

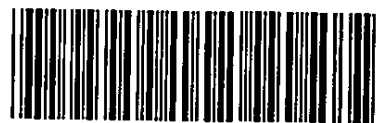
# **IntegraLife UK Limited**

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

Registered number 798365

For the year ended 30 September 2010

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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 2010

#### **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, Onshore Bond and Qualifying Savings Plan ("the Transact business")

#### **During the year**

- The Company recorded a profit of £5,397k after tax (2009 £5,282k)
- The Company paid a dividend of £5,055k during the year (2009 £4,500k)
- Funds under management increased by £554.3m to £3,281.6m
- As at 30 September 2010, the Company had a total inforce count of 42,996 pension policies, 1,160 onshore bonds and 13 qualifying savings plans
- Over the course of the year the average pension policy size increased from £70,600 to £73,700. The average policy size for onshore bonds increased from £93,500 to £97,300. The average sum insured for the qualifying savings plans was £134,200.

#### **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.

**Executive**

M Howard  
I Taylor  
G Beevers

**Non-Executive**

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. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. 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**

**Disclosure of information to auditors**

Each person who was a Director of the Company on the date that this report was approved confirms that, so far he or she is aware, there is no relevant audit information, being information needed by the Auditors in connection with preparing their report, of which the Auditors are unaware. Each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant information and to establish that the Auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Auditors**

KPMG Audit LLC, being eligible, has expressed its willingness to continue in office in accordance with section 485 of the Companies Act 2006.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Amanda Teggart', with a long horizontal line extending from the end of the signature.

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 2010 on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

**IntegraLife UK Limited**

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

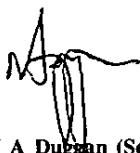
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**N A Duggan (Senior Statutory Auditor)**  
for and on behalf of **KPMG Audit LLC, Statutory Auditor**  
*Chartered Accountants*  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN

9 December 2010

**IntegraLife UK Limited**

**Technical Account – Long Term Business  
for the year ended 30 September 2010**

	Note	2010 £000	2010 £000	2009 £000	2009 £000
<b>TECHNICAL INCOME</b>					
Gross premiums written - continuing operations	2	<u>614,753</u>		<u>629,792</u>	
Earned premiums, net of reinsurance			614,753		629,792
Investment income	3	44,059		40,025	
Realised losses on investments		33,964		(89,118)	
Unrealised gains/(losses) on investments		<u>167,996</u>		<u>252,215</u>	
			246,019		203,122
			860,772		832,914
<b>CLAIMS INCURRED</b>					
Claims paid - gross amount			<u>(253,840)</u>		<u>(224,627)</u>
Claims incurred			<u>(253,840)</u>		<u>(224,627)</u>
<b>CHANGE IN OTHER TECHNICAL PROVISION</b>					
Provision for linked liabilities, net of reinsurance	11	(554,323)		(562,569)	
Provision for non-linked liabilities	11	<u>(2,753)</u>		<u>(64)</u>	
			<u>(557,076)</u>		<u>(562,633)</u>
<b>TECHNICAL CHARGES</b>					
Investment expenses and charges		<u>(49,856)</u>		<u>(45,654)</u>	
			<u>(49,856)</u>		<u>(45,654)</u>
<b>BALANCE ON THE TECHNICAL ACCOUNT</b>					
Taxation attributable to long term business	5		<u>(2,097)</u>		<u>(2,024)</u>
Continuing operations			<u>(2,097)</u>		<u>(2,024)</u>



**IntegraLife UK Limited**

**Non-Technical Account  
for the year ended 30 September 2010**

	Note	2010		2009	
		£000	£000	£000	£000
Balance on the technical account					
- continuing operations		<u>(2,097)</u>	(2,097)	<u>(2,024)</u>	(2,024)
Investment income	3	5		64	
Other income		18,662		16,009	
Other charges, including value adjustments		<u>(11,172)</u>		<u>(8,749)</u>	
			<u>7,495</u>		<u>7,324</u>
Profit on ordinary activities before tax					
- continuing operations			5,398		5,300
Tax on profit on ordinary activities	5		<u>(1)</u>		<u>(18)</u>
Profit for the year			<u>5,397</u>		<u>5,282</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

**IntegralLife UK Limited**

**Balance Sheet  
as at 30 September 2010**

		2010		2009	
	Note	£000	£000	£000	£000
<b>ASSETS</b>					
Assets held to cover linked liabilities	2		3 281,581		2,727,240
Fees Owed from Transact			1,862		1,648
<b>Debtors</b>					
Other debtors	7		5,327		2 777
<b>Other assets</b>					
Cash at bank and in hand	6		<u>6,731</u>		<u>6,431</u>
<b>Total assets</b>			<u>3,295,501</u>		<u>2,738 096</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>2,879</u>		<u>2,537</u>	
			5,429		5 087
<b>Technical provisions</b>					
Technical provision for linked liabilities	11	3,281,566		2,727,243	
Technical provision for non-linked liabilities	11	<u>5 250</u>		<u>2,497</u>	
			3,286,816		2,729,740
<b>Creditors due within one year</b>					
Other creditors	12		3,256		3,269
<b>Total liabilities</b>			<u>3,295 501</u>		<u>2,738,096</u>

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

The financial statements were approved by the Board on 8 December 2010 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 2010**

#### **1. Accounting Policies**

##### **Basis of preparation**

The accounts are prepared on the basis of the accounting policies set out below

The accounts comply with UK generally accepted accounting practice. In addition, the Company has prepared the accounts in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in 2005 (updated 21 December, 2006) and the Companies Act 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

## IntegralLife UK Limited

### Notes to the Accounts (continued) for the year ended 30 September 2010

#### 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.

##### 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 2010, the operations of the Company related to direct insurance of investment linked pensions business, written by single premium in the United Kingdom, single premium life assurance linked bonds and linked qualifying investment plans written in the United Kingdom.

	£000	2010 £000	£000	£000	2009 £000	£000
	Pension	Life	Total	Pension	Life	Total
Turnover from external customers	566,974	47,779	614,753	594,957	34,835	629,792
Turnover from other segments	-	-	-	-	-	-
Profit on ordinary activities before tax	2,252	1,194	2,446	5,023	277	5,300
Net assets	3,168,572	113,009	3,281,581	2,656,165	71,075	2,727,240

**IntegralLife UK Limited**

**Notes to the Accounts (continued)  
for the year ended 30 September 2010**

**3. Investment Income**

	<b>Technical Account</b>		<b>Non-Technical Account</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Investment income				
income from listed investments	10,042	27,348	-	-
income from other investments	31,598	13,784	5	64
Reclaimed tax on unfranked investments	<u>2,419</u>	<u>(1,107)</u>	<u>-</u>	<u>-</u>
	<u>44,059</u>	<u>40,025</u>	<u>5</u>	<u>64</u>

**Other Expenses**

Within Other Expenses is an amount of £35,975 (2009 £57,936) paid in consideration of audit and accountancy fees

**4 Remuneration of Directors**

Directors' emoluments excluding pension contributions totalled £12,000 (2009 £12,000)

**Integralife UK Limited**

**Notes to the Accounts (continued)  
for the year ended 30 September 2010**

**5. Taxation**

	<b>2010 £000</b>	<b>2009 £000</b>
(a) <u>Technical Account</u>		
UK Corporation tax at 28%	2,097	2,024
Deferred taxation	-	-
	<u>2,097</u>	<u>2,024</u>
(b) <u>Non Technical Account</u>		
UK Corporation tax at 28% (2009 28%)	2,098	2,042
Effect of tax charged to technical account	<u>(2,097)</u>	<u>(2,024)</u>
	<u>1</u>	<u>18</u>
<b>Tax Reconciliation</b>		
Profit on ordinary activities before tax	<u>7,495</u>	<u>7,324</u>
Current tax at 28% (2009 28%)	2,099	2,051
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>(1)</u>	<u>(10)</u>
Tax on profit on ordinary activities	<u>2,098</u>	<u>2,041</u>

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

	<b>2010 £000</b>	<b>2009 £000</b>
Cash at bank and in hand	<u>6,731</u>	<u>6,431</u>
	<u>6,731</u>	<u>6,431</u>

**Integralife UK Limited**

**Notes to the Accounts (continued)  
for the year ended 30 September 2010**

**7. Other debtors**

	2010 £000	2009 £000
Amount due from HMRC	3,249	2,553
Other debtors and prepayments	<u>2,078</u>	<u>224</u>
	<u>5,327</u>	<u>2,777</u>

**8. Called up share capital**

	2010 £000	2009 £000
<b>Authorised</b>		
1,000,000 (2009 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 (2009 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 year	700	2,537	850
Dividends paid	-	(5,055)	-
Profit for the year	<u>0</u>	<u>5,397</u>	<u>0</u>
At end of the year	<u>700</u>	<u>2,879</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.

No written notice has been received from the lender to the date of signing these financial statements.

**Integralife UK Limited**

**Notes to the Accounts (continued)  
for the year ended 30 September 2010**

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Opening shareholder's funds	5,087	4 305
Retained profit for the financial year	342	782
	<hr/>	<hr/>
Closing shareholder's funds	<u>5,429</u>	<u>5 087</u>

**11. Technical provisions**

	<b>Technical provision for non-linked liabilities £000</b>	<b>Technical provisions for linked liabilities £000</b>
Gross amount		
At beginning of the year	2,497	2,727 243
Movement in the provision	<u>2,753</u>	<u>554 323</u>
At end of the year	<u>5,250</u>	<u>3,281,566</u>

The principal assumptions underlying the calculation of the long term business provision at 30 September 2010 were

- a) Interest rate is assumed to be 0% for pension portfolios and 0% for life portfolios.
- b) Mortality for accrual portfolios is assumed to follow the 64% AMC00 ultimate and 64% AFC00 ultimate tables



## **IntegraLife UK Limited**

### **Notes to the Accounts (continued) for the year ended 30 September 2010**

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Corporation Tax	2,083	2,037
Other creditors	221	224
Amount owed to related parties (note 14)	952	1,008
	<u>3,256</u>	<u>3,269</u>

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

There were no contingent liabilities or capital commitments at 30 September 2010 (2009: None)

#### **14. Transactions with related parties**

The Company writes business through the Transact Personal Pension, Executive Pension, Section 32 Buy Out Bond, Onshore Bond and Qualifying Savings Plan 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 Limited has in place an intercompany agreement with Integrated Financial Arrangements plc whereby Integrated Financial Arrangements plc recharges all expenses incurred in acting as agent, custodian, administrator and trustee of the schemes listed above to IntegraLife UK Limited.

Integrated Financial Arrangements plc charged the company expenses of £10,428,787 (2009: £8,100,607) 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 2010 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 2010**

**16. Employee information**

The average number of persons employed by the Company during the year was nil (2009 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	5,087	
Free Assets at the end of the year	5,429	
Increase in free assets in the year		342
Change in basis on economic items	-	
Economic experience	7,495	
Tax	(2,098)	
Dividends taken	(5,055)	
Analysed increase		342