

Policy Portfolio plc

Report and Financial Statements

31 March 2007

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COMPANIES HOUSE

Policy Portfolio plc

Registered No 449681

Directors

S Burgess

C Lefever

Secretary

D Miller

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Bankers

Barclays Bank plc

2 High Street

Chelmsford

Essex, CM1 1DS

Registered Office

2 Gresham Street

London, EC2V 7QP

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2007

Principal activities and review of the business

The Company is regulated by the Financial Services Authority and until July 2004 its principal activity was that of market maker in traded endowment policies (TEPs). Since the cessation of this activity, the Company's sole activity is payment of premiums to the Life Office for endowment policies on behalf of clients.

It is the intention of the directors to cease the payment of premiums activity entirely. As a result of developments in the year, the directors now believe that the provision established in the previous year to cover the expected wind down costs is higher than needed and a net reduction of £112,084 has been taken to the Profit and Loss Account. As at 31 March 2007, a provision of £28,052 remains.

The exact date of final wind up will be dependent upon a number of factors, in particular reaching agreement with the Financial Services Authority on how to deal with clients for whom the Company currently manages the payment of their premiums. As such it is difficult to give an exact timing of the planned liquidation.

Results and dividends

The profit and loss account for the financial year under review is set out on page 7. The directors do not recommend the payment of a dividend (31 March 2006 £2,000,000).

Directors and their interests

The directors of the Company during the year were as follows:

J Cooke – Resigned – 25 June 2007
S Burgess – Appointed – 25 June 2007
C Lefever

According to the register of directors' interests, no director holding office at 31 March 2007 had any beneficial interest in the shares of the Company during the year.

Audit Information

In so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

On behalf of the board



31 October 2007

Cherie Lefever
Director

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 the 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 year. 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a 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

Independent auditors' report

to the members of Policy Portfolio plc

We have audited the financial statements of Policy Portfolio plc for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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.

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

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 auditors' report

to the members of Policy Portfolio plc

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 31 March 2007 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

Ernst & Young LLP

Registered auditor

London

31 October 2007

Profit and loss account

For the year ended 31 March 2007

		Year ended 31 March 2007 £	Year ended 31 March 2006 £
	Notes		
Administrative expenses		(284,562)	(100,477)
Other operating income		153,136	149,046
Operating profit/(loss)		(131,426)	48,569
Interest receivable and similar income	2	253,371	310,842
Interest payable and similar charges	3	(12,450)	631
Profit on ordinary activities before tax	4	109,495	360,042
Exceptional item Provision for closure costs	6	112,084	74,064
Profit before tax		221,579	434,106
Tax on profit on ordinary activities	7	(76,897)	214,896
Profit for the financial year before dividends		144,682	649,002
Dividend	8	-	(2,000,000)
Loss for the financial year	15	144,682	(1,350,998)
Retained reserves brought forward		726,035	2,077,033
Retained reserves carried forward		870,717	726,035

No statement of total recognised gains and losses has been prepared for the Company as all such gains and losses are dealt with in the above profit and loss account

Balance sheet

at 31 March 2007

	Notes	2007 £	2006 £
Current assets			
Debtors	9	100,340	319,577
Cash at bank and in hand		4,114,600	3,806,980
		<u>4,214,940</u>	<u>4,126,557</u>
Creditors - amounts falling due within one year	10	(120,765)	(64,981)
		<u>4,094,175</u>	<u>4,061,576</u>
Total assets less current liabilities			
Provisions for liabilities and changes	11	(28,052)	(140,135)
		<u>4,066,123</u>	<u>3,921,441</u>
Capital and reserves			
Called up share capital	13	400,000	400,000
Share premium account	15	2,795,406	2,795,406
Profit and loss account	15	870,717	726,035
		<u>4,066,123</u>	<u>3,921,441</u>
Shareholders' funds attributable to equity interests	15	<u>4,066,123</u>	<u>3,921,441</u>

Approved on behalf of the Board of Directors on 31 October 2007



Stever Burgess
Director

Notes to the financial statements

at 31 March 2007

1. Accounting policies

Basis of preparation

On 30 July 2004 the business ceased trading in endowment policies due to the ongoing difficult trading conditions and the resultant losses. In view of this, the going concern presumption in FRS 18 'Accounting Policies' is not appropriate for these financial statements and the comparatives for 2006. At the date of preparation of the annual financial statements for the year ended 31 March 2005, estimates were made as to the realisable value of the assets and the obligations relating to the cessation of the trade. Note 6 (exceptional item) and Note 11 (provision for liabilities and charges) detail the variations between these estimates and the actual amounts incurred. Other than as above, the financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards as defined in the Companies Act 1985 s256.

The Company has taken advantage of the exemptions provided by FRS 8 'Related Party Disclosures' from reporting transactions with group companies and related parties, which are members of Investec Limited and Investec plc Group.

The Company is exempt from the requirements to prepare a cash flow statement under Financial Reporting Standard 1, because a consolidated cash flow statement is included in the publicly available consolidated financial statements of its ultimate holding company, Investec Limited.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

As the intention is to liquidate the Company, no deferred tax asset is included in these financial statements.

Operating leases

Rentals payable or receivable under operating leases are taken to the profit and loss account in the year in which they fall due.

Pension costs

Stakeholder pension schemes are available to all employees, but the company does not make any contributions to those schemes. The pension costs of the directors (see note 5) are recharged from a group company.

2. Interest receivable and similar income

	<i>Year ended 31 March 2006 £</i>	<i>Year ended 31 March 2005 £</i>
Bank interest receivable		
- from third parties	78,915	72,437
- from Group undertakings	174,456	235,490
Rebate of discount on premiums to maturity	-	2,915
	<u>253,371</u>	<u>310,842</u>

Notes to the financial statements

at 31 March 2007

3. Interest payable and similar charges

	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
Discretionary payments - discount on premiums to maturity	12,450	-
Over provision in prior year	-	(631)
	<u>12,450</u>	<u>(631)</u>

4. Profit / (loss) on ordinary activities before tax

This is stated after charging

	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
Operating lease rentals received - leasehold properties	(136,575)	(86,550)
Operating lease rentals paid - leasehold properties	136,575	86,550
Auditors' remuneration - audit fees - current year	8,420	24,425
	<u>8,420</u>	<u>24,425</u>

5. Directors and employees

The average number of persons employed during the year in administrative functions, including directors, was 3 (31 March 2006 3) The aggregate remuneration and associated costs of these persons, excluding redundancy costs disclosed in note 6 were as follows

	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
Wages and salaries	77,165	98,430
Social security costs	5,791	6,180
Other pension costs	4,245	5,427
	<u>88,501</u>	<u>110,037</u>

The directors received emoluments during the year of £37,882 (31 March 2006 £47,110) with pension contributions of £2,610 (31 March 2006 £2,597) being made to schemes on behalf of two directors The aggregate emoluments, excluding pension contributions, of the highest paid director were £ 21,432 March 2006 £29,649) with pension contributions of £801 (31 March 2006 £833) being made on his behalf

Director fees were charged to and charged from a related party as detailed in note 17

Notes to the financial statements

at 31 March 2007

6. Exceptional item

As at 31 March 2006 a provision of £140,136 was made in relation to winding up the company. Although the original intention was to liquidate the company before 31 March 2007 it is currently not possible to estimate the date of liquidation. However, the intention is to transfer all business to another group company and therefore the provision has been revisited and adjusted to better reflect the current estimate of costs which will be incurred over the next two years. This has resulted in a release of the provision of £112,984 during the year.

7. Tax on profit / (loss) on ordinary activities

	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
Corporation tax for the year ended 31 March 2007	76,011	93,442
Prior year adjustment	886	(308,338)
Current tax charge/ (credit)	<u>76,897</u>	<u>(214,896)</u>

The effective tax rate for the year is 35% (2006 22%). The current tax charge is higher (2006 lower) than the standard rate of UK corporation tax due to the following reconciling items:

	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
Tax on profit / (loss) on ordinary activities at UK rate of 30%	66,474	130,232
Effect of: Unrealisable expenses	9,538	-
Set against brought forward tax losses	-	(14,571)
Expenses not deductible for tax purposes	-	(22,219)
Current year tax charge	<u>76,011</u>	<u>93,442</u>

The comparative prior year adjustment relates to the terminal loss relief claim following the cessation of trade in July 2004. A potential deferred tax asset of £148,836 relating to unutilised carried forward tax losses was not recognised at 31 March 2007 (31 March 2006 £162,392) as the trade has now ceased and utilisation is not expected.

8. Dividends

	<i>2007 £</i>	<i>2006 £</i>
Interim dividend of 25 pence per share	-	2,000,000

Notes to the financial statements

at 31 March 2007

9. Debtors

	2007	2006
	£	£
Amounts due within one year		
Corporation tax recoverable	-	214,896
Other debtors and prepayments	100,340	104,681
	<u>100,340</u>	<u>319,577</u>

10. Creditors: amounts falling due within one year

	2007	2006
	£	£
Amounts owed to group companies	16,224	1,340
Other taxation and social security	31,190	-
Other creditors and accruals	73,351	63,641
	<u>120,765</u>	<u>64,981</u>

11. Provisions for liabilities and charges

	<i>Provision for closure costs</i>
	£
Balance as at 1 April 2005	214,200
Provided during year	(74,064)
Balance as at 31 March 2006	<u>140,136</u>
Released during year	(112,084)
Balance as at 31 March 2007	<u>28,052</u>

It is the intention of the directors to cease trading entirely and a provision for closure costs was established in 2004. The exact date of final wind up will be dependent upon a number of factors, in particular reaching agreement with the Financial Services Authority on how to deal with clients for whom the Company currently manages the payment of their premiums. As such it is not possible to give an exact timing of the planned liquidation.

12. Called up share capital

	<i>Number</i>	£
Authorised - Ordinary shares of 5p each		
At 31 March 2007 and 31 March 2006	<u>10,000,000</u>	<u>500,000</u>
Issued, allotted and fully paid - Ordinary shares of 5p each		
At 31 March 2007 and 31 March 2006	<u>8,000,000</u>	<u>400,000</u>

Notes to the financial statements

at 31 March 2007

13. Lease commitments

Annual commitments under operating leases relating to leasehold properties are as follows

	2007 £	2006 £
Operating leases which expire in the second to fifth years inclusive	86,550	86,550

15. Reconciliation of movements in shareholders' funds

	Share capital £	Share premium account £	Profit and loss account £	Total share- holders' funds £
At 1 April 2005	400,000	2,795,406	2,077,033	5,272,439
Loss for the year	-	-	(1,350,998)	(1,350,998)
At 31 March 2006	400,000	2,795,406	726,035	3,921,441
Loss for the year	-	-	144,682	144,682
At 31 March 2007	400,000	2,795,406	870,717	4,066,123

Policy Portfolio plc was a wholly owned subsidiary of Traded Endowment Policies Limited (TEPL). On 15 January 2007 TEPL sold its entire holding in the company to Fedsure International Limited (South Africa) the parent company at the net book value at that date of £3,996,698

16. Client monies

The Company holds monies on behalf of clients in a designated client account, which is not an asset of the Company. This amounted to £225,929 as at 31 March 2007 (31 March 2006 £1,214,837) and has not been included in these financial statements

17. Related Party transactions

Until 7 October 2005, Datong Electronics PLC was a wholly owned subsidiary of Investec plc, after which it reduced its holding to 45.2%. During the year, the Company provided services of a Director to, and received services of a Director from, Datong Electronics PLC as detailed below -

	2007 £	2006 £
Director fees charged to Datong Electronics PLC	-	(10,000)
Director fees charges by Datong Electronics PLC	1,300	3,000

Notes to the financial statements

at 31 March 2007

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18. Ultimate parent undertaking

The ultimate parent undertaking, and controlling party, is Investec Limited, a company incorporated in the Republic of South Africa and quoted on the Johannesburg Stock Exchange. The consolidated financial statements of this group are available to the public and may be obtained from Investec Group Limited's principal place of business at 100 Grayston Drive, Sandown, Sandton, 2196, South Africa, or from Investec Bank (UK) Limited at 2 Gresham Street, London, EC2V 7QP.

The Company's immediate parent undertaking is Traded Endowment Policies Limited. The parent undertaking of the smallest group which includes the Company, and for which group financial statements are prepared, is Fedsure Investments (UK) Limited, a company incorporated in the United Kingdom. Copies of these group financial statements are available from Investec Bank (UK) Limited, 2 Gresham Street, London, EC2V 7QP.