BARCLAYS INSURANCE SERVICES COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

REGISTERED NUMBER: 00973765

BARCLAYS INSURANCE SERVICES COMPANY LIMITED
Directors' report and financial statements
For the year ended 31 December 2013

INDEX

BARCLAYS INSURANCE SERVICES COMPANY LIMITED
Directors' report
For the year ended 31 December 2013

The Directors present their annual report together with the audited financial statements of Barclays Insurance Services Company Limited ("the Company") for the year ended 31 December 2013.

Profits and dividends

During the year the Company made a profit after tax of £57,753,000 (2012: £52,739,000). Interim Dividends of £56,700,000 (2012: £51,000,000) were paid during the year as follows: £35,600,000 in September 2013 and £21,100,000 in December 2013 (2012: £7,000,000, £12,500,000, £24,500,000 and £7,000,000 were paid in January 2012, April 2012, October 2012 and December 2012 respectively).

At the forthcoming Board of Directors' meeting, an interim dividend of £18,200,000 to be paid to the immediate parent of the Company, Barclays Bank PLC will be proposed for approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved, will be accounted for in equity as an appropriation of accumulated profits in the financial year ending 31 December 2014.

There have been no other post balance sheet events for the year ended 31 December 2013

Directors

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

G Bennett
S Rossiter
P McNamara (resigned 30/04/2013)
M Carter (appointed 1/05/2013)
G Beecham (appointed 01/08/2013)

Going concern

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

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial instruments

Barclays financial risk management objectives and policies, which are followed by the Company, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in the note 'Financial Risks' on pages 25 to 28.

Directors' third party indemnities

Qualifying third-party indemnity provisions were in force during the course of the financial year ended 31 December 2013 for the benefit of the then Directors and at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may occur (or have occurred) in connection with their duties/powers of office.

Pillar 3 disclosures

In accordance with the rules of the Financial Conduct Authority, the Company's parent, Barclays Bank PLC has published information on its risk management objectives and policies and on its regulatory capital requirements and resources. This information is available at http://group.barclays.com/about-barclays/investor-relations/annual-reports.

Independent Auditors

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

Statement of disclosure of information to auditors

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

BY ORDER OF THE BOARD

Matt Carter

M Carter
Director
19 June 2014

Company number 00973765

BARCLAYS INSURANCE SERVICES COMPANY LIMITED
Strategic Report
For the year ended 31 December 2013

Review and principal Activities

The principal activity of the Company is the provision of general and life insurance services for Barclays Bank PLC. The Company does not hold client monies or directly underwrite general and life insurance policies.

Aviva provides the majority of the Company's distribution arrangements across various insurance products accounting for approximately 80% of the Company's total turnover this year (2012: 85%).

Business performance

The results of the Company show a profit before tax of £75,254,000 (2012: £69,863,000) for the year and total comprehensive income of £57,753,000 (2012: £52,739,000). Net cash inflow from operating activities for 2013 was £52,529,000 (2012: £45,860,000).

Future outlook

The Directors remain confident that we will maintain our current level of performance in the future.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Barclays PLC group ("the Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include: Capital and Liquidity risk, Wholesale and Retail credit risk, Market risk, Financial crime risk and Capital demand; are discussed in the Barclays PLC annual report which does not form part of this report.

The Company is exposed to an income concentration risk as it generates the majority of its turnover from AVIVA. This risk is mitigated through the long term contracts in place with AVIVA.

Key performance indicators

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

BY ORDER OF THE BOARD

M Carter
Director
19 June 2014

Company number 00973765

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS INSURANCE SERVICES COMPANY LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Barclays Insurance Services Company Limited, comprise

- balance sheet as at 31 December 2013;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an audit of financial statements involves

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS INSURANCE SERVICES COMPANY LIMITED

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

Alex Bertolotti
(Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 June 2014

BARCLAYS INSURANCE SERVICES COMPANY LIMITED
Income statement
For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Continuing operations			
Fees and commissions	4	76,466	75,492
Direct expenses		-	(764)
Gross profit		76,466	74,728
Administrative expenses		(1,459)	(5,036)
Operating profit		75,007	69,692
Finance income	5	247	171
Profit before tax	6	75,254	69,863
Tax	8	(17,501)	(17,124)
Profit for the financial year		57,753	52,739

Year ended 31 December 2013
Statement of comprehensive income

	2013 £000	2012 £000
Profit for the financial year	57,753	52,739
Total comprehensive income for the year	57,753	52,739

The accompanying notes on pages 11 to 29 form an integral part of the financial statements.

Registered Number: 00973765

BARCLAYS INSURANCE SERVICES COMPANY LIMITED
Balance sheet
As at 31 December 2013

	Note	2013 £000	2012 £000
ASSETS			
Non-current assets			
Deferred tax assets	13	28	40
Total non-current assets		28	40
Current assets			
Trade and other receivables	10	7,078	6,881
Cash and cash equivalents		26,706	30,877
Total current assets		33,784	37,758
Total assets		33,812	37,798
LIABILITIES			
Current liabilities			
Trade and other payables	11	(180)	(2,633)
Current tax liabilities	12	(17,407)	(17,030)
Provisions	14	(3,726)	(6,689)
Total current liabilities		(21,313)	(26,352)
Net current assets		12,471	11,406
Total assets less current liabilities and net assets		12,499	11,446
EQUITY			
Share capital	15	100	100
Retained earnings	16	12,399	11,346
Total equity		12,499	11,446

The accompanying notes on pages 11 to 29 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 19 June 2014. They were signed on its behalf by:

M Carter
Director
19 June 2014

Registered Number: 00973765

BARCLAYS INSURANCE SERVICES COMPANY LIMITED
Statement of changes in equity
For the year ended 31 December 2013

	Note	Share capital	Retained earnings	Total equity
		£000	£000	£000
Balance at 1 January 2013		100	11,346	11,446
Total comprehensive income for the year		-	57,753	57,753
Dividends paid	9	-	(56,700)	(56,700)
Balance at 31 December 2013		100	12,399	12,499

	Note	Share capital	Retained earnings	Total equity
		£000	£000	£000
Balance at 1 January 2012		100	9,607	9,707
Total comprehensive income for the year		-	52,739	52,739
Dividends paid	9	-	(51,000)	(51,000)
Balance at 31 December 2012		100	11,346	11,446

BARCLAYS INSURANCE SERVICES COMPANY LIMITED
Cash Flow Statement
For the year ended 31 December 2013

	2013 £000	2012 £000
Continuing operations		
Reconciliation of profit before tax to net cash flows from operating activities		
Profit before tax	75,254	69,863
Adjustment for finance income - interest received	(247)	(171)
Net decrease in provisions	(2,963)	(2,789)
Net increase in trade and other receivables	(197)	(1,040)
Net decrease in trade and other payables	(2,453)	(586)
Cash from operating activities	69,394	65,277
Interest received	247	171
Tax paid	(17,112)	(19,588)
Net cash from operating activities	52,529	45,860
Cash flows from financing activities		
Dividends paid	(56,700)	(51,000)
Net cash used in financing activities	(56,700)	(51,000)
Net decrease in cash and cash equivalents	(4,171)	(5,140)
Cash and cash equivalents at 1 January	30,877	36,017
Cash and cash equivalents at 31 December	26,706	30,877
Cash and cash equivalents comprise:		
Cash and balances with banks	26,706	30,877

The accompanying notes on page 11 to 29 form an integral part of the financial statements.

1. Reporting entity

These financial statements are prepared for Barclays Insurance Services Company Limited ('the Company'), the principal activity of which is the provision of insurance services for Barclays Bank PLC. The financial statements are prepared for the Company only. The parent undertaking of the smallest group that presents consolidated financial statements in which the company is included is Barclays Bank PLC and the ultimate holding company and the parent undertaking of the largest group that presents group financial statements in which the company is included is Barclays PLC. Both Barclays Bank PLC and Barclays PLC prepare consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS'), and accordingly consolidated financial statements have not been prepared by the Company..
The Company is a private limited company, incorporated and domiciled in United Kingdom. The address of the registered office of the Company is 1 Churchill Place, London, E14 5HP.

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

2. Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB). The financial statements are also prepared in accordance with IFRS and IFRIC interpretations endorsed by the European Union.

3. Summary of significant accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments, recognition, and measurement' as set out in the relevant accounting policies. They are presented in thousands of pounds sterling, £000, the currency of the country in which the Company is incorporated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out those areas involving a higher degree of judgement or complexity where relevant, or areas where assumptions are significant to the financial statements.

a) Fees and commissions

Fees and commission are recognised when the service is provided.

b) Direct expenses

Commission payable is defined as commission payable to other Barclays Bank PLC group business units. Commission payable on general insurance business is recognised on an accruals basis within direct expenses.

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

c) Insurance broking assets and liabilities

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not included as an asset of the Company. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transaction occurs until the Company receives cash in respect of premiums at which time a corresponding liability is established in favour of the insurer.

d) Interest

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

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

e) Financial assets and liabilities

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

Financial assets are initially recognised at fair value and then classified as loans and receivables.

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

Financial liabilities

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

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

e) Financial assets and liabilities (continued)

Determining fair value

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

Impairment of financial assets

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

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

For loans and receivables the Company first assesses whether objective evidence of impairment exists individually for individually significant loans and receivables, and then collectively assesses remaining loans and receivables that are not individually significant. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

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

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

f) Current and deferred income tax

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

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

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

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

g) Dividends

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

h) Share-based payments to employees

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

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

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

i) Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

j) Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash in hand, demand deposits and cash equivalents. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. Trading balances are not considered to be part of cash equivalents.

k) Critical accounting estimates and judgements in applying accounting policies

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that the Directors consider to have a significant effect on the financial statements are disclosed below:

Pensions and endowment mis-selling provisions

As disclosed in note 14 the Company provides for redress to customers in respect of sales of pension and endowment policies based on the incidence and estimates of the costs of claims received as at the balance sheet date in accordance with the requirements of IAS 37. The value of the endowment and pension provisions depends on a number of factors that are determined using a combination of experiential data and assumptions. The assumptions used in determining the provision includes the expected up hold rate of the complaints and the average redress cost involved. The provisions have been determined using the most current available data and represents the Directors' best estimate.

Profit commissions

The basis of estimation of profit commission includes historic underwriting experience achieved by underwriters and other related assumptions. The Directors recognise profit commission when in their opinion there is sufficient relevant data to indicate that a reliable estimate of profit commission can be made. Such estimates are uncertain and the eventual commission income may be greater than or less than that reflected in the financial statements. Profit commission recognised represents the Directors' best estimate.

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its parent companies and to maintain an optimal capital structure. To maintain or adjust the capital structure the Company may adjust the amount of dividends to its parent company, return capital or issue new shares.

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

Capital Risk Management (continued)

Total capital comprises equity, as shown in the balance sheet. The Company uses a percentage of annual profit before tax to monitor the capital structure in line with the regulatory requirements. Capital as a percentage of profit before tax was 16.6% at the end of 2013. (2012: 16.4%)

Future accounting developments

There have been and are expected to be a number of significant changes to the Company's financial reporting after 2013 as a result of amended or new accounting standards that have been or will be issued by the IASB.

The most significant of these are as follows:

IAS 32 Amendments to Offsetting Financial Assets and Financial Liabilities, is effective from 1 January 2014. The circumstances in which netting is permitted have been clarified; in particular what constitutes a currently legally enforceable right of set-off and the circumstances in which gross settlement systems may be considered equivalent to net settlement.

IFRS 9 Financial Instruments will change the classification and therefore the measurement of the Company's financial assets, the recognition of impairment and hedge accounting. A number of the significant proposals have yet to be finalised and it is therefore not yet possible to estimate the financial effects. The effective date of IFRS 9 is still to be determined.

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

4. Fees and commissions

All of the Company's fees and commissions are derived from the provision of insurance broking services to customers of the Barclays Bank PLC group within the United Kingdom. Based on the risks and returns, the Directors consider that the Company had only one business and geographic segment during the year. Therefore, the disclosures for the primary segment have already been given in these financial statements.

5. Finance income

Finance income comprises the following:

	2013 £000	2012 £000
Interest income		
Interest receivable from related parties	247	171

6. Profit before tax

The following items have been charged in arriving at profit before tax:

	2013 £000	2012 £000
Staff costs	995	1,627
Auditors' remuneration		
Audit services		
- fees payable for the audit of the annual financial statements	100	97
Non Audit services		
- fees payable for the other assurance services	12	-
	112	97

7. Employees and key management, including Directors

i) Staff costs comprise of the following:

	2013 £000	2012 £000
Wages and salaries	801	1,326
Social security costs	116	179
Other staff costs	78	122
	995	1,627

The average monthly number of persons employed during the year, excluding agency staff, was 13 (2012: 24). All staff operate within a single structure.

ii) Directors' remuneration:

The directors did not receive any emoluments in respect of their services to the company.

Pension contributions are born by Barclays Bank Plc and are not recharged to Barclays Insurance Services Company Limited.

No Directors are under accruing Retirement benefit under a defined benefit scheme (2012: Nil) and four Directors were accruing benefits under a defined contribution scheme operated by other Barclays PLC Group companies (2012: three).

No Director exercised options under the Barclays PLC Sharesave Scheme and Long Term Incentive Schemes during 2013 (2012: Nil).

7. Employees and key management, including Directors (continued)

Directors' and Officers' Loans

As at 31 December 2013, there were no amounts outstanding under transactions, arrangements and agreements made by the Company with parties who are, or were during the year, directors of the Company and persons connected with them and for officers, within the meaning of the Financial Services and Markets Act 2000.

8. Tax

The analysis of the charge/(credit) for the year is as follows:

	2013 £000	2012 £000
Current tax:		
United Kingdom corporation tax – current year	17,489	17,107
Adjustments in respect of prior years	-	4
Current tax charge	17,489	17,111
Deferred tax:		
United Kingdom corporation tax – current year	12	13
Adjustments in respect of prior years	-	-
Deferred tax charge /(credit)	12	13
Total charge	17,501	17,124

The charge for tax is based upon a UK corporation tax rate of 23.25% (2012: 24.5%)

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

	2013 £000	2012 £000
Profit before tax	75,254	69,863
Tax charge at average UK corporation tax rate of 23.25% (2012: 24.5%)	17,497	17,107
Adjustments in respect of prior years	-	4
Movement in short term timing differences	-	-
Current tax charge	17,497	17,111
Current year deferred tax charge	-	10
Rate change	4	3
Adjustments in respect of prior years	-	-
Overall tax charge	17,501	17,124

9. Dividends

An analysis of dividends paid is as follows:

	2013 £000	2012 £000
First interim paid £356 (2012: £70) per share paid in September (2012: January)	35,600	7,000
Second interim paid £211 (2012: £125) per share paid in December (2012: April)	21,100	12,500
Third interim paid £Nil (2012: £245) per share (2012: October)	-	24,500
Fourth interim paid £Nil (2012: £70) per share (2012 : December)	-	7,000
	56,700	51,000

10. Trade and other receivables

An analysis of trade and other receivables is as follows:

	2013 £000	2012 £000
Due from related parties	17	114
Trade receivables	7,061	6,767
	7,078	6,881

The Directors consider that the carrying amount of trade receivables approximates their fair value.

11. Trade and other payables

An analysis of trade and other payables is as follows:

	2013 £000	2012 £000
Trade payables	2	22
Due to related parties	44	463
Accrued expenses	134	2,148
	180	2,633

The Directors consider that the carrying amount of trade payables approximates their fair value.

12. Current tax liabilities

Current tax liabilities are as follows:

	2013 £000	2012 £000
United Kingdom corporation tax payable	17,407	17,030

13. Deferred tax assets

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

	2013 £000	2012 £000
At 1 January	40	53
Income statement (charge)/credit	(8)	(10)
Rate change	(4)	(3)
Deferred tax asset	28	40

Deferred income taxes are provided in full on temporary differences under the liability method using a principal tax rate of 20% (2012: 24%).

The deferred tax asset is attributable to temporary differences in respect of transferred Woolwich Insurance Services Limited plant pool now fully depreciated:

	2013 £000	2012 £000
Deferred Income tax assets		
Accelerated tax depreciation	28	40
Net deferred tax asset	28	40

The current year deferred tax credit/(charge) in the income statement comprises the following temporary differences:

	2013 £000	2012 £000
Accelerated tax depreciation	(8)	(10)
Change in tax rates	(4)	(3)
Net current year deferred tax credit/(charge)	(12)	(13)

13. Deferred tax assets (continued)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest enacted rate standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. Accordingly the closing deferred tax assets and liabilities have been calculated at 20%.

14. Provisions

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

	Pension and endowment provision £000	Clawback provision £000	Total £000
At 1 January 2013	225	6,464	6,689
Additions	719	1,391	2,110
Amounts used	(444)	(3,960)	(4,404)
Released	-	(669)	(669)
At 31 December 2013	500	3,226	3,726

	Pension and endowment provision £000	Clawback provision £000	Total £000
At 1 January 2012	390	9,088	9,478
Additions	-	8,902	8,902
Amounts used	(165)	(11,526)	(11,691)
At 31 December 2012	225	6,464	6,689

Pensions and endowment redress

The Company provides for redress to customers in respect of sales of pension and endowment policies, based on estimates of the cost of existing claims received as at the balance sheet date.

Clawback provision

The Company provides for supplier commission clawback in respect of sales of non advised life and home insurance policies based on estimates of the cost of existing and future clawbacks. The term of clawback payments is a maximum of four years for life insurance policies. Additionally, the company has a supplier clawback provision for the reimbursement of initial setup costs on early termination of contract.

15. Share capital

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

	2013 £000	2012 £000
Allotted and fully paid		
100,000 (2012: 100,000) ordinary shares of £1 each	100	100

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

16. Retained earnings

Movements in retained earnings are as follows:

	Retained earnings £000
At 1 January 2013	11,346
Profit for the financial year	57,753
Dividends paid	(56,700)
At 31 December 2013	12,399

	Retained earnings £000
At 1 January 2012	9,607
Profit for the financial year	52,739
Dividends paid	(51,000)
At 31 December 2012	11,346

17. Share based payments

Accounting for share based payments

The Company applies IFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares:

Employee incentives include awards in the form of shares and share options, as well as offering employees the opportunity to purchase shares on favourable terms. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over a period that employees provide services, generally the period in which the award is granted or notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares or options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the number of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and the other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions- such as continuing to make payments into a share based savings scheme.

The terms of the main current plans are as follows:

Share value plan (SVP)

The SVP was introduced in March 2010 and approved by shareholders (for Executive Director participation and use of new issue shares) at the Barclays Bank PLC AGM in April 2011. SVP awards are granted to participants in the form of a conditional right to receive Barclays Bank PLC shares (awards granted prior to May 2011 were granted as provisional allocations of Barclays Bank PLC shares) which vest over a period of three years in equal annual tranches. Participants do not pay to receive an award or to receive a release of shares. The grantor may also make a dividend equivalent payment to participants on vesting of a SVP award. SVP awards are also made to eligible employees for recruitment purposes under schedule 1 to the SVP. From 2010, the portion of a business unit LTIP award that was previously granted under ESAS is normally granted under SVP. All awards are subject to potential forfeiture in certain leaver scenarios.

Other schemes

In addition to the above schemes, Barclays Bank PLC operates a number of other schemes including schemes operated by and settled in the shares of subsidiary undertakings, none of which are individually or in aggregate material in relation to the charge for the year or the dilutive effect of outstanding share options. Included within other schemes are the Performance Share Plan, Incentive Share Plan, Share save, Share purchase and the Barclays Long Term Incentive Plan which was introduced and approved at the AGM in April 2011.

17. Share based payments (continued)

Share option and award plans

The weighted average fair value per award granted and weighted average share price at the date of exercise/release of shares during the year was:

	Weighted average fair value per award granted in the year		Weighted average share price at exercise/release during year	
	2013	2012	2013	2012
	£	£		£
SVP	-	-	-	-
ESAS	-	-	-	-
Others	-	1.44	-	2.40 – 3.09

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

Movements in options and awards

The movement in the number of options and awards for the major schemes and the weighted average exercise price of options was:

	SVP		ESAS		Others			
	Numbers		Numbers		Numbers		Weighted average Ex. Price (£)	
	2013	2012	2013	2012	2013	2012	2013	2012
Outstanding at beginning of year/acquisition date	-	-	-	-	67,511	86,858	1.51	1.77
Granted in the year	-	-	-	-		23,000	-	1.44
Exercised/released in the year	-	-	-	-	-	(6,884)	-	2.40
Less: forfeited in the year	-	-	-	-	-	(538)	-	1.77
Less: expired/lapsed in the year	-	-	-	-	-	(33,552)	-	3.09
Less: Transferred within the year	-	-	-	-	(67,511)	(1,373)	1.51	1.77
Outstanding at end of year	-	-	-	-	-	67,511	-	1.51
Of which exercisable:	-	-	-	-	-	941	-	2.70

17. Share based payments (continued)

Certain of the Barclays Bank PLC share option plans enable certain directors and employees the option to subscribe for new ordinary shares of Barclays Bank PLC between 2012 and 2020.

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

	2013		2012	
	Weighted average remaining contractual life in years	Number of options/ awards outstanding (000s)	Weighted average remaining contractual life in years	Number of options/ awards outstanding (000s)
SVP	-	-	-	-
Others	-	-	3	941

There were no significant modifications to the share based payments arrangements in the years 2013 and 2012.

As at 31 December 2013, the total liability arising from cash-settled share based payments transactions was £Nil (2012 Nil)

18. Financial risks

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

(a) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers or market counterparties fail to fulfil their contractual obligations to the Company.

The Company assesses all counterparties, including its customers, for credit risk before contracting with them. Risk rating is the main method used to measure credit risk. Third party financial instrument counterparties are required to be rated AA, and the Company's exposure to them is subject to financial limits. The Company has a significant concentration of credit risk as its main debtor is with legal entities within the Aviva Group. The Company assessed the Aviva Group for credit risk before contracting with them; the ultimate parent company, Aviva Plc, has an A+ credit rating. In addition the Company endeavours to receive regular payments in order to reduce any significant credit risk.

18. Financial risks (continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk at 31 December 2013 and 2012:

	2013 £000	2012 £000
Cash and cash equivalents	26,706	30,877
Trade and other receivables	7,078	6,881
Total maximum exposure at 31 December 2013	33,784	37,758

The above exposures are considered neither past due nor impaired. The Company does not hold any collateral as security.

Credit rating of financial assets

The following table shows the credit rating for counter parties by Standard & Poor's:

	2013 £000	2012 £000
Cash and cash equivalents		
A+	26,706	30,877
Trade and other receivables		
A+	3,796	3,543
AA	-	-
AA-	214	232
NR*	3,068	3,106
	7,078	6,881

* NR: Financial security not rated. Standard & Poor's has not been requested to rate the capacity to meet policyholder obligations.

18. Financial risks (continued)

(b) Liquidity risk

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

The monitoring and reporting of liquidity risk take the form of cash flow measurements and projections for the next day, week and month as these are key periods for liquidity management. Sources of liquidity are regularly reviewed.

The Company maintains a mixture of long term and short term committed facilities, including financial support from the parent company, Barclays Bank PLC, that are designed to ensure the Company has sufficient available funds for operations and planned expansion.

Contractual maturity of financial assets and financial liabilities

2013	On demand	Not more than 6 months	Over 6 months but not more than 1 year	Over 1 year	Total
	£000	£000	£000	£000	£000
Cash and cash equivalents	26,706	-	-	-	26,706
Trade and other receivables	17	7,061	-	-	7,078
Total financial assets	26,723	7,061	-	-	33,784
Trade and other payables	(46)	(134)	-	-	(180)
Total financial liabilities	(46)	(134)	-	-	(180)

2012	On demand	Not more than 6 months	Over 6 months but not more than 1 year	Over 1 year	Total
	£000	£000	£000	£000	£000
Cash and cash equivalents	30,877	-	-	-	30,877
Trade and other receivables	114	6,767	-	-	6,881
Total financial assets	30,991	6,767	-	-	37,758
Trade and other payables	(463)	(2,170)	-	-	(2,633)
Total financial liabilities	(463)	(2,170)	-	-	(2,633)

18. Financial risks (continued)

(b) Liquidity risk (continued)

The fair values of the Company's financial instruments were considered to be equal to the carrying amount at the year end.

19. Related party transactions

The definition of related parties includes parent company, ultimate parent company, subsidiary, associates and joint venture companies, as well as the Company's key management which includes its Directors.

There were no transactions with key management personnel in either year.

Particulars of transactions with Group companies, and the balances outstanding at the year end, are disclosed in the tables below:

For the year ended 31 December 2013	Parent company £000	Fellow subsidiaries £000	Total £000
Transactions			
Interest received	247	-	247
Fees and commissions paid	-	(48)	(48)
Total	247	(48)	199
Balances outstanding 31 December 2013			
Assets	-	-	-
Cash & cash equivalents	26,706	-	26,706
Trade & other receivables	-	17	17
Total	26,706	17	26,723
Liabilities			
Trade & other payables	-	(44)	(44)
Total	-	(44)	(44)

19. Related party transactions (continued)

For the year ended 31 December 2012	Parent company £000	Fellow subsidiaries £000	Total £000
Transactions			
Interest received	171	-	171
Fees and commissions paid	-	(764)	(764)
Total	171	(764)	(593)
Balances outstanding 31 December 2012			
Assets			
Cash & cash equivalents	30,877	-	30,877
Trade & other receivables	-	114	114
Total	30,877	114	30,991
Liabilities			
Trade & other payables	(463)	-	(463)
Total	(463)	-	(463)

20. Ultimate holding company

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