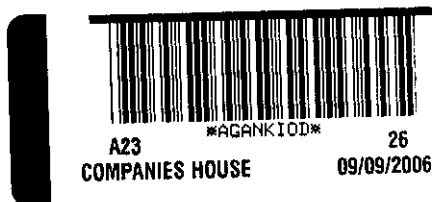


**IntegraLife UK Limited**  
**(previously Criterion Life Assurance Limited)**

**Directors Report and financial statements**

**Registered number 798365**

**15 months ended 30 September 2005**



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## **IntegraLife UK Limited**

### **Directors' Report**

The directors present their annual report, together with the audited financial statements for the 15 months ended 30 September 2005.

### **Principal activity**

The principal activity of the Company is the transaction of ordinary long term insurance business within the United Kingdom through the Transact Personal Pension, Executive Pension and Section 32 Buy Out Bond (the "Transact business"). Marketing is performed by Integrated Financial Arrangements plc, operator of the "Transact" dealing platform. Funds under management for the Transact business increased by £281.9m to £475.2m at 30 September 2005.

### **Change of Ownership, Name and Corporate Action**

On January 14<sup>th</sup> 2005, ownership of the business changed from Reliance Mutual Insurance Society Limited ("Reliance Mutual") to Michael Platt, an existing shareholder of Integrated Financial Arrangements plc. Immediately prior to this change in ownership, the company underwent a court-approved capital restructure. Following this, arrangements were made for Reliance Mutual to withdraw existing capital and reserves and for Michael Platt to introduce sufficient new capital to meet FSA requirements and expectations.

On 2 February 2005 the company changed its name to IntegraLife UK Limited.

The results for the year are set out on pages 5 and 6.

### **Dividend**

The directors recommend that no dividend be declared (2004: nil).

### **Directors and their interests**

The directors who held office during the period or who were appointed subsequent to the period end are set out below. They and their families had no beneficial interest in the shares of the Company throughout the period.

#### **IntegraLife UK Limited**

M Howard	appointed 14 <sup>th</sup> Jan 2005
I Taylor	appointed 14 <sup>th</sup> Jan 2005
G Beevers	appointed 14 <sup>th</sup> Jan 2005
D Harrison	appointed 14 <sup>th</sup> Jan 2005

#### **Non-Executive**

P Nield	appointed 22 <sup>nd</sup> Mar 2005
W J Cain	resigned 14 <sup>th</sup> Jan 2005
L M Etheridge	resigned 14 <sup>th</sup> Jan 2005
P E Oldham	resigned 14 <sup>th</sup> Jan 2005 (Chairman)
R P J Randall	appointed 1 <sup>st</sup> July 2004, resigned 14 <sup>th</sup> Jan 2005
C B Russell	resigned 14 <sup>th</sup> Jan 2005
F B Sanjana	appointed 1 <sup>st</sup> July 2004, resigned 14 <sup>th</sup> Jan 2005

According to the Register of Directors' Interests, no rights to subscribe for shares or options in the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

**IntegraLife UK Limited**

**Directors' Report (continued)**

**Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- 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 that the financial statements comply with these requirements.

The directors are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

**Auditors**

On 1<sup>st</sup> July 2005, KPMG Audit LLC were appointed auditors of the Company to replace PricewaterhouseCoopers LLP who resigned as the Company's auditors.

By order of the board



D Harrison  
Secretary

Domain House  
5-7 Singer Street  
London  
EC2A 4BQ

22 December 2005

# INDEPENDENT AUDITORS' REPORT

to the Members of

**IntegraLife UK Limited**

We have audited the financial statements on pages 5 to 18.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

## **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the annual report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed.

## **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 as at 30 September 2005 and of its loss for the 15 months then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit LLC*

KPMG Audit LLC  
Chartered Accountants  
Registered Auditor

*23 December 2005*

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

**IntegraLife UK Limited**  
**Technical Account – Long Term Business**  
for the 15 months ended 30 September 2005

		15 Months 2005	12 Months 2004
	Note	£000	£000
<b>TECHNICAL INCOME</b>			
Gross premiums written - continuing operations	3	276,728	105,628
Gross premiums written - discontinued operations	3	-	23,404
Outward reinsurance premiums		-	(7,437)
Earned premiums, net of reinsurance		276,728	121,595
Investment income	4	10,529	6,552
Realised gains on investments		5,800	-
Unrealised gains on investments		40,914	12,286
		57,243	18,838
		333,971	140,433
<b>CLAIMS INCURRED</b>			
Claims paid - gross amount		(43,830)	(18,085)
- reinsurer's share		-	560
		(43,830)	(17,525)
Change in claims provision, net of reinsurance			
- gross amount	14	-	69
Claims incurred, net of reinsurance		(43,830)	(17,456)
<b>CHANGE IN OTHER TECHNICAL PROVISION</b>			
Long term business provisions, net of reinsurance	14		
- gross amount		(152)	39,708
- reinsurer's share		-	(2,643)
		(152)	37,065
Provision for linked liabilities, net of reinsurance	14	(281,908)	(88,914)
		(282,060)	(51,849)
<b>TECHNICAL CHARGES</b>			
Net operating expenses	5	-	(18,048)
Investment expenses and charges		(8,233)	(73)
Tax attributable to long term business	8	-	(58)
Transfers from the fund for future appropriation		-	4,526
Other technical charges		-	(60,745)
		(8,233)	(74,398)
<b>Balance on the technical account</b>			
- continuing operations		(152)	-
- discontinued operations		-	(3,270)
		(152)	(3,270)

**IntegraLife UK Limited**  
**Non-Technical Account**  
for the 15 months ended 30 September 2005

		15 Months 2005	12 Months 2004
	Note	£000	£000
Balance on the technical account			
- continuing operations		(152)	-
- discontinued operations		-	(3,270)
		(152)	(3,270)
Effect of tax on technical account		-	58
Balance on the technical account, before tax		(152)	(3,212)
Investment income	4	120	215
Investment expenses and charges		-	(106)
Unrealised losses on investments		-	(31)
Other charges, including value adjustments		(34)	(17)
		86	61
Loss on ordinary activities before tax			
- continuing operations		(66)	-
- discontinued operations		-	(3,151)
		(66)	(3,151)
Tax on loss on ordinary activities	8	-	(66)
Retained losses for the period	12	(66)	(3,217)

There are no recognised gains or losses other than those reported above in the long term technical account and the non-technical account.

**IntegraLife UK Limited**  
**Balance Sheet**  
as at 30 September 2005

		30 September 2005		30 June 2004	
	Note	£000	£000	£000	£000
<b>ASSETS</b>					
<b>Investments</b>					
Other financial investments	9		-		2,029
<b>Assets held to cover linked liabilities</b>			475,248		193,340
<b>Debtors</b>					
Other debtors	10		-		31
<b>Other assets</b>					
Cash at bank and in hand			2,788		-
<b>Total assets</b>			<u>478,036</u>		<u>195,400</u>
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called up share capital	11	1,000		3,325	
Share premium account	12	700		291	
Subordinated loan	12	850		-	
Profit and loss account	12	(66)		(1,556)	
			2,484		2,060
<b>Technical provisions</b>					
Long term business provisions	14		152		-
<b>Technical provision for linked liabilities</b>	14		475,248		193,340
<b>Creditors due within one year</b>					
Other creditors	15		152		-
<b>Total liabilities</b>			<u>478,036</u>		<u>195,400</u>

The notes on pages 9 to 18 form part of these financial statements.

The financial statements were approved by the Board on 22 December 2005 and signed on its behalf by:

  
**GRAHAM BEEVERS**  
Director

  
**IAN TAYLOR**  
Director



**IntegraLife UK Limited**

**Cash Flow Statement**

for the 15 months ended 30 September 2005

	Note	15 months 2005 £000	£000
<b>Operating activities</b>			
Net cash flow from operating activities	18a		118
<b>Returns on investments and servicing of finance</b>			
Interest received		-	
Interest paid		-	
Investment income		120	
Net cash outflow from returns on investments and servicing of finance			120
<b>Taxation</b>			
Corporation tax paid			-
<b>Acquisitions and disposals</b>			
Net cash disposed of on transfer of business		(2,029)	
Investment in long term business fund		-	
Net cash outflow from acquisitions and disposals			(2,029)
<b>Equity dividends</b>			
Equity dividends paid			-
<b>Net cash outflow before financing</b>			(1,791)
<b>Financing</b>			
Issue of share capital, net of expenses	11	1,700	
Proceeds from issue of subordinated loan	12	850	
Net cash outflow from financing			2,550
<b>Net cash inflow for the year</b>	18		759

In accordance with Financial Reporting Standard 1 (Cash flow statements) this statement shows only the cash flows of shareholders' funds.

**1. Accounting Policies**

**Basis of preparation**

The accounts are prepared on the basis of the accounting policies set out below. The accounts have been prepared in compliance with the provisions relating to insurance companies of Section 255A of, and Schedule 9A to, the Companies Act 1985. In implementing the requirements the company has adopted a modified statutory solvency basis for determining technical provisions.

The accounts comply with applicable accounting standards. In addition, the company has complied with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 1998.

**Cash Flow Statement**

In the year ended 30 June 2004, the company took advantage of the Financial Report Standard 1 – Cash Flow Statements exemption from producing a cash flow statement.

**Premiums**

Premiums are accounted for when units are created.

**Claims**

Death claims are recognised on the basis of notifications received. Maturities and annuity payments are recognised when due for payment. Surrenders are accounted for at the earlier of the date when paid or when the policy ceases to be included within the long term business provision and/or the technical provision for linked liabilities. Claims incurred and the provision for outstanding claims includes the direct and indirect cost of settlement. Full provision is made for the estimated cost of claims notified but not settled at the balance sheet date and for claims incurred but not reported.

**Investment return**

Investment income and expenses include dividends, interest, gains and losses on the realisation of investments and related expenses. All investment income is included on the date of receipt. Dividends are shown net of tax credits or overseas taxation where these are irrecoverable.

Realised gains and losses on investments are calculated as the difference between net sale proceeds and original cost. Movements in unrealised gains and losses on investments represent the difference between the value at the balance sheet date and original cost, or, if assets have previously been revalued, the value at the previous balance sheet date; together with the reversal of unrealised gains and losses previously recognised on asset disposals in the period. Gains and losses on investments backing the long term business provision or the technical provision for linked liabilities are reported in the technical account. Other gains and losses are reported in the non-technical account.

**Investments**

Assets held to cover the technical provisions for linked liabilities are valued consistently with the method of valuation of the liabilities. Depending on the individual internal linked fund, assets are valued at either bid price less selling expenses or at offer price plus buying expenses on the last pricing date of the financial year. Accrued income on fixed interest securities is excluded.

Other listed investments are valued at mid market price excluding accrued income on fixed interest holdings. Unit trust holdings are valued at bid price and deposits are stated at par.

**1. Accounting Policies (continued)**

**Long term business provision**

The mathematical reserves are determined by the Actuary following the annual investigation of the long term business.

The long term business provision is determined by the Actuary and involves making modifications to the mathematical reserves calculated for solvency purposes in respect of any resilience, close-down and other contingency reserves required under the Financial Services Authority rules to demonstrate statutory solvency have been deducted.

**Taxation**

Tax is charged or credited on all taxable profits or losses arising for the accounting period. The taxation charge or credit is based on a method of assessing taxation for the long-term fund.

**Foreign currencies**

Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year. Income and expenditure denominated in foreign currencies are translated at the appropriate rates prevailing during the year.

**2. Transfer of Business**

On 29 June 2004 the whole of the Company's business with the exception of:

- Policies, assets and liabilities relating to the Transact Personal Pension, the Transact Executive Pension and the Transact Section 32 Buy Out Bond (the "Transact Business")
- Assets totalling £2,058,900 in respect of the Minimum Guarantee Fund that the company is required to maintain as an authorised insurer
- Assets totalling £1,000
- Liabilities totalling £150,000 in respect of unclaimed shareholder monies

was transferred to the company's parent undertaking, *Reliance Mutual Insurance Society Limited*. The transfer was effected by a Scheme under Part VII of the Financial Services and Markets Act 2000, approved by the High Court on 24 June 2004. No consideration was received for the transfer of business.

**IntegraLife UK Limited**

**Notes to the Accounts (continued)  
for the 15 months ended 30 September 2005**

**2. Transfer of Business (continued)**

**Effects on balance sheet**

The transfer of business was represented by net assets as follows:

	£000	£000
Investments	43,583	
Assets held to cover linked liabilities	17,562	
Reinsurers share of technical provisions	3,279	
Debtors	2,989	
Other assets	255	
Prepayments and accrued income	168	
		67,836
Fund for future appropriations	(4,476)	
Technical Provisions	(57,351)	
Creditors	(3,485)	
Accruals and deferred income	(327)	
		(65,639)
<b>Net transfer of assets</b>		<b>2,197</b>

**Effects on technical account**

	Trading 2004 £000	Effect of Transfer £000	Total £000
Earned premium, net of reinsurance	121,595	-	121,595
Investment income	6,552	-	6,552
Unrealised gains	12,286	-	12,286
Claims paid - gross amount	(18,085)	-	(18,085)
- reinsurers share	560	-	560
Change in provision for claims			
- gross amount	(1,098)	1,167	69
- reinsurers share	-	-	-
Change in other technical provisions			
long term technical provision			
- gross amount	973	38,735	39,708
- reinsurers share	636	(3,279)	(2,643)
technical provision for linked liabilities	(106,363)	17,449	(88,914)
Net operating expenses	(18,048)	-	(18,048)
Investment expenses and charges	(73)	-	(73)
Tax attributable to the long term business	(58)	-	(58)
Transfer to fund for future appropriations	50	4,476	4,526
Other technical charges	-	(60,745)	(60,745)
<b>Balance on the technical account</b>	<b>(1,073)</b>	<b>(2,197)</b>	<b>(3,270)</b>

Notes to the Accounts (continued)  
for the 15 months ended 30 September 2005

3. Segmental reporting

For the 15 months ended 30 September 2005, the operations of the company related entirely to direct insurance of investment linked pensions business, written by single premium in the United Kingdom. During the year ended 30 June 2004 new credit life insurance business was written amounting to £1.6m regular premiums and £0.8m new single premiums in the United Kingdom, and £0.1m regular premiums and £19.8m new single premiums elsewhere in the European Union.

4. Investment Income

	Technical Account		Non-Technical Account	
	15 months 2005 £000	12 months 2004 £000	15 months 2005 £000	12 months 2004 £000
Investment income				
income from land and buildings	-	21	-	-
income from listed investments	1,140	4,952	-	209
income from other investments	9,389	214	120	6
Net gains on the realisation of investments	-	1,365	-	-
	<u>10,529</u>	<u>6,552</u>	<u>120</u>	<u>215</u>

5. Net Operating Expenses

Prior to 10 October 2003 management expenses were incurred by a then fellow subsidiary undertaking, Criterion Financial Services Limited, and charged to the Company on the basis of an allocation by reference to the type of costs incurred. Subsequent to 10 October 2003 direct costs, including staff costs, were paid by the Company. A charge was also made by the parent undertaking, Reliance Mutual Insurance Society Limited, in respect of additional management and administration activities undertaken by the parent undertaking. The administrative expenses include auditors' remuneration in respect of audit services of £nil (2004: £145,000), and in respect of non-audit services of nil (2004: nil) as a number of costs are borne by a related party as described in note 17.

The net operating expenses shown in the profit and loss account: technical account – long-term business comprise:

	15 months 2005 £000	12 months 2004 £000
Commission	-	18,253
Administrative expenses	-	1,715
Reinsurance commission and profit participation	-	(1,920)
	<u>-</u>	<u>18,048</u>

# **IntegraLife UK Limited**

## **Notes to the Accounts (continued) for the 15 months ended 30 September 2005**

### **6. Employee Information**

The average number of persons employed by the company during the period from 1 July 2004 to 30 September 2005 was nil (2004: 18).

	15 months 2005 £000	12 months 2004 £000
Staff costs for the above totalled		
Wages and salaries	-	335
Social security costs	-	42
Other pension costs	-	16
Costs relating to termination of employment	-	301
	<hr/>	<hr/>
	-	694

### **7. Remuneration of directors**

Directors' emoluments excluding pension contributions totalled £6,000 (2004: £16,900).

### **8. Taxation**

	15 months 2005 £000	12 months 2004 £000
(a) <u>Technical Account</u>		
UK Corporation tax at 20%	-	16
Deferred taxation	-	42
	<hr/>	<hr/>
	-	58
(b) <u>Non Technical Account</u>		
UK Corporation tax at 30%	-	8
Effect of tax charged to technical account	-	58
	<hr/>	<hr/>
	-	66
<b>Tax Reconciliation</b>		
Loss on ordinary activities before tax	<hr/> (66)	<hr/> (3,151)
Current tax at 30% (2004: 30%)	(20)	(945)
Effects of:		
Difference between the effective and standard tax rate on the balance on the technical account	-	969
Creation of tax losses	20	-
Deferred taxation	-	42
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	66

Deferred tax assets in respect of unrelieved tax losses are not recognised on the grounds of uncertainty in achieving future profits against which to offset the losses. At 30 September 2005 there was £66,000 of unrelieved tax losses (2004: nil).

# **IntegraLife UK Limited**

## **Notes to the Accounts (continued) for the 15 months ended 30 September 2005**

### **9. Other financial investments and cash at bank and in hand**

	Market Value		Cost	
	30 September 2005 £000	30 June 2004 £000	30 September 2005 £000	30 June 2004 £000
Deposits with credit institutions	-	2,029	-	2,029
Cash at bank and in hand	2,788	-	2,788	-
	<u>2,788</u>	<u>2,029</u>	<u>2,788</u>	<u>2,029</u>
Included in the above were investments:				
Listed on the UK Stock Exchange	-	-	-	-
Other listed investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### **10. Other debtors**

	30 September 2005 £000	30 June 2004 £000
Taxation	-	-
Due from parent undertaking	-	31
Other debtors	-	-
	<u>-</u>	<u>31</u>

### **11. Called up share capital**

	30 September 2005 £000	30 June 2004 £000
<b>Authorised</b>		
1,000,000 (2004: 10,000,000) ordinary shares of £1 each	<u>1,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
1,000,000 (2004: 3,325,000) ordinary shares of £1 each	<u>1,000</u>	<u>3,325</u>

Following the transfer of business as described in note 2, the Company issued 1,000,000 ordinary shares of £1 at a premium of £0.70 per share, giving total consideration of £1,700,000.

# **IntegraLife UK Limited**

## **Notes to the Accounts (continued)** **for the 15 months ended 30 September 2005**

### **12. Reserves**

	Share Premium Account £000	Profit and loss account £000	Subordinated loan (see below) £000
At the beginning of the period	291	(1,556)	-
Transfer of business (note 2)	(291)	1,556	-
On issue of shares (note 11)	700	-	-
Loan issued during the period	-	-	850
Retained loss for the period	-	(66)	-
At end of the period	<u>700</u>	<u>(66)</u>	<u>850</u>

On 14<sup>th</sup> January 2005, the Company entered into a subordinated loan agreement for £850,000 with its shareholder. The loan attracts interest of £100,000 per annum and is repayable after 5 years on written notice from the lender and on approval from the Financial Services Authority. The rights of the lender are subordinated in all respects to the rights of senior creditors.

### **13. Reconciliation of Movements in Shareholder's Funds**

	30 September 2005 £000	30 June 2004 £000
Opening shareholder's funds	2,060	5,277
Transfer of business (note 2)	(2,060)	-
New shares issued (note 11)	1,700	-
Issue of subordinated loan agreement	850	-
Retained loss for the financial year	(66)	(3,217)
Closing shareholder's funds	<u>2,484</u>	<u>2,060</u>



Notes to the Accounts (continued)  
for the 15 months ended 30 September 2005

14. Technical provisions

	Long term business provision £000	Technical provisions for linked liabilities £000
Gross amount		
At beginning of the year	-	193,340
Movement in the provision	152	281,908
At end of the year	152	475,248

The principal assumptions underlying the calculation of the long term business provision at 30 September 2005 were:

- a) Interest rate is assumed to be 3%
- b) Mortality for accrual portfolios is assumed to follow the AM92 ultimate and AF92 ultimate tables; Mortality for drawdown portfolios is assumed to follow 80% of IM92C20 ultimate and IF92C20 ultimate tables.

The principal assumptions underlying the calculation of the long term business provision at 30 June 2004 were:

- a)
 

	Interest rate
With profit assurances	3.44%
Without profit assurances	4.00%
With profit deferred annuities	3.20%
Without profit deferred annuities	4.00%
Without profit annuities	4.00%
- b) Mortality tables
 

Life assurance business	A67/70 ultimate
General annuity business	100% of IM92/IF92 (Calendar year = 2020) for immediate annuities and 90% for deferred annuities
Pensions business assurances	A67/70 ultimate
Pensions business annuities	100% of PMA92/PFA92 (Calendar year = 2020) for immediate annuities and 90% for deferred annuities

The historic cost of investments included at market value in assets held to cover linked liabilities at 30 September 2005 was £426,534,000 (30 June 2004: £185,717,000)

15. Other creditors including taxation and social security

	30 September 2005 £000	30 June 2004 £000
Amount due to fellow subsidiary undertaking	-	-
Amounts due to parent undertaking	-	-
Other creditors	152	-
	<u>152</u>	<u>-</u>

## IntegraLife UK Limited

### Notes to the Accounts (continued) for the 15 months ended 30 September 2005

#### 16. Contingent liabilities – endowments and pension transfers and opt outs

There were no contingent liabilities or capital commitments at 30 September 2005. However in the prior year, provisions were made in respect of endowment policies and for the rectification and review costs of pension transfers and opt outs from occupational schemes, which were included within the long term business provision. The relevant liabilities were transferred to the parent undertaking on 29 June 2004 (see note 2).

#### 17. Transactions with related parties

The company writes business through the Transact Personal Pension, Executive Pension and Section 32 Buy Out Bond, all of which are administered by Integrated Financial Arrangements plc. Integrated Financial Arrangements plc is a related party to IntegraLife UK Limited only in that they have common directors.

On 14 January 2005, IntegraLife UK Limited and Integrated Financial Arrangements plc entered into a Pension Provider Business Agreement ("the agreement"). Under the terms of the agreement, in consideration of the promises made by IntegraLife UK Limited, Integrated Financial Arrangements plc undertook to pay IntegraLife UK Limited £100,000 per annum. Integrated Financial Arrangements plc will receive all the income generated by and pay all the commissions in relation to the schemes. Integrated Financial Arrangements plc will rebate to IntegraLife UK Limited all expenses incurred that are directly associated with the provision of the schemes. The agreement may be terminated by either party by giving six months written notice, such notice to expire not less than three years from the commencement date of the agreement.

There were no other material transactions between the Company and related parties during the year.

#### 18. Cash flow statement

##### a. Reconciliation of operating profit to net cash flow from operating activities

	15 months
	2005
	£000
Loss on ordinary activities before tax	(66)
Investment income	(120)
Increase in general insurance technical provisions	(152)
Profits relating to long term business	152
Movements in other assets and liabilities	304
	<hr/>
Net cash flow from operating activities	118

**IntegraLife UK Limited**

**Notes to the Accounts (continued)  
for the 15 months ended 30 September 2005**

**18. Cash flow statement (continued)**

**b. Movement in opening and closing portfolio investments, net of financing**

	15 months 2005 £000
Increase in cash holdings	2,788
Decrease in portfolio investments	(2,029)
Total movements in portfolio investments, net of financing	759
Portfolio investments, net of financing at beginning of year	2,029
Portfolio investments, net of financing at end of year	2,788

**c. Portfolio investments**

	15 months 2005 £000
Net decrease in deposits with credit institutions	(2,029)
Movements in portfolio investments arising from cash flows	(2,029)

**d. Movement in cash, portfolio investments and financing**

	30 June 2004 £000	Cash flow £000	30 September 2005 £000
Net cash at bank and in hand	-	2,788	2,788
Portfolio investments			
Deposits with credit institutions	2,029	(2,029)	-
	2,029	759	2,788

**19. Ultimate controlling party**

The ultimate controlling party of the company is Michael Platt, who owns 100% of the issued share capital.