

# **IntegraLife UK Limited**

## **Directors' report and financial statements**

Registered number 798365

For the year ended 30 September 2008

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# IntegraLife UK Limited

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## **IntegraLife UK Limited**

### **Directors' Report**

The Directors present their report and the financial statements of the Company for the year ended 30 September 2008.

#### **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**

- The Company recorded a profit of £3,738k after tax (2007: £2,276k).
- The Company paid a dividend of £4,320k during the year (2007: nil).
- Funds under management increased by £361.3m to £2,164.7m.
- Inflows of Pensions business grew by 2% over the previous financial year.
- As at 30 September 2008, the Company had opened a total of 39,432 pension policies and 433 onshore bonds.
- Over the course of the year, during difficult market conditions, the average pension policy size decreased from £77,400 to £53,900. The average policy size for onshore bonds is £90,200.
- Changes were made to the treatment of capital gains tax by the UK by the UK government. As a result, insurance bonds became less attractive.

#### **Since the accounting year-end**

- Monthly profits have continued to be made.

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**

Darren Harrison (resigned 20 April 2008)

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 read 'A Teggart', with a horizontal line drawn above the letters.

Amanda Teggart  
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 2008 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 2008 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*

KPMG Audit LLC  
Chartered Accountants  
Registered Auditors

*5 December 2008*

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 2008**

	Note	2008 £000	2007 £000
<b>TECHNICAL INCOME</b>			
Gross premiums written - continuing operations	2	<u>883,698</u>	<u>872,701</u>
Earned premiums, net of reinsurance		883,698	872,701
Investment income	3	58,092	33,646
Realised gains on investments	1	(7,310)	53,384
Unrealised gains on investments	1	<u>(347,461)</u>	<u>24,573</u>
		<u>(296,679)</u>	<u>111,603</u>
		587,019	984,304
<b>CLAIMS INCURRED</b>			
Claims paid - gross amount	1	<u>(183,895)</u>	<u>(181,772)</u>
		<u>(183,895)</u>	<u>(181,772)</u>
Claims incurred		<u>(183,895)</u>	<u>(181,772)</u>
<b>CHANGE IN OTHER TECHNICAL PROVISION</b>			
Long term business provisions – gross amount	11	-	154
Provision for linked liabilities, net of reinsurance	11	(361,255)	(772,344)
Provision for non-linked liabilities	11	<u>(2,433)</u>	<u>-</u>
		<u>(363,688)</u>	<u>(772,190)</u>
		(363,688)	(772,190)
<b>TECHNICAL CHARGES</b>			
Investment expenses and charges		<u>(39,436)</u>	<u>(30,188)</u>
		<u>(39,436)</u>	<u>(30,188)</u>
<b>BALANCE ON THE TECHNICAL ACCOUNT</b>			
Taxation attributable to long term business	5	(1,459)	(857)
Continuing operations		<u>(1,459)</u>	<u>(703)</u>
		<u>(1,459)</u>	<u>(703)</u>



**IntegraLife UK Limited**

**Non-Technical Account  
for the year ended 30 September 2008**

	Note	2008 £000	2007 £000
Balance on the technical account			
- continuing operations		<u>(1,459)</u>	<u>(703)</u>
		(1,459)	(703)
Investment income	3	249	218
Other income	3	13,942	10,850
Other charges, including value adjustments	3	<u>(8,922)</u>	<u>(8,024)</u>
		<u>5,269</u>	<u>3,044</u>
Profit on ordinary activities before tax			
- continuing operations		3810	2,341
Tax on profit on ordinary activities	5	<u>(72)</u>	<u>(65)</u>
Profit for the year before appropriations		3,738	2,276
Dividends		<u>(4,320)</u>	<u>-</u>
Retained (loss)/profit for the year	9	<u>(582)</u>	<u>2,276</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 2008

		2008		2007	
	Note	£000	£000	£000	£000
<b>ASSETS</b>					
Assets held to cover linked liabilities	2		2,164,670		1,803,419
Fees Owed from Transact			2,884		67
<b>Debtors</b>					
Other debtors	7		2,603		125
<b>Other assets</b>					
Cash at bank and in hand	6		3,095		6,412
<b>Total assets</b>			<u>2,173,252</u>		<u>1,810,023</u>
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
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>1,755</u>		<u>2,337</u>	
			4,305		4,887
<b>Technical provisions</b>					
Long term business provisions	11	-		-	
Technical provision for linked liabilities	11	2,164,674		1,803,419	
Technical provision for non-linked liabilities	11	<u>2,433</u>		<u>-</u>	
			2,167,107		1,803,419
<b>Creditors due within one year</b>					
Other creditors	12		1,840		1,717
<b>Total liabilities</b>			<u>2,173,252</u>		<u>1,810,023</u>

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

The financial statements were approved by the Board on 27 November 2008 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 2008**

#### **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 2008

#### 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 2008, 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	2008 £000	£000	£000	2007 £000	£000
	Pension	Life	Total	Pension	Life	Total
Turnover from external customers	846,193	37,505	883,698	864,528	8,173	872,701
Turnover from other segments				-	-	-
Profit/(loss) on ordinary activities before tax	5,172	92	5,264	3,340	(142)	3,198
Net assets	2,152,632	39,039	2,164,670	1,795,378	8,041	1,803,419

## **IntegraLife UK Limited**

### **Notes to the Accounts (continued) for the year ended 30 September 2008**

#### **3. Investment Income**

	<b>Technical Account</b>		<b>Non-Technical Account</b>	
	<b>2008 £000</b>	<b>2007 £000</b>	<b>2008 £000</b>	<b>2007 £000</b>
Investment income				
income from listed investments	34,026	28,957	-	-
income from other investments	21,633	4,689	249	218
Reclaimed tax on unfranked investments	<u>2,433</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>58,092</u>	<u>33,646</u>	<u>249</u>	<u>218</u>

#### **Other Income**

Other Income of £4,890,204 (2007: £10,850,000) 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 £60,242 (2007: £41,533) paid in consideration of audit and accountancy fees.

#### **4. Remuneration of Directors**

Directors' emoluments excluding pension contributions totalled £31,000 (2007: £12,000).

**IntegraLife UK Limited**

**Notes to the Accounts (continued)  
for the year ended 30 September 2008**

**5. Taxation**

	<b>2008 £000</b>	<b>2007 £000</b>
(a) <u>Technical Account</u>		
UK Corporation tax at 29%	1,459	857
Deferred taxation	-	-
	<u>1,459</u>	<u>857</u>
(b) <u>Non Technical Account</u>		
UK Corporation tax at 29% (2007: 30%)	1,531	922
Effect of tax charged to technical account	<u>(1,459)</u>	<u>(857)</u>
	<u>72</u>	<u>65</u>
<b>Tax Reconciliation</b>		
Profit on ordinary activities before tax	<u>5,269</u>	<u>3,198</u>
Current tax at 29% (2007: 30%)	1,528	955
Effects of:		
Difference between the effective and standard tax rate on the balance on the technical account		-
Utilisation of tax losses		-
Deferred taxation		-
Adjustment for prior year over-provision	<u>4</u>	<u>(33)</u>
Tax on profit on ordinary activities	<u>1,531</u>	<u>922</u>

The rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. The corporation tax rate used above is a hybrid rate reflecting six months at 30% and six months at 28%

**6. Cash at bank and in hand**

	<b>2008 £000</b>	<b>2007 £000</b>
Cash at bank and in hand	<u>3,095</u>	<u>6,412</u>
	<u>3,095</u>	<u>6,412</u>

# **IntegraLife UK Limited**

## **Notes to the Accounts (continued) for the year ended 30 September 2008**

### **7. Other debtors**

	2008 £000	2007 £000
Amount due from HMRC	2,433	-
Other debtors and prepayments	<u>170</u>	<u>125</u>
	<u>2,603</u>	<u>125</u>

### **8. Called up share capital**

	2008 £000	2007 £000
<b>Authorised</b>		
1,000,000 (2006: 1,000,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
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	2,337	850
Retained profit/(loss) for the period	<u>-</u>	<u>(582)</u>	<u>-</u>
At end of the period	<u>700</u>	<u>1,755</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 2008**

**10. Reconciliation of movements in shareholder's funds**

	<b>2008 £000</b>	<b>2007 £000</b>
Opening shareholder's funds	4,887	2,611
Retained profit for the financial year	(582)	2,276
Closing shareholder's funds	<u>4,305</u>	<u>4,887</u>

**11. Technical provisions**

	<b>Technical provision for non-linked liabilities £000</b>	<b>Technical provisions for linked liabilities £000</b>
<b>Gross amount</b>		
At beginning of the year	-	1,803,419
Movement in the provision	<u>2,433</u>	<u>361,255</u>
<b>At end of the year</b>	<u>2,433</u>	<u>2,164,674</u>

The principal assumptions underlying the calculation of the long term business provision at 30 September 2008 were:

- a) Interest rate is assumed to be 4% for pension portfolios and 3.2% for life portfolios;
- 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 2008**

#### **12. Other creditors**

	<b>2008 £000</b>	<b>2007 £000</b>
Tax relief payable	932	-
Corporation tax	-	955
Other creditors	243	230
Amount owed to related parties (note 14)	<u>665</u>	<u>532</u>
	<u>1,840</u>	<u>1,717</u>

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

There were no contingent liabilities or capital commitments at 30 September 2008 (2007: 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.

IntegraLife UK Ltd have 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 £4,890,204 income from Integrated Financial Arrangements plc. Integrated Financial Arrangements plc charged the company expenses of £8,382,095 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 2008 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 2008**

#### **16. Employee information**

The average number of persons employed by the Company during the year was nil (2007: 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:

	<b>£000</b>	<b>£000</b>
Free Assets at the beginning of the year	4,887	
Free Assets at the end of the year	4,305	
Decrease in free assets in the year		(582)
Change in basis on economic items	0	
Economic experience	5,269	
Tax	(1,531)	
Dividends taken	(4,320)	
Analysed decrease		(582)