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Paymentshield Life Underwriting Services Limited

Report and Financial Statements

30 April 2005



Paymentshield Life Underwriting Services Limited

Registered No: 4179465

Directors

Mr P W J Evans
Mr G D Boulger
Mr L Cottrell
Mr S Pender
Mrs A M Stone

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 2005.

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.

On 13 August 2004 the entire share capital of Paymentshield Limited, the parent company of Paymentshield Life Underwriting Services Limited was purchased by Paymentshield Holdings Limited.

Directors

The directors during the year under review were:

Mr P W J Evans

Mr G Riding (Resigned 11 April 2005)

Mr M Riding (Resigned 19 April 2005)

Mr R Riding (Resigned 12 August 2004)

Mr G D Boulger

Mrs P Cottrell (Resigned 12 August 2004)

Mr L Cottrell

On 13 August 2004 Mr S M Pender was appointed as a director and on 11 January 2005 Mrs A M Stone was appointed as a director.

Subsequent to the year end, Mr R Dixon was appointed as a director (on 25 October 2005), and Ms A M Stone resigned as a director on 8 November 2005.

The directors holding office at 30 April 2005 did not hold any beneficial interest in the issued share capital of the company at 1 May 2004 (or date of appointment if later) or 30 April 2005.

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

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

9/11/.....2005

Statement of directors' responsibilities in respect of the financial statements

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 group and of the profit or loss of the group for that period. In preparing those 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; 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 which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Paymentsshield Life Underwriting Services Limited

We have audited the company's financial statements for the year ended 30 April 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Reconciliation of Shareholders' Funds and the related notes 1 to 9. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

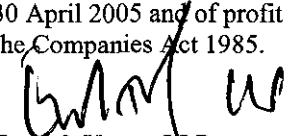
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 April 2005 and of profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Manchester

.....9 November.....2005

Profit and loss account

for the year ended 30 April 2005

	Notes	2005 £	2004 £
Turnover		15,391,708	20,055,435
Cost of sales		(14,282,638)	(18,332,166)
Gross profit		1,109,070	1,723,269
Administrative expenses		(749,504)	(1,339,259)
Operating Profit		359,566	384,010
Interest received		150,326	-
Profit on ordinary activities before taxation	2	509,892	384,010
Tax on profit on ordinary activities	3	(151,881)	(109,263)
Profit for the financial year after taxation		358,011	274,747
Retained profit for the year		358,011	274,747

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 2005

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

Balance Sheet

at 30 April 2005

	Notes	2005 £	2004 £
Current assets			
Debtors	4	2,734,477	2,490,657
Cash at bank		24,112	8,031
		<u>2,758,589</u>	<u>2,498,688</u>
Creditors: amounts falling due within one year	5	1,872,758	1,970,868
		<u>885,831</u>	<u>527,820</u>
Net current assets			
		<u>885,831</u>	<u>527,820</u>
Total assets less current liabilities		<u>885,831</u>	<u>527,820</u>
Capital and reserves			
Called up share capital	6	1	1
Profit and loss account	7	885,830	527,819
		<u>885,831</u>	<u>527,820</u>
Shareholders funds		<u>885,831</u>	<u>527,820</u>

Approved on behalf of the Board



Mr S M Pender
Director



9 November 2005

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:

	2005	2004
	£	£
Auditors remuneration	2,818	5,000

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:

	2005 £	2004 £
Current tax:		
UK Corporation tax	135,353	154,263
Adjustments in respect of previous periods	2,384	-
	<u>137,737</u>	<u>154,263</u>
Deferred tax:		
Origination and reversal of timing difference	14,144	(45,000)
	<u>151,881</u>	<u>109,263</u>

UK corporation tax charge at 30% (2004 – 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:

	2005 £	2004 £
Profit on ordinary activities before tax	509,892	384,010
	<u>152,968</u>	<u>115,203</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004-30%)		
Effects of:		
Short term timing differences	(16,385)	45,000
Marginal relief	(1,230)	(5,940)
Prior year adjustments	2,384	-
	<u>137,737</u>	<u>154,263</u>

(c) Deferred tax

	2005 Provided £	2004 Provided £
Other timing differences	(30,856)	(45,000)
	<u>(30,856)</u>	<u>(45,000)</u>

A deferred tax asset of £30,856 (2004 £45,000) 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 st May 2004	(45,000)
Transferred from the profit and loss account	14,144
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Balance at 30 April 2005 (note 4)	(30,856)
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4. Debtors

	2005 £	2004 £
Trade debtors	629,407	324,719
Amounts due from parent undertaking	2,074,214	2,120,938
Deferred tax	30,856	45,000
	<hr/>	<hr/>
	2,734,477	2,490,657
	<hr/>	<hr/>

5. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	504,988	244,250
Taxation and social security	135,354	154,263
Other creditors	1,232,416	1,572,355
	<hr/>	<hr/>
	1,872,758	1,970,868
	<hr/>	<hr/>

6. Called up share capital

Authorised:

	2005 £	2004 £
Ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>

Allotted, issued and fully paid:

	2005 £	2004 £
Ordinary shares of £1 each	1	1
	<hr/>	<hr/>

Notes to the financial statements

7. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit & loss account</i>	<i>Total shareholders' funds</i>
	£	£	£
At 1 May 2003	1	253,072	253,073
Profit for the year	-	274,747	274,747
At 30 April 2004	1	527,819	527,820
Profit for the year	-	328,011	328,011
At 30 April 2005	1	885,830	885,831

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 £ 655,800 (2004 £1,283,860) and at the year end the company was due £2,074,214 (2004 £2,120,938) 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 was jointly controlled by Mrs P Cottrell and Mr R Riding as at 30 April 2004.

On 13 August 2004 the share capital of Paymentshield Limited was acquired by Paymentshield Holdings Limited.

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