

SES 1340

Paymentshield Holdings Limited

Report and Group Financial Statements

30 April 2005



Paymentshield Holdings Limited

Registered No: 5131340

Directors

Mr P W J Evans

Mr S M Pender

Mr G D Boulger

Mr M Christophers (Non-executive)

Mr R Lane-Smith (Non-executive)

Mr H Posner (Non-executive)

Mr J Cowan (Non-executive)

Secretary

Mr S M Pender

Auditors

Ernst & Young LLP

Registered Auditors

100 Barbirolli Square

Manchester

M2 3EY

Registered Office

Paymentshield House

Slaidburn Crescent

Marshside

Southport

PR9 9YF

Directors' report

The directors present their report with the financial statements of the group for the period ended 30 April 2005.

Principal activity

The principal activity of the group in the period under review was that of the sale and administration of general insurance products and the marketing of life insurance products.

Review of business

The results for the period and financial position of the group are as shown in the annexed financial statements.

Paymentshield Holdings Limited was incorporated on 18 May 2004.

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

Dividends

No dividends will be distributed for the period ended 30 April 2005.

Directors

The directors during the period under review were:

Mr S M Pender (Appointed 13 August 2004)
Mr P W J Evans (Appointed 13 August 2004)
Mr G Riding (Appointed 13 August 2004, resigned 11 April 2005)
Mr G D Boulger (Appointed 13 August 2004)
Everdirector Limited (Appointed 18 May 2004, resigned 13 August 2004)
Mr M Christophers (non-executive) (Appointed 12 January 2005)
Mr R Lane-Smith (non-executive) (Appointed 12 January 2005)

On 28 July 2005, Mr H Posner was appointed as a non-executive director and on 3 October 2005 Mr J Cowan was appointed as a non-executive director.

The beneficial interests of the directors holding office on 30 April 2005 in the issued share capital of the company were as follows:

	<i>April 2005</i>	<i>At date of appointment</i>
Mr S M Pender	50,000 C Ordinary Shares	50,000 C Ordinary Shares
Mr P W J Evans	25,000 Ordinary Shares	25,000 Ordinary Shares
Mr G D Boulger	25,000 Ordinary Shares	25,000 Ordinary Shares

Directors' report

Auditors

Ernst & Young LLP were appointed first auditors of the company. 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



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 Holdings Limited

We have audited the group's financial statements for the period ended 30 April 2005 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows, and the related notes 1 to 18. 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 group 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 group'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 auditors' report

to the members of Paymentshield Holdings Limited (continued)

Opinion

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



Ernst & Young LLP
Registered Auditor
Manchester



.....2005

Group Profit and loss account

for the period 18 May 2004 to 30 April 2005

	Notes	2005 £
Turnover	2	55,419,343
Cost of sales		(39,427,243)
Gross Profit		15,992,100
Administrative expenses		(10,075,141)
Operating profit		5,916,959
Interest receivable and similar income		383,514
Interest payable and similar charges	5	(3,610,735)
Profit on ordinary activities before taxation		2,689,738
Tax on profit on ordinary activities	6	(1,250,719)
Profit for financial period after taxation		1,439,019
Retained profit for the period	18	1,439,019

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

All of the group's activities were acquired during the current period.

Statement of total gains and losses

for the period 18 May 2004 to 30 April 2005


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

Group Balance Sheet

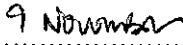
at 30 April 2005

	Notes	2005 £
Fixed assets		
Intangible assets	7	30,087,235
Tangible assets	8	2,338,062
		<hr/> 32,425,297
Current assets		
Debtors	11	3,956,858
Cash at bank and in hand		9,029,636
		<hr/> 12,986,494
Creditors: amounts falling due within one year	12	(20,073,429)
		<hr/> (7,086,935)
Net current liabilities		
		<hr/> 25,338,362
Total assets less current liabilities		
Creditors: amounts falling due after more than one year	13	(23,418,567)
		<hr/> 1,919,795
		<hr/>
Capital and reserves		
Called up share capital	16	24,500
Share Premium	18	456,276
Profit and loss account	18	1,439,019
		<hr/>
Shareholders' funds	18	1,919,795
		<hr/>

Approved on behalf of the Board



 Mr S M Pender
 Director



2005

Company Balance Sheet

at 30 April 2005

	Notes	2005 £
Fixed assets		
Investments	9	37,074,550
Current assets		
Debtors	11	16,667
Cash at bank and in hand		1,603
		18,270
Creditors: amounts falling due within one year	12	(12,651,297)
Net current liabilities		(12,633,027)
Total assets less current liabilities		24,441,523
Creditors: amounts falling due after more than one year	13	(23,325,780)
		1,115,743
Capital and reserves		
Called up share capital	16	24,500
Share Premium	18	456,276
Profit and loss account	18	634,967
Shareholders' funds	18	1,115,743

Approved on behalf of the Board



 Mr S M Pender
 Director
 9 November 2005

Statement of group cash flows

for the period to 30 April 2005

	Notes	2005 £
Net cash inflow from operating activities	1	11,510,579
Returns on investments & servicing of finance	2	(2,297,632)
Taxation		(1,357,298)
Capital expenditure	2	(1,172,981)
Acquisitions and disposals	2	(18,647,532)
Financing	2	20,994,500
Increase in cash in the period		9,029,636
Reconciliation of net cash flow to movement in net funds	3	
Increase in cash in the period		9,029,636
Cash outflow from decrease in debt and lease finance		15,000,000
Change in net funds resulting from cash flows		24,029,636
New finance leases		(134,369)
New loans		(35,668,691)
Other loan movements		(2,657,089)
Movement in net funds in the period		(14,430,513)
Net funds at 13 August 2004		-
Net funds at 30 April 2005		(14,430,513)

Notes to the cash flow statement

at 30 April 2005

1. Reconciliation of operating profit to net cash inflow from operating activities

	2005 £
Operating profit	5,916,959
Depreciation and amortisation charges	1,991,007
Profit on disposal of fixed assets	(5,870)
(Increase)/Decrease in debtors	(2,612,590)
Increase in creditors	6,221,073
Net cash inflow from operating activities	11,510,579

2. Analysis of cash flows for headings netted in the cash flow statement

	2005 £
Returns on investments and servicing of finance	
Interest received	383,514
Interest paid	(2,678,468)
Interest element of hire purchase payments	(2,678)
Net cash inflow for returns on investments and servicing of finance	(2,297,632)
Capital expenditure	
Purchase of tangible fixed assets	(635,241)
Sale of tangible fixed assets	212,260
Purchase of goodwill	(750,000)
Net cash outflow for capital expenditure	(1,172,981)
Acquisitions and Disposals	
Cash paid in acquisition of subsidiaries	(35,347,050)
Cash acquired with subsidiaries	16,699,518
Net cash outflow from acquisitions and disposals	(18,647,532)
Financing	
Loan repayments in year	(15,000,000)
New hire purchase advances in year	83,702
Other loan repayments	(238,669)
Proceeds from issuing shares	480,776
Proceeds from issuing loans	35,668,691
Net cash (outflow)/inflow from financing	20,994,500

Notes to the cash flow statement

at 30 April 2005

3. Analysis of changes in net funds

	<i>At 13 August 2004 £</i>	<i>Cashflow £</i>	<i>Other non-cash changes £</i>	<i>At 30 April 2005 £</i>
Net cash:				
Cash at bank and in hand	-	9,029,636	-	9,029,636
Debt:				
Hire purchase	-	(134,369)	-	(134,369)
Debts falling due within one year	-	-	-	-
Debts falling due after one year	-	(20,668,691)	(2,657,089)	(23,325,780)
	-	(20,803,060)	(2,657,089)	(23,460,149)
Total	-	(11,773,424)	(2,657,089)	(14,430,513)

Notes to the financial statements

1. Accounting policies

Accounting convention

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings drawn up to 30 April 2005. Paymentshield Holdings acquired 100% of the share capital of Paymentshield Limited on 13 August 2004, accordingly the group profit and loss account and statement of cashflows include the results and cashflows of Paymentshield Limited and its subsidiary undertakings from that date.

Turnover

Turnover represents commission receivable in respect of insurance schemes administered by the group.

Clawback provision

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

Goodwill

Positive goodwill is capitalised as an asset on the balance sheet and amortised over its expected useful economic life up to a period of 15 years. It is reviewed for impairment at the end of the first year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

The goodwill capitalised to date represents that which arose from the purchase of Paymentshield Limited on 13 August 2004, and from the purchase made by Paymentshield Limited during the year of Paymentcare.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property - straight line over 50 years
Plant and machinery - 25% straight line
Fixtures and fittings - 15% straight line
Motor vehicles - 25% straight line
Computer equipment- 25% to 33% straight line

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 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.

Notes to the financial statements

1. Accounting policies (continued)

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme and a stakeholder pension scheme. Contributions payable for the defined contribution pension scheme were £68,290 for the year. These are charged in the group profit and loss account. No employer contributions were made to the stakeholder pension scheme.

2. Turnover

The turnover and profit before taxation are attributable to the principal activity of the group and relate to services provided in the United Kingdom.

Turnover and Cost of Sales have been disclosed to reflect Financial Reporting Standard 5 "Reporting the Substance of Transactions" – Application Note G and related ICAEW technical note 5/04 "Application of FRS5 Application Note G: Revenue recognition by insurance intermediaries".

3. Staff Costs

	<i>Group 2005 £</i>
Wages and salaries	3,765,457
Social security costs	336,439
Other pension costs	68,290
	<u>4,170,186</u>

The average monthly number of employees during the year was as follows:

	<i>2005 No</i>
Sales and administration	202

Notes to the financial statements

4. Operating profit

The group operating profit is stated after charging / (crediting)

	<i>Group</i> <i>2005</i> <i>£</i>
Hire of plant and machinery	4,790
Depreciation – owned assets	354,164
Depreciation – assets on hire purchase contracts	7,901
Amortisation of goodwill	1,628,942
Profit on disposal of fixed assets	(5,870)
Auditor's remuneration	35,000
Non audit fees	31,439
Director's emoluments	589,529
Director's pension contributions to money purchase schemes	25,474

In addition non-audit fees (which were not charged to operating profit) of £151,281, which had been invoiced to a third party, were re-charged to the company during the year.

3 directors were members of the defined contribution pension scheme.

Information regarding the highest paid director is as follows:

	<i>2005</i> <i>£</i>
Emoluments	397,839
Pension contributions to money purchase schemes	11,296

5. Interest payable and similar charges

	<i>Group</i> <i>2005</i> <i>£</i>
Bank loan interest	2,600,274
Other interest	938
Hire purchase interest	2,678
Accrued redemption premium	929,589
Loan note interest	77,256
	<u>3,610,735</u>

Notes to the financial statements

6. Taxation

(a) Analysis of the tax charge

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

	<i>Group</i> <i>2005</i> <i>£</i>
Current tax:	
UK corporation tax	1,263,329
	<hr/> 1,263,329
Deferred taxation	
Origination and reversal of timing differences	(12,610)
	<hr/> 1,250,719
	<hr/> <hr/>
Tax on profit on ordinary activities	
	<hr/> <hr/>
UK corporation tax was charged at 30%	

(b) Factors affecting the tax charge

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

	<i>Group</i> <i>2005</i> <i>£</i>
Profit on ordinary activities before tax	2,689,738
	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	806,921
Effects of:	
Non taxable income	-
Excess of depreciation over capital allowances	29,241
Expenses not allowable for tax purposes	441,110
Adjustments in respect of previous periods	-
Short term timing differences	(10,504)
Marginal relief	(3,439)
	<hr/>
Current tax charge	1,263,329
	<hr/> <hr/>

Notes to the financial statements

6. Taxation (continued)

(c) Deferred tax

	2005 Provided £
Group	
Accelerated capital allowances	(12,567)
Other timing differences	(33,710)
	<u>(46,277)</u>

A deferred tax asset of £46,277 has been recognised on the basis that the group is expecting to generate taxable profits against which recovery can be made.

Movement in deferred tax provision

	Group £
Balance at 13 August 2004	(33,667)
Transferred from the profit and loss account	(12,610)
	<u>(46,277)</u>
Balance at 30 April 2005 (note 11)	

7. Intangible fixed assets

	Goodwill £
Cost:	
As at 13 August 2004	-
Additions:	
Paymentshield acquisition (note 10)	30,966,177
Paymentcare acquisition	750,000
	<u>31,716,177</u>
As at 30 April 2005	
Amortisation:	
As at 13 August 2004	-
Provided during the year	1,628,942
	<u>1,628,942</u>
As at 30 April 2005	
Net book value:	
As at 30 April 2005	<u>30,087,235</u>

During the period, the group acquired the trading assets of Paymentcare for £750,000.

Notes to the financial statements

8. Tangible fixed assets – group

	<i>Freehold property £</i>	<i>Plant and machinery £</i>	<i>Fixtures and fittings £</i>
Cost:			
At 13 August 2004	1,113,270	418,595	229,230
Additions	164,792	45,008	3,202
Disposals	-	-	-
At 30 April 2005	1,278,062	463,603	232,432
Depreciation:			
At 13 August 2004	84,837	265,693	83,644
Charge for year	21,350	62,460	39,416
Eliminated on disposals	-	-	-
At 30 April 2005	106,187	328,153	123,060
Net book value:			
At 30 April 2005	1,171,875	135,450	109,372
At 13 August 2004	1,028,433	152,902	145,586
	<i>Motor vehicles £</i>	<i>Computer equipment £</i>	<i>Totals £</i>
Cost:			
At 13 August 2004	414,212	1,267,658	3,442,965
Additions	160,977	261,262	635,241
Disposals	(227,571)	(23,130)	(250,701)
At 30 April 2005	347,618	1,505,790	3,827,505
Depreciation:			
At 13 August 2004	86,013	651,502	1,171,689
Charge for year	55,585	183,254	362,065
Eliminated on disposal	(44,311)	-	(44,311)
At 30 April 2005	97,287	834,756	1,489,443
Net book value:			
At 30 April 2005	250,331	671,034	2,338,062
At 13 August 2004	328,199	616,156	2,271,276

Notes to the financial statements

8. Tangible fixed assets – group (continued)

Fixed assets included above which were held under hire purchase contracts are as follows:

	<i>Motor vehicles £</i>
Cost:	
At 13 August 2004	136,000
Additions	148,472
Disposals	-
At 30 April 2005	<u>284,472</u>
Depreciation:	
At 13 August 2004	26,728
Charge for year	7,901
Eliminated on disposal	-
At 30 April 2005	<u>34,629</u>
Net book value:	
At 30 April 2005	<u>249,843</u>
At 13 August 2004	<u>109,272</u>

9. Fixed asset investments – company

	<i>Unlisted Investments £</i>
Cost:	
At 13 August 2004 and 30 April 2005	37,074,550
Net book value:	
At 30 April 2005	<u>37,074,550</u>
At 13 August 2004	<u>37,074,550</u>

The company's investments at the balance sheet date in the share capital of companies include the following:

Notes to the financial statements

9. Fixed asset investments – company (continued)

Paymentshield Intermediary Network Limited (formerly Route One Mortgage Services Limited)*

Nature of business: dormant company

Class of shares: Ordinary 100% holding

Paymentshield Life Underwriting Services Limited*

Nature of business: sale of non investment protection products

Class of shares: Ordinary 100% holding

Paymentshield Limited

Nature of business: sale and administration of general insurance products

Class of shares: Ordinary 100% holding

* Held indirectly via Paymentshield Limited

10. Investment acquisitions

On 13 August 2004 the company acquired Paymentshield Limited and its subsidiaries for a consideration of £36,000,000 satisfied by £34,272,500 cash and £1,727,500 loan notes. The investment in Paymentshield Limited has been included in the company's balance sheet at its fair value at the date of acquisition.

Analysis of the acquisition of Paymentshield Limited and its subsidiaries:

Net assets at date of acquisition:

	<i>Book value</i>	<i>Revaluation</i>	<i>Other</i>	<i>Fair value to group</i>
	£	£	£	£
Tangible fixed assets	2,471,276	(200,000)	-	2,271,276
Debtors	1,297,991	-	-	1,297,991
Cash	16,699,518	-	-	16,699,518
Creditors	(14,160,412)	-	-	(14,160,412)
Net assets	6,308,373	(200,000)	-	6,108,373
Goodwill arising on acquisition				30,966,177
				37,074,550
Discharged by:				
Cash				34,272,500
Loan notes				1,727,500
Costs associated with the acquisition				1,074,550
				37,074,550

The revaluation arises on the restatement of the carrying values of freehold land & buildings to their fair values as at the date of acquisition.

Notes to the financial statements

10. Investment acquisitions (continued)

Paymentshield Limited and its subsidiaries contributed £11,594,272 to the group's net operating cash flows, contributed £357,125 in respect of net returns on investments and servicing of finance, paid £1,357,298 in respect of taxation and utilised £1,172,981 for capital expenditure and financial investment.

Paymentshield Limited and its subsidiaries earned a profit after tax of £8,655,743 in the year ended 30 April 2005 of which £1,389,399 arose in the period from 1 May 2004 to 13 August 2004. The summarised profit and loss account for the period from 1 May 2004 to the effective date of acquisition is as follows:

	£
Turnover	22,676,592
Operating profit	1,879,894
Profit before tax	2,057,471
Taxation	(668,072)
Profit for the period 1 May 2004 to 13 August 2004.	1,389,399

There were no recognised gains and losses in the period to 13 August 2004 other than the profit above.

11. Debtors

	Group 2005 £	Company 2005 £
Trade debtors	3,522,716	-
Prepayments	387,865	16,667
Deferred tax asset	46,277	-
	3,956,858	16,667

Notes to the financial statements

12. Creditors: amounts falling due within one year

	<i>Group</i> 2005 £	<i>Company</i> 2005 £
Hire purchase contracts (see note 15)	41,582	-
Trade creditors	14,254,963	-
Taxation	947,879	-
Social security and other taxes	207,333	-
Amounts due to subsidiary undertakings	-	12,534,491
Accruals & deferred income	4,621,672	116,806
	<u>20,073,429</u>	<u>12,651,297</u>

13. Creditors: amounts falling due after more than one year

	<i>Group</i> 2005 £	<i>Company</i> 2005 £
Bank loans (see note 14)	20,685,791	20,685,791
Accrued redemption premium on bank loans (see note 14)	929,589	929,589
Hire purchase contracts (see note 15)	92,787	-
Loan notes (6% - 2010)	1,710,400	1,710,400
	<u>23,418,567</u>	<u>23,325,780</u>

14. Loans – group and company

An analysis of the maturity of loans is given below:

	<i>Group and company</i> 2005 £
Amounts falling due in one years or less or on demand:	
Bank loans	-
Amounts falling due between two and five years	
Bank loans	<u>20,685,791</u>

A new loan was entered into with HBOS plc on 13 August 2004 to fund the purchase of Paymentshield Limited and its subsidiaries. The loan is to be repaid at the end of a five year period from the date of inception, with interest charged at 4.625% above LIBOR. A redemption premium of £6.5m is attached to the bank loan and is being accrued over the five year period. The premium is payable at the end of the five year period or on early redemption of the entire loan.

Notes to the financial statements

15. Obligations under hire purchase contracts – group and company

The maturity of these amounts is as follows:

	2005 £
Net obligations repayable:	
Within one year	41,582
Between one and five years	92,787
	<hr/> 134,369 <hr/>

The hire purchase contracts are secured on the assets which they finance.

16. Called up share capital

	<i>Authorised:</i> 2005 £
75,000 Ordinary Shares of £0.10 each	7,500
120,000 A Ordinary Shares of £0.10 each	12,000
440,000 B Ordinary Shares of £0.10 each	44,000
50,000 C Ordinary Shares of £0.10 each	5,000
	<hr/> 68,500 <hr/>

	<i>Allotted and issued:</i> 2005 £
75,000 Ordinary Shares of £0.10 each	7,500
120,000 A Ordinary Shares of £0.10 each	12,000
50,000 C Ordinary Shares of £0.10 each	5,000
	<hr/> 24,500 <hr/>

The voting rights attaching to the Shares on any resolution are as follows:

- (i) as to 20.1 per cent, to the holders of the Ordinary Shares as a class;
- (ii) as to 49.9 per cent, to the holders of the A Ordinary Shares as a class;
- (iii) as to 30.0 per cent, to the holders of the C Ordinary Shares as a class.

Notes to the financial statements

16. Called up share capital (continued)

Any dividend paid by the company is allocated as follows:

- (i) as to 7.5 per cent, to the holders of the Ordinary Shares as a class;
- (ii) as to 87.5 per cent, to the holders of the A Ordinary Shares as a class;
- (iii) as to 5.0 per cent, to the holders of the C Ordinary Shares as a class.

The amounts payable to each class of share on a winding up vary depending upon the shareholder proceeds but are subject to the following parameters:

- (i) the Ordinary Shares as a class shall not be entitled to receive more than 15.0 per cent of the total shareholder proceeds;
- (ii) the A Ordinary Shares as a class shall not be entitled to receive more than 87.5 per cent or less than 39.75 per cent of the total shareholder proceeds;
- (iii) the C Ordinary Shares as a class shall not be entitled to receive more than 12.25 per cent of the total shareholder proceeds.

17. Related party disclosures

As at the year end the company owed £12,534,491 to Paymentshield Ltd.

Mr G D Boulger, one of the directors of Paymentshield Holdings Limited is a partner in Paymentcare and also has a sole proprietorship of the same name.

Payment of £750,000 was made during the year to purchase the trading assets of Paymentcare. This resulted in goodwill of £583,350 (after amortisation) as shown on the balance sheet.

HBOS plc, an indirect shareholder in the company, has advanced loans to the company during the period of £36,762,500 of which £21,762,500 was outstanding at 30 April 2005. Interest and charges relating to these loans amounted to £2,600,275 during the period. St Andrews Insurance plc, a company within the HBOS plc group, paid commissions to Paymentshield Ltd amounting to £2,456,633 during the period of which £1,371,057 was outstanding at 30 April 2005.

Notes to the financial statements

18. Reconciliation of movements in shareholders' funds and movements on reserves

Group

	<i>Share capital £</i>	<i>Share premium £</i>	<i>Profit & loss account £</i>	<i>Total £</i>
At 18 May 2004	-	-	-	-
Share issue	24,500	456,276	-	480,776
Profit for the year	-	-	1,439,019	1,439,019
At 30 April 2005	24,500	456,276	1,439,019	1,919,795

Company

	<i>Share capital £</i>	<i>Share premium £</i>	<i>Profit & loss account £</i>	<i>Total £</i>
At 18 May 2004	-	-	-	-
Share issue	24,500	456,276	-	480,776
Profit for the year	-	-	634,967	634,967
At 30 April 2005	24,500	456,276	634,967	1,115,743