

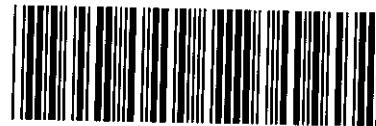
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# **Paymentshield Life Underwriting Services Limited**

## **Report and Financial Statements**

30 April 2006

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COMPANIES HOUSE

# Paymentshield Life Underwriting Services Limited

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Registered No: 4179465

## **Directors**

Mr P W J Evans  
Mr G D Boulger  
Mr L Cottrell  
Mr S Pender  
Mr R Dixon  
Mr G Johnston

## **Secretary**

Mr P W J Evans

## **Auditors**

Ernst & Young LLP  
Registered Auditors  
100 Barbirolli Square  
Manchester  
M2 3EY

## **Registered Office**

Paymentshield House  
Slaidburn Crescent  
Southport  
Merseyside  
PR9 9YF

## Directors' report

The directors present their report with the financial statements of the company for the year ended 30 April 2006.

### Principal activity

The principal activity of the company in the year under review was that of the marketing of life insurance products.

### Review of business

The results for the year and financial position of the company are as shown in the annexed financial statements. During the period the company's trading income decreased by 69% . This reduction was as a direct result of the reduced promotion of the business during the year. The business will be re-focussing on the Protection and Mortgage clubs over the next financial year and it is expected that the outlook for the business will be positive.

### Directors

The directors during the year under review were:

Mr P W J Evans

Mr G D Boulger

Mr S M Pender

Ms A M Stone (Resigned 8 November 2005)

Mr R Dixon (Appointed 25 October 2005)

Mr L Cottrell

Mr G Johnston (Appointed April 25 2006)

The directors holding office at 30 April 2006 did not hold any beneficial interest in the issued share capital of the company at 1 May 2005 (or date of appointment if later) or 30 April 2006.

The interest of the directors in the issued share capital of the holding company are shown in that company's financial statements.

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

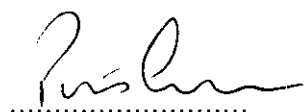
- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

## Directors' report

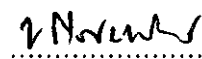
### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

  
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Mr P W J Evans  
Company Secretary

  
.....2006

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 judgments and estimates that are reasonable and prudent;
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report**

## **to the members of Paymentsfield Life Underwriting Services Limited**

We have audited the company's financial statements for the year ended 30 April 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 9. 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 auditors' 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**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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, are properly prepared in accordance with the Companies Act 1985 and whether 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' remuneration and other transactions is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

# Independent auditor's report

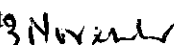
to the members of Paymentsshield Life Underwriting Services Limited (continued)

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2006 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.

Ernst & Young LLP  
Registered auditor  
Manchester

Date  3 November 2006

## Profit and loss account

for the year ended 30 April 2006

	Notes	2006 £	2005 £
<b>Turnover</b>		4,799,043	15,391,708
Cost of sales		(4,094,352)	(14,282,638)
Gross profit		704,691	1,109,070
Administrative expenses		(644,115)	(749,504)
<b>Operating Profit</b>		60,576	359,566
Interest received		67,807	150,326
<b>Profit on ordinary activities before taxation</b>	2	128,383	509,892
Tax on profit on ordinary activities	3	(6,005)	(151,881)
<b>Profit for the financial year after taxation</b>		122,378	358,011
<b>Retained profit for the year</b>		122,378	358,011

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalent.

None of the company's activities were acquired or discontinued during the current and previous years.

## Statement of total gains and losses

for the year ended 30 April 2006

There were no other gains or losses other than those shown above.



## Balance Sheet


at 30 April 2006

	Notes	2006 £	2005 £
<b>Current assets</b>			
Debtors	4	2,494,657	6,087,833
Cash at bank		838,577	24,112
		<u>3,333,234</u>	<u>6,111,945</u>
<b>Creditors:</b> amounts falling due within one year	5	2,325,025	5,226,114
		<u>1,008,209</u>	<u>885,831</u>
<b>Net current assets</b>			
		<u>1,008,209</u>	<u>885,831</u>
<b>Total assets less current liabilities</b>		<u>1,008,209</u>	<u>885,831</u>
<b>Capital and reserves</b>			
Called up share capital	6	1	1
Profit and loss account	7	1,008,208	885,830
		<u>1,008,209</u>	<u>885,831</u>
Shareholders funds		<u>1,008,209</u>	<u>885,831</u>

Approved on behalf of the Board



Mr S M Pender  
Director



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## Notes to the financial statements

### 1. Accounting policies

#### *Accounting convention*

The financial statements have been prepared under the historical cost convention.

#### *Turnover*

Turnover represents commissions receivable in respect of life insurance policies marketed by the company.

#### *Cash flow statement*

No cash flow statement has been prepared, as exemption has been taken under Financial Reporting Standard 1 (Revised 1996) 'Cash flow Statements' due to more than 90% of the voting rights being controlled by Paymentshield Holdings Limited and of which consolidated financial statements are publicly available.

#### *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Clawback provision*

Provision has been made for clawback of indemnity commissions in line with historical experience.

### 2. Operating profit

The operating profit is stated after charging:

	2006	2005
	£	£
Auditors remuneration	5,785	2,818

## Notes to the financial statements

### 3. Taxation

#### (a) Analysis of the tax charge

The tax charge on the profit on ordinary activities is made up as follows:

	2006 £	2005 £
Current tax:		
UK Corporation tax	-	135,353
Adjustments in respect of previous periods	1,230	2,384
	<u>1,230</u>	<u>137,737</u>
Deferred tax:		
Origination and reversal of timing difference	4,775	14,144
	<u>6,005</u>	<u>151,881</u>

UK corporation tax charge at 30% (2005 – 30%)

#### (b) Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2006 £	2005 £
Profit on ordinary activities before tax	128,383	509,892
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	<u>38,515</u>	<u>152,968</u>
Effects of:		
Group relief	(33,740)	-
Short term timing differences	(4,775)	(16,385)
Marginal relief	-	(1,230)
Prior year adjustments	1,230	2,384
Current tax charge	<u>1,230</u>	<u>137,737</u>

#### (c) Deferred tax

	2006 Provided £	2005 Provided £
Other timing differences	(26,081)	(30,856)
	<u>(26,081)</u>	<u>(30,856)</u>

A deferred tax asset of £26,081(2005 £30,856) has been recognised on the basis that the company is expecting to generate taxable profits against which recovery can be made.

## Notes to the financial statements

### 3. Taxation (continued) (c) Deferred tax (continued) Movement in deferred tax

	£
Balance at 1 <sup>st</sup> May 2005	(£30,856)
Transferred from the profit and loss account	4,775
Balance at 30 April 2006 (note 4)	(26,081)

### 4. Debtors

	2006 £	2005 £
Trade debtors	2,040,805	3,982,763
Amounts due from parent undertaking	427,771	2,074,214
Deferred tax	26,081	30,856
	<u>2,494,657</u>	<u>6,087,833</u>

### 5. Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	300,244	504,988
Taxation and social security	-	135,354
Other creditors	2,024,781	4,585,772
	<u>2,325,025</u>	<u>5,226,114</u>

A reclassification of amounts previously netted against Accruals and deferred income has been made in order to follow the legal right of set-off associated with these balances. This has resulted in an increase in Accruals & deferred income and Trade debtors of £1,410,956 (2005:£3,353,356).

### 6. Called up share capital

Authorised:

	2006 £	2005 £
Ordinary shares of £1 each	100,000	100,000

Allotted, issued and fully paid:

	2006 £	2005 £
Ordinary shares of £1 each	1	1

## Notes to the financial statements

### 7. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit &amp; loss account</i>	<i>Total share- holders' funds</i>
	£	£	£
At 1 May 2005	1	885,830	885,831
Profit for the year	-	122,378	122,378
At 30 April 2006	1	1,008,208	1,008,209

### 8. Related party disclosures

The company is a wholly owned subsidiary of Paymentshield Limited.

During the year the company paid commission to Paymentshield Limited, its parent company, amounting to £528,518 (2005 £655,800) and at the year end the company was due £427,771 (2005 £2,074,214) from Paymentshield Limited.

All transactions are on an arms length basis.

### 9. Ultimate controlling party

Paymentshield Life Underwriting Services Limited is a wholly owned subsidiary of Paymentshield Limited. Paymentshield Limited is a subsidiary of Paymentshield Holdings Limited.

The smallest group and largest group into which Paymentshield Life Underwriting Services Limited has been consolidated is Paymentshield Holdings Limited.