

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2004
FOR
PAYMENTSHIELD LIFE UNDERWRITING SERVICES
LIMITED



PAYMENTSHIELD LIFE UNDERWRITING SERVICES
LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
For The Year Ended 30 April 2004

| | Page |
|---|-------------|
| Company Information | 1 |
| Report of the Directors | 2 |
| Report of the Independent Auditors | 3 |
| Profit and Loss Account | 4 |
| Company Balance Sheet | 5 |
| Notes to the Financial Statements | 6 |

PAYMENTSHIELD LIFE UNDERWRITING SERVICES
LIMITED

COMPANY INFORMATION
For The Year Ended 30 April 2004

DIRECTORS:

Mr P W J Evans
Mr G Riding
Mr M Riding
Mr G D Boulger
Mr L Cottrell
Mr S Pender

SECRETARY:

Mr P W J Evans

REGISTERED OFFICE:

Paymentshield House
Slaidburn Crescent
Southport
Merseyside
PR9 9YF

REGISTERED NUMBER:

4179465

AUDITORS:

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

PAYMENTSHIELD LIFE UNDERWRITING SERVICES
LIMITED

REPORT OF THE DIRECTORS
For The Year Ended 30 April 2004

The directors present their report with the financial statements of the company for the year ended 30 April 2004.

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 Paymentsshield Limited, the parent company of Paymentsshield Life Underwriting Services Limited was purchased by Paymentsshield Holdings Limited.

DIRECTORS

The directors during the year under review were:

Mr P W J Evans

Mr G Riding

Mr M Riding

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 Pender was appointed as a director.

The directors holding office at 30 April 2004 did not hold any beneficial interest in the issued share capital of the company at May 2003 (or date of appointment if later) or 30 April 2004.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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;

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 company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Unity Chartered Accountants, resigned during the year and Ernst & Young LLP were appointed, in accordance with section 385A of the Companies Act 1985.

ON BEHALF OF THE BOARD:



Mr P W J Evans - Secretary

Date: 17 December 2004

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
PAYMENTSHIELD LIFE UNDERWRITING SERVICES
LIMITED

We have audited the company's financial statements for the year ended 30 April 2004 which comprise the Profit & Loss Account, Balance Sheet and the related notes 1-9. These financial statements have been prepared on the basis of the accounting policies set out herein.

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 on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

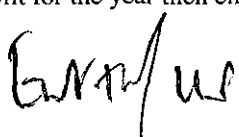
Basis of audit opinion

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
100 Barbirolli Square
Manchester

17 December 2004
Date:

**PAYMENTSHIELD LIFE UNDERWRITING SERVICES
LIMITED**

**PROFIT AND LOSS ACCOUNT
For The Year Ended 30 April 2004**

| | | <u>2004</u> | <u>2003</u> |
|--|-------|-----------------------|------------------|
| | Notes | £ | £ |
| TURNOVER | | 20,055,435 | 10,845,101 |
| Cost of sales | | <u>18,332,166</u> | <u>9,647,169</u> |
| GROSS PROFIT | | 1,723,269 | 1,197,932 |
| Administrative expenses | | <u>1,339,259</u> | <u>934,492</u> |
| OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | 384,010 | 263,440 |
| Tax on profit on ordinary activities | 3 | <u>109,263</u> | <u>65,700</u> |
| PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION | | <u>274,747</u> | <u>197,740</u> |
| RETAINED PROFIT FOR THE YEAR | | <u>274,747</u> | <u>197,740</u> |

CONTINUING OPERATIONS

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

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

The notes form part of these financial statements

PAYMENTSHIELD LIFE UNDERWRITING SERVICES
LIMITED

COMPANY BALANCE SHEET
As at 30 April 2004

| | | <u>2004</u> | <u>2003</u> |
|--|-------|------------------|----------------|
| | Notes | £ | £ |
| CURRENT ASSETS | | | |
| Debtors | 4 | 2,490,657 | 1,201,447 |
| Cash at bank | | <u>8,031</u> | <u>3,615</u> |
| | | 2,498,688 | 1,205,062 |
| CREDITORS | | | |
| Amounts falling due within one year | 5 | <u>1,970,868</u> | <u>951,989</u> |
| NET CURRENT ASSETS | | <u>527,820</u> | <u>253,073</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>527,820</u> | <u>253,073</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 6 | 1 | 1 |
| Profit and loss account | 7 | <u>527,819</u> | <u>253,072</u> |
| SHAREHOLDERS' FUNDS | | <u>527,820</u> | <u>253,073</u> |

ON BEHALF OF THE BOARD:



Mr P W J Evans - Director



Mr S Pender - Director

Approved by the Board on

The notes form part of these financial statements

PAYMENTSHIELD LIFE UNDERWRITING SERVICES
LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 April 2004

ACCOUNTING POLICIES

Accounting convention

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

Turnover

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

Deferred tax

Deferred tax 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 that 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.

OPERATING PROFIT

The operating profit is stated after charging:

| | 2004 | 2003 |
|-----------------------|--------------|--------------|
| | £ | £ |
| Auditors remuneration | <u>5,000</u> | <u>1,000</u> |

**PAYMENTSHIELD LIFE UNDERWRITING SERVICES
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 April 2004**

TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

| | 2004 £ | 2003 £ |
|--|----------------|---------------|
| Current tax: | | |
| UK corporation tax | 154,263 | 65,700 |
| Deferred tax: | | |
| Origination and reversal of timing differences | (45,000) | - |
| | <u>109,263</u> | <u>65,700</u> |
| Tax on profit on ordinary activities | | |

UK corporation tax charges at

Factors affecting the tax charge

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

| | 2004 £ | 2003 £ |
|--|----------------|-----------------|
| Profit on ordinary activities before tax | <u>384,010</u> | <u>263,440</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%) | 115,203 | 79,032 |
| Effects of: | | |
| Other timing differences | 45,000 | - |
| Marginal relief | <u>(5,940)</u> | <u>(13,332)</u> |
| Current tax charge | <u>154,263</u> | <u>65,700</u> |

DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2004 £ | 2003 £ |
|--|------------------|------------------|
| Trade debtors | 324,719 | 73,838 |
| Amounts due from subsidiary undertakings | 2,120,938 | 1,127,609 |
| Deferred tax | 45,000 | - |
| | <u>2,490,657</u> | <u>1,201,447</u> |

**PAYMENTSHIELD LIFE UNDERWRITING SERVICES
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 April 2004**

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2004 | 2003 |
|------------------------------|------------------|----------------|
| | £ | £ |
| Trade creditors | 244,250 | 124,711 |
| Taxation and social security | 154,263 | 65,700 |
| Other creditors | <u>1,572,355</u> | <u>761,578</u> |
| | <u>1,970,868</u> | <u>951,989</u> |

CALLED UP SHARE CAPITAL

| | | | | |
|-------------|----------|----------------|----------------|----------------|
| Authorised: | | | | |
| Number: | Class: | Nominal value: | 2004 | 2003 |
| | | | £ | £ |
| 100,000 | Ordinary | £1 | <u>100,000</u> | <u>100,000</u> |

| | | | | |
|----------------------------------|----------|----------------|----------|----------|
| Allotted, issued and fully paid: | | | | |
| Number: | Class: | Nominal value: | 2004 | 2003 |
| | | | £ | £ |
| 1 | Ordinary | £1 | <u>1</u> | <u>1</u> |

RESERVES

| | |
|------------------------------|--------------------------------|
| | Profit and loss account |
| | £ |
| At 1st May 2003 | 253,072 |
| Retained profit for the year | <u>274,747</u> |
| At 30 April 2004 | <u>527,819</u> |

RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of Paymentsshield Limited.

During the year the company paid commission to Paymentsshield Limited, its parent company, amounting to £1,283,860 (2003 £921,235) and as at the year end the company was due £2,120,938 (2003 £1,127,609) from Paymentsshield Limited.

All transactions are on an arms length basis.

ULTIMATE CONTROLLING PARTY

Paymentsshield Life Underwriting Services Limited is a wholly owned subsidiary of Paymentsshield Limited. Paymentsshield Limited was jointly controlled by Mrs P Cottrell and Mr R Riding as at 30 April 2004.

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

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