

**Company Registered Number: 798365**

**IntegraLife UK Limited**

**Directors' report and financial statements**

**For the year ended 30 September 2014**

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**Integralife UK Limited**  
**Financial Statements**  
**For the year ended 30 September 2014**

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**Integralife UK Limited**  
**Directors' Report**  
**For the year ended 30 September 2014**

The Directors present their report and the financial statements of Integralife UK Limited ("the Company") for the year ended 30 September 2014.

**Strategic review**

*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").

As at 30 September 2014, linked funds under management were £5,714.0m. During the year premiums increased by £180.5m to £899.1m and claims increased by £32.2m to £372.9m.

As at 30 September 2014, the Company had a total in force policy count of 59,912 pensions, 3,186 onshore bonds and 67 qualifying savings plans.

At year end the Company balance sheet was £6.7m (2013:£6.1m).

The Company continues to grow as reflected by an increase in premiums which exceeds the increase in claims payable, and the growth in funds under direction.

*Financial risk management*

The Company is exposed to a wide variety of financial risks that arise in the natural course of business. These risks include price risk, credit risk and liquidity risk. The Company seeks to limit exposure to any other financial risks.

The Company has in place a Group risk management framework that is designed to limit the adverse effects of these risks on the financial performance of the Company. Formal standing committees are maintained for effective management and oversight.

**Results and dividends**

The Company recorded a profit of £7,339k after tax (2013: £6,932k).

During the year the Company paid a dividend of £5,897k (2013: £6,102k) and since the accounting year-end the Company continues to be profitable.

**Future developments**

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

**Directors and their interests**

The Directors who served during the year were as follows:

M Howard

I A Taylor

A Scott

N Holden was appointed as Director on 15 May 2014

P L Nield retired as Director on 31 December 2013

G M Beevers retired as Director on 30 June 2014

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

**Integralife UK Limited**  
**Directors' Report (continued)**  
**For the year ended 30 September 2014**

**Statement of Directors' responsibilities 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 they have been prepared in accordance with 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 adequate accounting records that show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

Pursuant to Section 487 of the Company Act 2006, the Auditors will be deemed to be reappointed and KPMG Audit LLC will therefore continue in office.

**Disclosure of information to Auditors**

Each person who is a Director at the date of approval of this report confirms that, so far as the Director(s) are aware, there is no relevant audit information, of which Integralife UK Limited's Auditors are unaware; and 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 in pursuant to Section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

**By Order of the Board**



**David Johnson**  
**Company Secretary**  
Registered Office  
29 Clement's Lane  
London  
EC4N 7AE

9 December 2014

**IntegraLife UK Limited**  
**Independent Auditors' Report to the members of IntegraLife UK Limited**  
**For the year ended 30 September 2014**

We have audited the financial statements of IntegraLife UK Limited for the year ended 30 September 2014 on pages 4 to 12. 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 statement of Directors' Responsibilities set out on page 2, 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 on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 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.

**Opinion on other matters 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.



**S Nicholas (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 2014

**Integralife UK Limited**  
**Financial Statements**  
**For the year ended 30 September 2014**

**Technical Account – Long Term Business for the year ended 30 September 2014**

	Note	2014 £000	2013 £000
<b>TECHNICAL INCOME</b>			
Gross premiums written - continuing operations		899,090	718,616
Reassurance premiums		<u>(11)</u>	<u>-</u>
Earned premiums, net of reinsurance	<b>2</b>	899,079	718,616
Investment income	<b>3</b>	61,576	57,666
Increase/(decrease) in value of non-linked assets		2,080	-
Realised gains on investments		131,783	120,634
Unrealised gains on investments		<u>109,576</u>	<u>276,468</u>
		<u>305,015</u>	<u>454,768</u>
		1,204,094	1,173,384
<b>CLAIMS INCURRED</b>			
Claims paid - gross amount		<u>(372,909)</u>	<u>(340,656)</u>
Claims incurred		<u>(372,909)</u>	<u>(340,656)</u>
<b>CHANGE IN OTHER TECHNICAL PROVISION</b>			
Provision for linked liabilities, net of reinsurance	<b>12</b>	(754,545)	(763,549)
Provision for non-linked liabilities	<b>12</b>	<u>(2,085)</u>	<u>(82)</u>
		<u>(756,630)</u>	<u>(763,631)</u>
<b>TECHNICAL CHARGES</b>			
Investment expenses and charges		(74,555)	(69,097)
		<u>(74,555)</u>	<u>(69,097)</u>
<b>BALANCE ON THE TECHNICAL ACCOUNT</b>			
Taxation attributable to long term business	<b>5</b>	<u>(4,233)</u>	<u>(5,484)</u>
Continuing operations		<u>(4,233)</u>	<u>(5,484)</u>

The notes on pages 7 to 13 form part of these financial statements.

The Directors consider that all results derive from continuing activities.

**Integralife UK Limited**  
**Financial Statements (continued)**  
**For the year ended 30 September 2014**

**Non-Technical Account for the year ended 30 September 2014**

	Note	2014 £000	2013 £000
Balance on the technical account			
- continuing operations		(4,233)	(5,484)
Shareholder tax included in technical account		(4,233)	(5,484)
		2,299	2,367
Investment income	3	69	75
Other income		25,600	25,576
Other charges, including value adjustments		<u>(14,082)</u>	<u>(13,217)</u>
		<u>11,587</u>	<u>12,434</u>
Profit on ordinary activities before tax			
- continuing operations		9,653	9,317
Tax on profit on ordinary activities	5	<u>(2,314)</u>	<u>(2,385)</u>
Profit for the year		<u>7,339</u>	<u>6,932</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 7 to 13 form part of these financial statements.

The Directors consider that all results derive from continuing activities.

**IntegralLife UK Limited**  
**Financial Statements (continued)**  
**For the year ended 30 September 2014**

**Balance Sheet as at 30 September 2014**

	Note	2014		2013	
		£000	£000	£000	£000
<b>ASSETS</b>					
<b>Assets held to cover linked liabilities</b>	<b>2</b>		5,714,044		4,959,500
Accrued fees			2,384		2,145
<b>Debtors</b>					
Other debtors	<b>6</b>		5,174		6,712
<b>Other assets</b>					
Investments	<b>7</b>	1,976		1,930	
Cash at bank and in hand	<b>8</b>	<u>17,234</u>		<u>13,115</u>	
			19,210		15,045
<b>Total assets</b>			<u>5,740,812</u>		<u>4,983,402</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Called up share capital	<b>9</b>	1,000		1,000	
Share premium account	<b>10</b>	700		700	
Subordinated loan	<b>10</b>	-		850	
Profit and loss account	<b>10</b>	<u>5,033</u>		<u>3,591</u>	
Total Equity			6,733		6,141
<b>Technical provisions</b>					
Technical provision for linked liabilities	<b>12</b>	5,714,044		4,959,500	
Technical provision for non-linked liabilities	<b>12</b>	<u>11,906</u>		<u>9,821</u>	
			5,725,950		4,969,321
<b>Creditors due within one year</b>					
Other creditors	<b>13</b>		8,129		7,940
<b>Total equity and liabilities</b>			<u>5,740,812</u>		<u>4,983,402</u>

The notes on pages 7 to 13 form part of these financial statements.

The financial statements were approved by the Board on 9 December 2014 and signed on its behalf by:

  
**Alexander Scott**  
**Director**

  
**Ian Taylor**  
**Director**

Company Registration Number: 798365



**IntegralLife UK Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 September 2014**

**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 and have been prepared in accordance with FRS 27. 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 income**

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.

**Other income**

The main revenue streams comprise: buy commission levied on the acquisition of assets, due when transactions complete; annual commission levied on the value of assets and cash held on the platform, due at the end of each month; and an annual wrapper charge levied on certain wrapper types, due at the end of each quarter. Charges are levied on Portfolios as stated in the Transact Terms and Conditions. Charges are recognised by the Company in the period in which they occur or are due.

**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 fund**

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.

**IntegraLife UK Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 September 2014**

**1. Accounting Policies (continued)**

**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. The transfer from the long term business technical account to the non-technical account is grossed up at the effective rate of corporation tax applicable to the period.

**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 2014, 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.

	<b>2014 £000</b>	<b>2014 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>	<b>2013 £000</b>	<b>2013 £000</b>
	<b>Pension</b>	<b>Life</b>	<b>Total</b>	<b>Pension</b>	<b>Life</b>	<b>Total</b>
Turnover from external customers	762,813	136,266	<b>899,079</b>	635,346	83,270	<b>718,616</b>
Profit on ordinary activities before tax, after dividend	2,541	977	<b>3,518</b>	2,143	816	<b>2,959</b>
Assets held to cover linked liabilities	5,272,925	441,119	<b>5,714,044</b>	4,640,795	318,705	<b>4,959,500</b>

**3. Investment Income**

	<b>Technical Account</b>		<b>Non-Technical Account</b>	
	<b>2014 £000</b>	<b>2013 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>
Investment income				
Income from listed investments	13,906	14,398	-	-
Income from other investments	46,660	42,316	69	75
Reclaimed tax on unfranked investments	1,010	952	-	-
	<b>61,576</b>	<b>57,666</b>	<b>69</b>	<b>75</b>

**4. Remuneration of Directors**

Directors' emoluments excluding pension contributions totalled £3,000 (2013:£12,000).

**IntegralLife UK Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 September 2014**

**5. Taxation**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
(a) Policyholder Tax		
UK Corporation tax at 22% (2013: 23.5%)	3,895	3,517
Adjustments in respect of previous periods	(81)	407
Foreign tax	68	68
Total current tax	<u>3,882</u>	<u>3,992</u>
Deferred taxation	<u>351</u>	<u>1,492</u>
Total policyholder tax	<b><u>4,233</u></b>	<b><u>5,484</u></b>
(b) Shareholder tax		
UK Corporation tax at 22% (2013: 23.5%)	15	18
Tax on long term business technical account	<u>2,299</u>	<u>2,367</u>
Total shareholder tax	<b><u>2,314</u></b>	<b><u>2,385</u></b>
<b>Tax Reconciliation</b>		
Profit on ordinary activities before tax	<u>9,653</u>	<u>9,317</u>
Tax on profit on ordinary activities at 22% (2013: 23.5%)	2,124	2,189
Effects of:		
UK tax bases of life insurance profits	<u>190</u>	<u>196</u>
Tax on profit on ordinary activities	<b><u>2,314</u></b>	<b><u>2,385</u></b>

**6. Other debtors**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Amount due from HMRC	4,869	5,613
Other debtors and prepayments	<u>305</u>	<u>1,099</u>
Total debtors	<b><u>5,174</u></b>	<b><u>6,712</u></b>

**7. Investments**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Gilt – 2 1/4 % Treasury 2014	-	1,930
Gilt – 2 % Treasury 2016	<b>1,976</b>	-

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<u>17,234</u>	<u>13,115</u>
	<b><u>17,234</u></b>	<b><u>13,115</u></b>

**Integralife UK Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 September 2014**

**9. Called up share capital**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised</b>		
1,000,000 (2013: 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 (2013: 1,000,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

**10. Reserves**

	<b>Share Premium Account £000</b>	<b>Profit and loss account £000</b>	<b>Subordinated loan £000</b>
At the beginning of the year	700	3,591	850
Dividends paid	-	(5,897)	-
Changes in the year	-	-	(850)
Profit for the year	<u>-</u>	<u>7,339</u>	<u>-</u>
At end of the year	<u><b>700</b></u>	<u><b>5,033</b></u>	<u><b>-</b></u>

The subordinated loan is from Integrated Financial Arrangements plc, the Parent Company. The loan was repaid in March 2014.

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Opening shareholder's funds	6,141	5,311
Retained profit for the financial year	592	830
Closing shareholder's funds	<u><b>6,733</b></u>	<u><b>6,141</b></u>

**12. 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	9,821	4,959,500
Movement in the provision	<u>2,085</u>	<u>754,544</u>
<b>At end of the year</b>	<u><b>11,906</b></u>	<u><b>5,714,044</b></u>

The principal assumptions underlying the calculation of the long term business provision at 30 September 2014 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 49% AMC00 (2013: 55.5%) ultimate and 55% AFC00 (2013: 58%) ultimate tables.

**Integralife UK Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 September 2014**

**13. Other creditors**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Corporation Tax	15	3,535
Other creditors	6,949	3,375
Amount owed to related parties (note 15)	<u>1,164</u>	<u>1,030</u>
Total creditors	<u><b>8,128</b></u>	<u><b>7,940</b></u>

**14. Contingent liabilities – endowments and pension transfers and opt outs**

There were no contingent liabilities or capital commitments at 30 September 2014 (2013: None).

**15. 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 £13,073,438 (2013: £11,354,389) for expenses associated with the provision of the schemes.

As at 30 September 2014 Integralife UK owed £1,163,842 to Integrated Financial Arrangements.

The subordinated loan is from Integrated Financial Arrangements plc, the Parent Company. The loan was fully repaid in March 2014.

**16. Ultimate controlling party**

The ultimate controlling party of the Company at 30 September 2014 is IntegraFin Holdings Limited, who owns 100% of the issued share capital.

**17. Employee information**

The average number of persons employed by the Company during the year was nil (2013: nil).

**IntegralLife UK Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 September 2014**

**18. FRS 27 Life Assurance**

The Company writes unit linked business.

Liabilities, including options and guarantees, are calculated using appropriate actuarial methods, prudent assumptions and having regard to the principles underlying the need to treat customers fairly.

In accordance with local regulations, liabilities are reported separately to these financial statements.

**Methods used to determine the actuarial liabilities**

The technical liabilities are assessed using established actuarial techniques for assessing the valuation of unit linked policies. The basic policy based liabilities are assessed as:

- Unit liabilities are assessed as the value of the investments held in the portfolio balances for policyholders as at the valuation date;
- A non-unit reserve is assessed by projecting the value of the unit linked policy values and assessing the charges generated by the policies and then comparing them with the other cashflows expected for the individual policies including the administration expenses and any death benefits expected payable above the unit linked policy value.

The most material assumptions made are:

- The policies have a fall in asset value initially of 10% and then a growth of 2.78% gross;
- Non unit reserves earn 0% per annum;
- Negative cash-flows cannot be funded out of later positive cash-flows;
- Mortality has been assumed to be 49% of the AMC00 and 55% of the AFC00 ultimate mortality tables;
- No lapses occur;
- Future inflation at 3.50%;
- Partial surrenders occur at the same rate as occurred in the previous year on a policy by policy approach with all withdrawals occurring at an equal rate monthly;
- Explicit expenses of 0.20% of funds under direction reduced by the discounts applied at policy level and £80 per Pension policy or £72 per Life policy to be provided from the margins retained by the Company.

There is also an assessment of any extra amounts required to cover expenses over and above the amounts above within the policy valuation. This is assessed on two fundamental methods:

1. Assuming that the business is closed to new business, that the parent company is no longer available to provide services for the company and that the Company has to create the infrastructure able to provide the detailed administration services required.
2. Assuming that the business continues to write new business and the current charges levied by the parent company for detailed administration services continues.

The closed fund scenario arrives at the coverage for expenses being lower. The results here assume lapses at 10% per annum (above the current experienced lapse rate) and 2.78% growth in the value of portfolios. The expenses have been modelled by:

Staff costs have been obtained by projecting individual staff members' salaries. For the closed fund projections it has been assumed that:

- staff will be recruited to do the same role;
- some of the staff can be made redundant as the portfolio declines;
- some positions can exist on a part-time basis.

Redundancy costs have been projected at 3 months salary at each of these events.

Other costs have been projected based on current costs from the Company. They are split in to three groups, which are, those based on the size of the portfolio, for example dealing costs, those related to salary costs, for example, occupancy costs and those that are fixed going forward, for example professional fees. The expenses going forward are then based on the size of the portfolio, the projected team and the inflated fixed expenses.

**IntegraLife UK Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 30 September 2014**

**18. FRS 27 Life Assurance (continued)**

Inflation has been assumed of salary related expenses at 4.5% per annum and non-salary related at 3.5% p.a.

The expenses projected are below the margins within the individual policy valuation on a year by year projection and, therefore, no additional technical liability is required.

There are no guarantees or options offered by the Company.

**Free Assets**

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Free Assets at the beginning of the year	6,141	5,311
Free Assets at the end of the year	6,733	6,141
<b>Increase in free assets in the year</b>	<b><u>592</u></b>	<b><u>830</u></b>
<b>Change in basis on economic items</b>		
Economic experience	11,587	12,434
Tax	(4,248)	(5,502)
Dividends paid	(5,897)	(6,102)
Subordinated loan repayment	(850)	-
<b>Analysed increase</b>	<b><u>592</u></b>	<b><u>830</u></b>

**Capital Statement**

The Company's capital statement is set out below:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Shareholders' funds at the end of the year	6,733	6,141
Fixed assets not allowed for	<u>-</u>	<u>-</u>
Capital resources	6,733	6,141
Greater of:		
Enhanced Capital Requirement	3,498	3,296
Minimum Capital Requirement	<u>3,498</u>	<u>3,296</u>
Excess (deficiency) of available capital resources to cover long-term insurance business	<u>(3,498)</u>	<u>(3,296)</u>
	<b><u>3,235</u></b>	<b><u>2,845</u></b>

**19. Other Expenses**

Within Other Expenses there is an amount of £60,035 (2013: £53,250) paid in consideration of audit and accountancy fees.

**20. Post Balance Sheet events**

There are no post Balance Sheet events.