	155,818	60,722
Equity Shareholders' funds	13	185,818	90,722
Technical provisions			
Long term business provision		98,059	113,489
Claims outstanding		2,281	2,359
		100,340	115,848
Technical provisions for linked liabilities		526,099	546,140
Provisions for other risks and charges	16	-	4,686
Creditors			
Creditors arising out of direct insurance operations	17	688	2,557
Other creditors: group undertakings	18	115,532	-
Other creditors including taxation and social security	19	8,598	9,158
		124,818	9,158
Total liabilities		937,075	769,111

The financial statements on pages 7 to 22 were approved by the Board of Directors on 14 March 2002.



J P Hine
Managing Director



I G G Balls
Director

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

ACCOUNTING POLICIES

Basis of accounting

The financial statements have been in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985. The financial statements have also been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers on 23 December 1998.

As the Company's financial statements are consolidated in the financial statements of Woolwich plc, the Company has taken advantage of the exemption clauses in Financial Reporting Standard 8 in respect of transactions with group companies, which are also related parties.

The Company's ultimate holding company has adopted the provisions of Financial Reporting Standard 1 ("FRS 1") revised 1996, Cash Flow Statements. Accordingly the Company, which is a wholly owned subsidiary of Woolwich plc, has elected to utilise the exemption provided in FRS 1 not to produce a cash flow statement.

Premiums

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

Investment income, expenses and charges.

Investment income, expenses and charges are included in the long term business technical account to the extent that they relate to long term business. Other investment income and expenses are included in the non-technical account.

Dividend income is accounted for when the shares are quoted ex-dividend and unit trust income is accounted for on a receivable basis.

Interest, expenses and charges are accounted for on an accruals basis.

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

Unrealised Gains and Losses on Investments

Unrealised gains and losses recorded in the profit and loss account represent the changes in value during the period of investments held at the balance sheet date and the reversal of changes in prior periods on investments disposed of in the period. Unrealised gains and losses are included in the long term business technical account to the extent that they relate to long term business. Other unrealised gains and losses are included in the non technical account.

Claims

Death claims, critical illness claims and surrenders are accounted for when notified and maturities are recognised when due for payment. Claims payable include the claims handling costs relating to settlement. Reinsurance recoveries are accounted for in the same period as the related claim.

Long Term Business Provision

The long term business provision is determined by the Appointed Actuary, following his annual investigation of the long term business and is calculated initially to comply with regulatory reporting requirements. A gross premium valuation method is used for all business with the

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

ACCOUNTING POLICIES

exception of unit linked contracts where the provisions are based on the market value of the related assets. The statutory solvency basis of valuation is then adjusted by eliminating the undistributed surplus determined by that valuation, general contingency reserves, certain reserves required under the insurance companies regulations and deferred acquisition costs allowed for in the valuation.

Acquisition costs and deferred acquisition costs.

Acquisition costs comprise direct and indirect costs relating to the obtaining and processing of new business.

Deferred acquisition costs relate to those costs incurred in acquiring insurance policies during a financial period but which relate to a subsequent financial period. These costs are deferred as an explicit asset which is amortised over the period in which they are recoverable out of future margins from the relevant policies.

Depreciation

Depreciation of tangible fixed assets is provided on a straight line basis at the following annual rates:

Office equipment	5 years
Computer equipment and software	4 years
Motor vehicles	4 years

Finance Leases

Assets acquired under finance leases are included within tangible assets and the corresponding commitments for future payments are included within creditors, net of future finance charges. Finance charges are accounted for on a systematic basis over the life of each lease.

Retirement Benefits

The Company is a contributor to the Barclays Bank PLC Pension Scheme which comprises a funded defined benefit scheme. 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 period in which they become payable.

Investments

All investments are stated at their current value as detailed below:

Debt securities, other fixed income securities and structured instruments are at middle market prices.

Listed investments are valued at the mid market value on the balance sheet date or on the last Stock Exchange trading day before the balance sheet date.

Unit Trusts are stated at the bid price.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

ACCOUNTING POLICIES

Taxation

Provision is made using the liability method for all material timing differences where it is probable that a tax payment or recovery will occur in the foreseeable future. Provision is made for deferred taxation in respect of timing differences between the treatment of certain items for taxation and accounting purposes.

Any transfer from the long term business technical account to the non technical account is grossed up at the effective rate of tax applicable to the period.

Deferred taxation in respect of deferred acquisition costs is separately disclosed under provisions for other risks and charges in note 16.

Contingent loan

Loans, together with the interest payable thereon, the repayments of which are contingent upon the emergence of margins generated from future premiums or other income, are classified and recognised as liabilities.

The present value of that part of the future margins, which are expected to finance the repayment, is recognised as an asset in the balance sheet and included in 'other debtors'.

Where the expected future margins will not be sufficient to cover the contingent loan repayments and the deferred acquisition costs, the deferred acquisition costs are reduced accordingly.

Foreign currency

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

Adoption of new accounting standards

There have been no significant changes in the accounting policies following the adoption in 2001 of FRS 18 'Accounting Policies' and FRS 17 'Retirement Benefits'.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENTAL ANALYSIS

Gross premiums written (all direct individual business)

	Regular premiums		Single premiums	
	2001	2000	2001	2000
	£000	£000	£000	£000
Non-participating:				
Life	17,672	15,875	16,731	63,384
Pensions	2,240	52	-	-
	<u>19,912</u>	<u>15,927</u>	<u>16,731</u>	<u>63,384</u>
Linked:				
Life	56,051	66,283	-	-
Pensions	43	2,228	115	375
	<u>56,094</u>	<u>68,511</u>	<u>115</u>	<u>375</u>
	<u>76,006</u>	<u>84,438</u>	<u>16,846</u>	<u>63,759</u>

Gross new business premiums (all direct individual business)

	Regular premiums		Single premiums	
	2001	2000	2001	2000
	£000	£000	£000	£000
Non-participating:				
Life	5,415	6,549	16,731	63,384
Pensions	3	27	-	-
	<u>5,418</u>	<u>6,576</u>	<u>16,731</u>	<u>63,384</u>
Linked:				
Life	-	661	-	-
Pensions	101	1,103	115	375
	<u>101</u>	<u>1,764</u>	<u>115</u>	<u>375</u>
	<u>5,519</u>	<u>8,340</u>	<u>16,846</u>	<u>63,759</u>

Assets attributable to the long term business fund

Of the total amount of assets shown on page 8, £765,516,000 (2000: £741,506,000) was attributable to the long term business fund.

Geographical Analysis

All business is conducted in the UK.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. INVESTMENT RETURN SUMMARY

Long term business technical account

	2001 £000	2000 £000
Investment Income:		
Income from other investments - listed	17,893	24,984
Net gains on the realisation of investments	-	12,963
	<u>17,893</u>	<u>37,947</u>
Investment expenses and charges:		
Investment management expenses, including interest	(791)	(846)
Net losses on the realisation of investments	(2,346)	-
	<u>(3,137)</u>	<u>(846)</u>
Net unrealised losses on investments	<u>(60,996)</u>	<u>(34,536)</u>
Net investment return included in the long term business Technical Account	<u>(46,240)</u>	<u>2,565</u>

Non-technical account

Investment Income:		
Income from other investments - other	1,313	1,597
Investment expenses and charges:		
Investment management expenses, including interest	(18)	(2)
Net investment return included in the non-technical account	<u>1,295</u>	<u>1,595</u>
Total investment return	<u>44,945</u>	<u>4,160</u>

3. NET OPERATING EXPENSES

	2001 £'000	2000 £'000
Acquisition costs	8,091	12,732
Change in deferred acquisition costs (refer to note 18)	23,428	(3,716)
Administrative expenses	3,857	4,298
Experience rebate	(1,386)	(1,008)
	<u>33,991</u>	<u>12,306</u>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2001 £'000	2000 £'000
Auditors' remuneration:		
Audit services	55	50
Non-audit services	18	26
Total auditors' remuneration	<u>73</u>	<u>76</u>
Depreciation of tangible fixed assets:		
Owned assets	48	19
Leased assets	10	16
Total depreciation charge	<u>58</u>	<u>35</u>
Wages and salaries	1,323	1,032
Social security costs	105	70
Other pension costs	168	82
Total staff costs	<u>1,596</u>	<u>1,184</u>

The average monthly numbers of employees during the period was 70 (2000: 17). The employees were involved in the management and central administration of the Company. The investment administration and management is carried out by a third party.

5. DIRECTORS' EMOLUMENTS

	2001 £000	2000 £000
For services as Directors and other emoluments		
Paid by the Company	126	184
Employer contribution to pension scheme	-	310
Sums paid to third parties for Directors services	-	5
	<u>126</u>	<u>499</u>

The remuneration of the highest paid Director was less than £200,000, with no accrued pension for the period to 30 November 2001 and 2000. Retirement benefits are accruing for three Directors under a defined benefit scheme at 30 November 2001 and three Directors at 31 December 2000.

There were no loans during the period 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'.

Information relating to the Directors' options is provided in the directors' report on pages 2 to 5.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION

	2001 £000	2000 £000
Long term business technical account		
UK Corporation Tax at 30% (2000: 30%)	353	5,200
Deferred tax	(4,686)	744
	<u>(4,333)</u>	<u>5,944</u>
Non-technical account		
UK Corporation Tax at 30% (2000: 30%)	388	479
Tax attributable to balance on long term business technical account	(4,333)	5,944
	<u>(3,945)</u>	<u>6,423</u>

7. PENSION COMMITMENTS

The Barclays Group provides pension benefits to employees in the UK through the Barclays Bank UK Retirement Fund ('UKRF'), which contains a defined benefit section. The UKRF is a group scheme, details of which are given in the financial statements of Barclays Bank PLC. Contributions to the group scheme amounted to £168,102 (2000: £82,588) and are based on pension costs across the Barclays Group as a whole. Since the company is unable to identify its share of the underlying assets and liabilities of the UKRF, under Financial Reporting Standard 17 (FRS 17), contributions to the scheme will be accounted for as if they were contributions to a defined contribution scheme. As at 31st December 2001, the UKRF had a surplus disclosed for FRS 17 purposes in the financial statements of Barclays Bank PLC.

8. INVESTMENTS IN GROUP UNDERTAKINGS AND OTHER PARTICIPATING INVESTMENTS

	Current value		Cost	
	2001 £000	2000 £000	2001 £000	2000 £000
Debt securities issued by Group undertakings	<u>15,328</u>	<u>15,296</u>	<u>15,000</u>	<u>15,000</u>

9. OTHER FINANCIAL INVESTMENTS

	Current value		Cost	
	2001 £000	2000 £000	2001 £000	2000 £000
Debt securities and other fixed				
Income securities	185,607	94,338	200,342	95,679
Deposits with credit institutions	78,342	61,995	78,342	61,995
	<u>263,949</u>	<u>156,333</u>	<u>278,684</u>	<u>172,012</u>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. ASSETS TO COVER LINKED LIABILITIES

	Current value		Cost	
	2001 £000	2000 £000	2001 £000	2000 £000
Assets held to cover linked liabilities	<u>532,616</u>	<u>557,357</u>	<u>539,717</u>	<u>504,201</u>

Linked assets exceed linked liabilities as detailed below:

	Current value	
	2001 £000	2000 £000
Linked Assets	532,616	557,357
Reserve for unrealised gains	(3,420)	(8,208)
Realised CGT	(2,391)	(2,453)
Other liabilities	-	(314)
Surplus assets	(706)	(242)
Linked liabilities	<u>526,099</u>	<u>546,140</u>

11. TANGIBLE FIXED ASSETS

	Equipment £000	Assets held under finance leases £000	Total £000
Cost			
At 1 January	148	96	244
Additions	119	-	119
Disposals	-	(34)	(34)
At 30 November	<u>267</u>	<u>62</u>	<u>330</u>
Accumulated depreciation			
At 1 January	122	21	143
Charge for the period	48	10	58
Disposals	-	(9)	(9)
At 30 November	<u>170</u>	<u>22</u>	<u>191</u>
Net book value			
At 30 November 2001	<u>97</u>	<u>40</u>	<u>137</u>
At 31 December 2000	<u>26</u>	<u>75</u>	<u>101</u>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. CALLED UP SHARE CAPITAL

	2001 £000	2000 £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>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £000	2000 £000
Profit for the period	95,096	29,466
Opening shareholders' funds	<u>90,722</u>	<u>61,256</u>
Closing shareholders' funds	<u>185,818</u>	<u>90,722</u>

14. PROFIT AND LOSS ACCOUNT

	Total £000
Retained profit for period	95,096
At 1 January 2001	<u>60,722</u>
At 30 November 2001	<u>155,818</u>

£15,237,000 of the above reserves is held within the long term fund as an unrealised surplus.

15. LONG TERM BUSINESS PROVISION

1. The long-term business provision has been calculated using a cash flow method for unit-linked policies and a gross premium method for conventional policies. The provision for conventional policies has been increased by the removal of the contribution for initial acquisition expenses.

2. The principal assumptions underlying the calculation, for conventional business, were as follows:

Class of Business	2001 Mortality	2001 Interest Rate %	2000 Mortality	2000 Interest Rate %
Term Assurances	A67/70 Ult*	3.00	A67/70 Ult*	3.00
Guaranteed Income Bond	A67/70 Ult	3.86	A67/70 Ult	5.01

* With adjustment for AIDS

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. 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	2001			2000		
	Interest Rate %	Inflation Rate %	Unit Price Growth Rate before charges And tax %	Interest Rate %	Inflation Rate %	Unit Price Growth Rate before Charges %
Life	4.00	5.00	6.00	4.00	5.00	6.00

Other Assumptions

Class of Business	2001		2000	
	Mortality Table	Expenses – Regular(£)	Mortality Table	Expenses – Regular(£)
Life	A67/70 Ult*	30.97	A67/70 Ult*	30.97

*With adjustment for AIDS

4. 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.

16. PROVISIONS FOR OTHER RISKS AND CHARGES

	2001 £'000	2000 £'000
Opening provision for deferred taxation relating to deferred acquisition costs	4,686	3,942
Increase/(decrease) to provision in period	(4,686)	744
Closing provision for deferred taxation relating to deferred acquisition costs	-	4,686

17. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2001 £000	2000 £000
Premiums received in advance	-	108
Commission payable to Group undertaking	163	737
Administration fee payable to third party administration	-	1,157
Amounts due to reinsurers	525	555
	<u>688</u>	<u>2,557</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. CONTINGENT LOAN

'Other creditors: group undertakings' includes an amount of £115,152,000 representing the Company's liability arising from a contingent loan agreement entered into with Barclays Bank PLC during the period. The terms of the loan and interest thereon, are that the repayment is contingent on the emergence of margins generated from future premiums or other income, that is, on sufficient surplus being available to meet the service and repayment of the loan.

The present value of that part of the future margins, which are expected to finance the repayment of the loan of £115,152,000 has been recognised as an asset in the balance sheet and included in 'other debtors'. This resulted in a corresponding amount of income being recognised as 'other technical income net of reinsurance - group undertakings' in the Technical Account.

The expected future margins are anticipated to not be sufficient to cover both the contingent loan repayments and support the recognition of the deferred acquisition costs. Therefore the deferred acquisition costs have been reduced which resulted in a charge to the Technical Account for the period of £23,428,000. The provision for deferred taxation of £4,686,000 relating to the deferred acquisition costs has accordingly been reduced to nil.

The loan bears interest at LIBOR plus 1.25%, and subject to the emergence of surplus is expected to be repaid by 2017. The first scheduled repayment is due 45 days after the end of the 2002 accounting period.

There is a remote possibility that the basis of taxation of the loan and its repayment will be challenged successfully by the taxation authorities.

19. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2001 £000	2000 £000
Due within one year		
Corporation tax payable	4,853	7,334
Other creditors	3,707	1,749
Obligations under finance leases	38	32
Payable within one year	<u>8,590</u>	<u>9,115</u>
Due after one year		
Obligations under finance leases between two and five years	8	43
Total Other Creditors	<u>8,598</u>	<u>9,158</u>
The maturity of obligations under finance leases is as follows:		
Within one year	30	32
In the second to fifth years	8	43
	<u>38</u>	<u>75</u>
Less: future finance charges	(8)	(25)
	<u>30</u>	<u>50</u>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. LEGAL AND GENERAL ALLIANCE

On 18 January 2001 Barclays Bank PLC and Legal and General Group PLC formed a strategic alliance under which Woolwich plc would, subject to regulatory approval, sell Legal and General branded life and pension products through its UK distribution network. As a result the Company ceased to seek new customers through Woolwich plc retail outlets from 1 October 2001. Existing customers of the Company will continue to be able to make contributions to their policies which will continue to be managed on their behalf.

21. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under the provisions of Financial Reporting Standard 8 ("FRS 8"), Related Party Disclosures not to disclose transactions with other group companies since the Company is a 100% owned subsidiary of Barclays Bank PLC, the consolidated financial statements of which are publicly available. During the period there have been no transactions with related parties other than group companies.

22. ULTIMATE HOLDING COMPANY

The parent undertaking of the smallest group that presents group accounts is Woolwich plc. The ultimate holding company and the parent company of the largest group that presents group accounts is Barclays PLC. Both companies are incorporated in Great Britain and registered in England and Wales. Barclays PLC's and Woolwich plc's statutory accounts are available from the Secretary, 54 Lombard Street, London EC3P 3AH. Woolwich plc holds 100% of the issued share capital. On 2 January 2001 Woolwich plc purchased the remaining 10% of the issued share capital of the Company from Royal & Sun Alliance plc.