

IntegraLife UK Limited

Directors' report and financial statements

Registered number 798365

For the year ended 30 September 2007

WEDNESDAY



AFZG4VFI

A54

12/12/2007

82

COMPANIES HOUSE

IntegraLife UK Limited

Contents

	Page
Directors' Report	2 - 4
Independent Auditors' Report	5 - 6
Technical Account – Long Term Business	7
Non-Technical Account	8
Balance Sheet	9
Notes to the Accounts	10 - 17

IntegraLife UK Limited

Directors' Report

The Directors present their report and the financial statements of the Company for the year ended 30 September 2007

Principal activities and business review

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, Section 32 Buy Out Pension Bond and Onshore Bond ("the Transact business")

During the year

- With effect from October 1, 2006
 - Integrated Financial Arrangements plc, a company incorporated in England and Wales, purchased the entire issued share capital of the Company from Michael Platt
 - Michael Platt assigned all of his rights and obligations under his Subordinated Loan Agreement with the Company to Integrated Financial Arrangements plc
 - The inter-company agreement between the Company and Integrated Financial Arrangements plc was amended such that the Company now benefits from its own income and pays its own expenses
- The Company recorded a profit of £2,276k after tax (2006 £127k)
- Funds under management increased by £772.3m to £1,803.4m
- The Company introduced the Transact Onshore Bond in July 2007
- Inflows of Pensions business grew by 44% over the previous financial year
- A number of other milestones were passed, including the opening of the 20,000th pension policy in May 2007. As at 30 September 2007, the Company had opened a total of 23,189 pension policies and 56 onshore bonds
- Over the course of the year, the average pension policy size grew from £67,400 to £77,400. Insufficient onshore bonds are yet in force to meaningfully measure their average policy size

Since the accounting year-end

- Monthly profits have continued to be made
- An interim dividend of £1.724m has been proposed (in 2006, an interim dividend of £135,497 was paid)
- The intent to make changes to the treatment of capital gains was announced by the UK government. Although much remains in doubt, early indications are that the market for onshore bonds may be adversely affected

Future developments

The Directors will maintain the management policies which have resulted in the Company's substantial growth in recent years

IntegraLife UK Limited

Directors' Report (continued)

Directors and their interests

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

M Howard

I Taylor

G Beevers

Non-Executive

D Harrison

P Nield

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 year.

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the 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. In addition, the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that 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 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.

IntegraLife UK Limited

Directors' Report (continued)

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Our Auditors, KPMG Audit LLC, being eligible, have indicated their willingness to remain in office in accordance with section 385 of the Companies Act 1985

By Order of the Board

A handwritten signature in black ink, appearing to be 'A E Bodkin', written over a horizontal line.

A E Bodkin
Secretary

Domain House
5-7 Singer Street
London
EC2A 4BQ

IntegraLife UK Limited

Report of the Independent Auditors, KPMG Audit LLC, to the members of IntegraLife UK Limited

We have audited the financial statements of IntegraLife UK Limited for the year ended 30 September 2007 which comprise the Technical Account – Long Term Business, the Non-Technical Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 opinions we have formed.

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities on page 3, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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' transactions with the Company is not disclosed.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the UK 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.

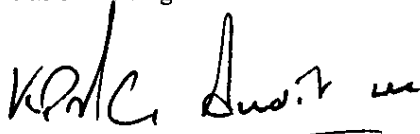
IntegraLife UK Limited

**Report of the Independent Auditors, KPMG Audit LLC, to the members of IntegraLife UK Limited
(continued)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG Audit LLC
Chartered Accountants
Registered Auditors

7 December 2007

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

IntegraLife UK Limited

**Technical Account – Long Term Business
for the year ended 30 September 2007**

	Note	2007 £000	2006 £000
TECHNICAL INCOME			
Gross premiums written - continuing operations	2	<u>872,701</u>	<u>606,831</u>
Earned premiums, net of reinsurance		872,701	606,831
Investment income	3	33,646	16,398
Realised gains on investments	1	53,384	20,055
Unrealised gains on investments	1	<u>24,573</u>	<u>33,559</u>
		<u>111,603</u>	<u>70,012</u>
		984,304	676,843
CLAIMS INCURRED			
Claims paid - gross amount	1	<u>(181,772)</u>	<u>(104,305)</u>
		<u>(181,772)</u>	<u>(104,305)</u>
Claims incurred		<u>(181,772)</u>	<u>(104,305)</u>
CHANGE IN OTHER TECHNICAL PROVISION			
Long term business provisions – gross amount	11	154	(2)
Provision for linked liabilities, net of reinsurance	11	<u>(772,344)</u>	<u>(555,827)</u>
		<u>(772,190)</u>	<u>(555,829)</u>
		(772,190)	(555,829)
TECHNICAL CHARGES			
Investment expenses and charges		<u>(30,188)</u>	<u>(16,710)</u>
		<u>(30,188)</u>	<u>(16,710)</u>
BALANCE ON THE TECHNICAL ACCOUNT			
Taxation attributable to long term business	5	(857)	(49)
Continuing operations		<u>(703)</u>	<u>(50)</u>
		<u>(703)</u>	<u>(50)</u>

IntegraLife UK Limited

**Non-Technical Account
for the year ended 30 September 2007**

	Note	2007 £000	£000	2006 £000	£000
Balance on the technical account					
- continuing operations		<u>(703)</u>	(703)	<u>(50)</u>	(50)
Investment income	3	218		123	
Other income	3	10,850		492	
Other charges, including value adjustments	3	<u>(8,024)</u>		<u>(266)</u>	
			<u>3,044</u>		<u>349</u>
Profit on ordinary activities before tax					
- continuing operations			2,341		299
Tax on profit on ordinary activities	5		<u>(65)</u>		<u>(37)</u>
Profit for the year before appropriations			2,276		262
Dividends			<u>-</u>		<u>(135)</u>
Retained profit for the year	9		<u>2,276</u>		<u>127</u>

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

The notes on pages 10 to 17 form part of these financial statements

The Directors consider that all results derive from continuing activities


IntegraLife UK Limited

Balance Sheet
as at 30 September 2007

	Note	2007 £000	2006 £000
ASSETS			
Assets held to cover linked liabilities		1,803,419	1,031,074
Fees Owed from Transact		67	-
Debtors			
Other debtors	7	125	522
Other assets			
Cash at bank and in hand	6	6,412	2,904
Total assets		<u>1,810,023</u>	<u>1,034,500</u>
LIABILITIES			
Capital and reserves			
Called up share capital	8	1,000	1 000
Share premium account	9	700	700
Subordinated loan	9	850	850
Profit and loss account	9	<u>2,337</u>	<u>61</u>
		4 887	2 611
Technical provisions			
Long term business provisions	11	-	154
Technical provision for linked liabilities	11	1 803,419	1,031 074
Creditors due within one year			
Other creditors	12	1,717	661
Total liabilities		<u>1,810,023</u>	<u>1,034,500</u>

The notes on pages 10 to 17 form part of these financial statements

The financial statements were approved by the Board on 29 November 2007 and signed on its behalf by


GRAHAM BEEVERS
Director


IAN TAYLOR
Director

IntegraLife UK Limited

Notes to the Accounts for the year ended 30 September 2007

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 UK generally accepted accounting practice. 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 2005 (updated 21 December, 2006).

As a wholly owned subsidiary, advantage has been taken of the exemption granted by Financial Reporting Standard 1 "Cash Flow Statements" (Revised 1996) not to prepare 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.

IntegraLife UK Limited

Notes to the Accounts (continued) for the year ended 30 September 2007

1. Accounting Policies (continued)

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.

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 Segmental Reporting

For the year ended 30 September 2007, the operations of the Company related to direct insurance of investment linked pensions business, written by single premium in the United Kingdom and, as of July 2007, a life assurance linked bond written in the United Kingdom

	£000	2007 £000	£000	£000	2006 £000	£000
	Pension	Life	Total	Pension	Life	Total
Turnover from external customers	864,528	8,173	872,701	606,831	-	606,831
Turnover from other segments	-	-	-	-	-	-
Profit/(loss) on ordinary activities before tax	3,340	(142)	3,198	348	-	348
Net assets	1,795,378	8,041	1,803,419	1,031,074	-	1,031,074

IntegraLife UK Limited

**Notes to the Accounts (continued)
for the year ended 30 September 2007**

3. Investment Income

	Technical Account		Non-Technical Account	
	2007 £000	2006 £000	2007 £000	2006 £000
Investment income				
income from listed investments	28 957	6,444	-	-
income from other investments	4,689	9,954	218	123
Net gains on the realisation of investments	-	-	-	-
	<u>33,646</u>	<u>16,398</u>	<u>218</u>	<u>123</u>

Other Income

Other Income of £10,850,000 (2006 £492,000) was received from Integrated Financial Arrangements plc as fees for the provision of the Company's licence for that Company's pension products

Other Expenses

Within Other Expenses is an amount of £41,533 (2006 £43,944) paid in consideration of audit and accountancy fees

4. Remuneration of Directors

Directors' emoluments excluding pension contributions totalled £12,000 (2006 £12,000)

IntegraLife UK Limited

**Notes to the Accounts (continued)
for the year ended 30 September 2007**

5 Taxation

	2007 £000	2006 £000
(a) <u>Technical Account</u>		
UK Corporation tax at 30%	857	49
Deferred taxation	-	-
	<u>857</u>	<u>49</u>
(b) <u>Non Technical Account</u>		
UK Corporation tax at 30% (2006 30%)	922	86
Effect of tax charged to technical account	<u>(857)</u>	<u>(49)</u>
	<u>65</u>	<u>37</u>
Tax Reconciliation		
Profit on ordinary activities before tax	<u>3,198</u>	<u>348</u>
Current tax at 30% (2006 30%)	955	106
Effects of		
Difference between the effective and standard tax rate on the balance on the technical account		-
Utilisation of tax losses	-	(20)
Deferred taxation	-	-
Adjustment for prior year over-provision	<u>(33)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>922</u>	<u>86</u>

The comparatives for the year ended 30 September 2006 have been restated to show the analysis between the technical account and the non-technical account

6. Cash at bank and in hand

	2007 £000	2006 £000
Cash at bank and in hand	<u>6,412</u>	<u>2,904</u>
	<u>6,412</u>	<u>2,904</u>

IntegraLife UK Limited

**Notes to the Accounts (continued)
for the year ended 30 September 2007**

7 Other debtors

	2007 £000	2006 £000
Amounts owed by related parties (note 14)	-	468
Other debtors and prepayments	125	54
	<u>125</u>	<u>522</u>

8. Called up share capital

The entire share capital of the Company was transferred on 1 October 2006 to Integrated Financial Arrangements plc

	2007 £000	2006 £000
Authorised		
1,000,000 (2006 1,000,000) ordinary shares of £1 each	<u>1,000</u>	<u>1 000</u>
Allotted, called up and fully paid		
1 000,000 (2006 1 000,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

9. Reserves

	Share Premium Account £000	Profit and loss account £000	Subordinated loan £000
At the beginning of the period	700	61	850
Retained profit for the period	<u>-</u>	<u>2,276</u>	<u>-</u>
At end of the period	<u>700</u>	<u>2,337</u>	<u>850</u>

On 17 April 2007, the sub-ordinated loan was assigned to Integrated Financial Arrangements plc from the original lender. The terms of the loan remain unchanged. The loan attracts interest of £100,000 per annum and is repayable after 14 January 2010, on written notice from the lender and on approval from the Financial Services Authority. The rights of the lender are sub-ordinated in all respects to the rights of senior creditors.

IntegraLife UK Limited

**Notes to the Accounts (continued)
for the year ended 30 September 2007**

10. Reconciliation of movements in shareholder's funds

	2007 £000	2006 £000
Opening shareholder's funds	2,611	2,484
Retained profit for the financial year	2,276	127
	<hr/>	<hr/>
Closing shareholder's funds	<u>4,887</u>	<u>2,611</u>

11. Technical provisions

	Long term business provision £000	Technical provisions for linked liabilities £000
Gross amount		
At beginning of the year	154	1,031,075
Movement in the provision	<u>(154)</u>	<u>772,344</u>
At end of the year	<u>-</u>	<u>1 803 419</u>

The principal assumptions underlying the calculation of the long term business provision at 30 September 2007 were

- a) Interest rate is assumed to be 4.25%
- 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 September 2006 were

- a) Interest rate was assumed to be 3.75%
- 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

IntegraLife UK Limited

Notes to the Accounts (continued) for the year ended 30 September 2007

12. Other creditors

	2007 £000	2006 £000
Taxation	955	86
Dividends	-	135
Other creditors	230	440
Amount owed to related parties (note 14)	532	-
	<u>1 717</u>	<u>661</u>

13. Contingent liabilities – endowments and pension transfers and opt outs

There were no contingent liabilities or capital commitments at 30 September 2007 (2006 None)

14. Transactions with related parties

The Company writes business through the Transact Personal Pension, Executive Pension, Section 32 Buy Out Bond and Onshore Bond all of which are administered by Integrated Financial Arrangements plc. IntegraLife UK Limited is a wholly owned subsidiary of Integrated Financial Arrangements plc.

With effect from 1 October 2006, IntegraLife UK Ltd have had in place an intercompany agreement with Integrated Financial Arrangements plc whereby Integrated Financial Arrangements plc remits to IntegraLife UK Ltd all income generated from provision of the schemes listed above and recharges all expenses incurred in acting as agent, custodian, administrator and trustee of the schemes listed above.

During the year, the Company received £10,850,000 income from Integrated Financial Arrangements plc. Integrated Financial Arrangements plc charged the company expenses of £7,713,883 for expenses associated with the provision of the schemes. On 17 April 2007, the £850,000 subordinated loan from Mike Platt was novated to Integrated Financial Arrangements plc. There were no changes to the terms and conditions of this loan. There were no other material transactions between the Company and related parties during the year.

15. Ultimate controlling party

The ultimate controlling party of the Company at 30 September 2007 is Integrated Financial Arrangements plc, who owns 100% of the issued share capital.

IntegraLife UK Limited

**Notes to the Accounts (continued)
for the year ended 30 September 2007**

16 Employee information

The average number of persons employed by the Company during the year was nil (2006 nil)

17 FRS 27 Life Assurance

The Company writes mainly unit linked business. Liabilities (including options and guarantees) are included in a prudent manner in accordance with local regulations.

Guarantees and options are not considered to be material to the Company's future cash flows. In addition they have largely been matched with suitable assets and there is no material exposure to market or interest rate changes. Provisions have been established using deterministic scenarios based on prudent assumptions.

No capital statement has been prepared as the total available capital resources available to the Company are equal to total shareholders' funds.

The free assets have changed over the year and an analysis of this change is as follows:

	£000	£000
Free Assets at the beginning of the year	2,611	
Free Assets at the end of the year	4,887	
Increase in free assets in the year		2,276
Change in basis on economic items	154	
Economic experience	3,044	
Tax	922	
Analysed increase		2,276