Synergy Financial Products Limited

Directors' report and financial statements

Registered number 01792304

30 June 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2007

Principal activities

The principal activity of the Company is product design, marketing and administration of protection products

Business review

Turnover for the year was £1,682,000 *(2006 £907,000)* The Synergy Protect product was launched part way into the financial year ended 30 June 2006 and the current financial year saw a full year of product sales These have grown steadily month on month

Over the year the Company has invested significantly in additional avenues for acquiring new business, including subscribing to new quotation portals, recruiting additional sales staff and a dedicated marketing manager This has resulted in a trading profit for the financial year of £104,000 *(2006 loss £21,000)* Activity levels into the new financial year are encouraging and the directors are optimistic that further growth in the business will be delivered

Principal risks and uncertainties

The Company operates in a rapidly changing and competitive market place where continuing growth is dependent on maintaining existing customer relationships and winning new clients together with providing competitive, attractive products Customer service is paramount The Company is confident that it can achieve these objectives and minimise the risk of falling short of its targets by providing a high quality service to its customers and regularly reviewing the products it offers

The Company receives commission from insurers for the sale of protection products Should these policies lapse within a six year timeframe, a proportion of the commission is repayable A provision has been made for the amounts that are expected to be repaid

The Company's risk management objectives and policies aim to mitigate specific financial risks where there is a possibility that any financial risk may lead to material changes in the Company's financial performance, position or cash flow The Company has limited exposure to financial risk through its financial assets and financial liabilities Cash is held in major UK banks, mitigating liquidity and credit risk At the balance sheet date the maximum exposure to credit risk is limited to the carrying amount of each financial asset/liability in the balance sheet The company is not exposed to currency risk The Company has no contractually determined cash flows and so interest rate risk is minimal No hedging techniques are employed

Dividends

The Company paid £14,000 interim dividends during the year *(2006 £nil)* The directors recommend that no final dividend be paid *(2006 £nil)*

Directors

The directors who held office during the year and were as follows

N H Elliott	
J C Waller	
P Bispham	(appointed 20 November 2006)
A Stack	(resigned 27 July 2006)
P Connor	(retired 31 December 2006)
P A Williams	(resigned 30 April 2007)
W Anderton	
R Simon	(appointed 2 October 2006, resigned 24 August 2007)

Directors' report *(continued)*

Company status

The Company is a close company within the meaning of Section 414 of the Income and Corporation Taxes Act 1988

Political and charitable donations

The Company made no political contributions during the year *(2006 £nil)* Donations to UK charities amounted to £nil *(2006 £nil)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

J Waller
Director

Ziggurat
25 Grosvenor Road
St Albans
Hertfordshire
AL1 3HW

31 OCTOBER 2007

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG Audit Plc
Aquis Court
31 Fishpool Street
St Albans
Hertfordshire AL3 4RF
United Kingdom

Independent auditors' report to the members of Synergy Financial Products Limited

We have audited the financial statements of Synergy Financial Products Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 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 auditor's 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3

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 and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we 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 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 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 auditors' report to the members of Synergy Financial Products Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 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

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 Oct 2007

Profit and loss account
for the year ended 30 June 2007

	Note	2007 £000	2006 £000
Turnover	2	**1,682**	907
Cost of sales		**(408)**	(255)
Gross profit		**1,274**	652
Distribution costs		**(220)**	(218)
Administrative expenses		**(989)**	(477)
Operating profit/(loss)		**65**	(43)
Interest receivable and similar income	6	**66**	18
Profit/(loss) on ordinary activities before taxation	3	**131**	(25)
Tax on profit/(loss) on ordinary activities	7	**(27)**	4
Profit/(loss) for the financial year	14	**104**	(21)

There are no recognised gains or losses in either year other than those disclosed above in the profit and loss account

All results arise from continuing activities in the UK

Balance sheet
at 30 June 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Tangible assets	9		55		47
Current assets					
Debtors	10	217		517	
Cash at bank and in hand		1,732		790	
		1,949		1,307	
Creditors amounts falling due within one year	11	(422)		(179)	
Net current assets			1,527		1,128
Total assets less current liabilities			1,582		1,175
Provisions for liabilities and charges	12		(865)		(548)
Net assets			717		627
Capital and reserves					
Called up share capital	13		2		2
Share premium account	14		350		350
Profit and loss account	14		365		275
Shareholders' funds	15		717		627

These financial statements were approved by the board of directors on 31 OCTOBER 2007 and were signed on its behalf by

J Waller.

J C Waller
Director

Cash flow statement
for the year ended 30 June 2007

	Note	**2007** **£000**	2006 £000
Net cash inflow from operating activities	*18*	**912**	220
Returns on investments and servicing of finance			
Interest received		**66**	18
Taxation		**-**	9
Capital expenditure			
Purchase of tangible fixed assets		**(22)**	(37)
Dividend		**(14)**	-
Increase in cash in the period	*19*	**942**	210

Reconciliation of net cash flow to movement in net debt

Increase in cash in the period		**942**	210
Movement in net debt in the period		**942**	210
Net debt at the start of the period		**790**	580
Net debt at the end of the period	*19*	**1,732**	790

Notes

(formıng part of the financıal statements)

1 Accountıng polıcıes

The followıng accountıng polıcıes have been applıed consıstently ın dealıng wıth ıtems whıch are consıdered materıal ın relatıon to the financıal statements

Basıs of preparatıon

The financıal statements have been prepared ın accordance wıth applıcable accountıng standards and under the hıstorıcal cost accountıng rules

Fınancial Instruments

Fınancıal ınstruments comprıse other financıal assets, trade and other debtors, cash and trade and other credıtors The Company does not hold or ıssue derıvatıve financıal ınstruments for tradıng purposes or other purposes

Cash and cash equıvalents comprıse cash balances and deposıts

A financıal ınstrument ıs recognısed ıf the Company becomes a party to the contractual provısıons of the ınstrument Fınancıal assets are de-recognısed ıf the Company's contractual rıghts to the cash flows from the financıal assets expıre or ıf the Company transfers the financıal asset to another party wıthout retaınıng control or substantıally all rısks and rewards of the asset Purchases and sales of financıal assets are accounted for at the trade date, ı e the date that the Company commıts ıtself to purchase or sell the asset Fınancıal lıabılıtıes are de-recognısed ıf the Company's oblıgatıons specıfied ın the contract expıre or are dıscharged or cancelled

Fınancıal Rısk

The Company's rısk management objectıves and polıcıes aım to mıtıgate specıfic financıal rısks where there ıs a possıbılıty that any financıal rısk may lead to materıal changes ın the Company's financıal performance, posıtıon or cash flow The Company has lımıted exposure to financıal rısk through ıts financıal assets and financıal lıabılıtıes Cash ıs held ın major UK banks, mıtıgatıng lıquıdıty and credıt rısk At the balance sheet date the maxımum exposure to credıt rısk ıs lımıted to the carryıng amount of each financıal asset/lıabılıty ın the balance sheet The company ıs not exposed to currency rısk The Company has no contractually determıned cash flows and so ınterest rate rısk ıs mınımal No hedgıng technıques are employed

Tangıble fixed assets and depreciation

Depreciatıon ıs provıded to wrıte off the cost less the estımated resıdual value of tangıble fixed assets by equal ınstalments over theır estımated useful economıc lıves as follows

Motor vehıcles	-	5 years
Computer and office equıpment	-	5 years
Fıxtures and fittıngs	-	10 years

Leases

Operatıng lease rentals are charged to the profit and loss account on a straıght-lıne basıs over the perıod of the lease

Taxation

The charge for taxatıon ıs based on the result for the year and takes ınto account taxatıon deferred because of tımıng dıfferences between the treatment of certaın ıtems for taxatıon and accountıng purposes

Deferred tax ıs recognısed, wıthout dıscountıng, ın respect of all tımıng dıfferences between the treatment of certaın ıtems for taxatıon and accountıng purposes whıch have arısen but not reversed by the balance sheet date, except as otherwıse requıred by Fınancıal Reportıng Standard 19

Notes *(continued)*

1 Accounting policies *(continued)*

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation

Post retirement benefits

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers It is accrued and recognised as it is earned

Cash

Cash for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

2 Turnover

All turnover is derived from commission and fees receivable on product design, marketing and administration of protection products

All sales are made in the UK

3 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging

	2007	2006
	£000	£000
Depreciation and other amounts written off tangible fixed assets – owned	**14**	9

	2007	2006
Auditors' remuneration	**£000**	£000
Audit of these financial statements	**19**	24
Other services - fees receivable by the auditors and their associates	**5**	15

Notes *(contınued)*

4 Remuneration of dırectors

	2007 £000	2006 £000
Dırectors' emoluments	**283**	87
Company contrıbutıons to money purchase pensıon schemes	**8**	1
Compensatıon for loss of office	**12**	-
	303	88

The aggregate of emoluments of the hıghest paıd dırector was £116,000 *(2006 £70,000)*, and pensıon contrıbutıons of £nıl *(2006 £nıl)* were made to a money purchase scheme on hıs behalf

Retırement benefits are accruıng to three dırectors under money purchase schemes *(2006 four)*

Benefits under long-term ıncentıve schemes are accruıng to no dırectors *(2006 one)*

5 Staff numbers and costs

The average number of persons employed by the group (ıncludıng dırectors) durıng the year, analysed by category was as follows

	Number of employees 2007	2006
Sales	**2**	2
Admınıstratıon	**9**	8
	11	10

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salarıes	**698**	267
Socıal securıty costs	**82**	34
Other pensıon costs	**24**	5
	804	306

Certaın employees have provıded servıces from/to Defined Returns Lımıted and NDF Admınıstratıon Lımıted, other companıes under the same common control as Synergy Fınancıal Products Lımıted Accordıngly, ın the current year, a net £377,000 has been recharged to those companıes and ıs not ıncluded ın the amounts above *(2006 £1,413,000)*

Notes (continued)

6 Interest receivable and similar income

	2007	2006
	£000	£000
Bank interest receivable	**66**	18

7 Taxation

Analysis of charge/(credit) in year

	2007	2006
	£000	£000
UK corporation tax		
Current tax on income for the period	**24**	-
Adjustments in respect of prior periods	**-**	(9)
Total current tax	**24**	(9)
Deferred tax (see note 12)		
Origination/reversal of timing differences	**3**	5
Tax on profit/(loss) on ordinary activities	**27**	(4)

Factors affecting the tax charge/(credit) for the current year

The current tax charge/(credit) for the period is lower *(2006 lower)* than the standard rate of corporation tax in the UK (19%, *2006 19%)* The differences are explained below

	2007	2006
	£000	£000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**131**	(25)
Current tax at 19% *(2006 19%)*	**26**	(5)
Effects of		
Expenses not deductible for tax purposes	**1**	-
Capital allowances for period less than depreciation	**1**	1
Losses (utilised)/carried forward	**(4)**	4
Adjustments in respect for prior periods	**-**	(9)
Total current tax charge/(credit) (see above)	**24**	(9)

Notes *(continued)*

8 Dividends

	2007 £000	2006 £000
Dividend in specie	-	1
Interim dividends paid in respect of the current year	**14**	-
Aggregate amount of dividends paid in the financial year	**14**	1

9 Tangible fixed assets

Company	**Computer and office equipment £000**	**Fixtures and fittings £000**	**Motor vehicles £000**	**Total £000**
Cost				
At beginning of year	59	43	37	139
Additions	-	-	22	22
At end of year	59	43	59	161
Depreciation				
At beginning of year	(42)	(43)	(7)	(92)
Charge for year	(6)	-	(8)	(14)
At end of year	(48)	(43)	(15)	(106)
Net book value				
At 30 June 2007	**11**	**-**	**44**	**55**
At 30 June 2006	17	-	30	47

Notes *(continued)*

10 Debtors

	2007 £000	2006 £000
Trade debtors	**162**	104
Other debtors	**3**	353
Prepayments and accrued income	**52**	60
	217	517

During the year to 30 June 2002, P Connor a director of the Company was issued 21 Ordinary £1 shares in Synergy Financial Products Limited The shares were valued at £7,000 each Other debtors include an amount of £nil *(2006 £90,987)* representing the unpaid premium of £6,999 on 13 of these shares This amount was paid in full in the year and represents the maximum amount outstanding during the year

11 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	**35**	63
Taxation and social security	**74**	65
Other creditors	**284**	14
Accruals and deferred income	**29**	37
	422	179

12 Provisions for liabilities

	Commission Clawback £000	Deferred taxation £000	Total £000
At beginning of year	543	5	548
Charge to the profit and loss for the year	815	3	818
Utilised in the year	(501)	-	(501)
At end of year	857	8	865

The Company receives commission from insurers for the sale of protection products Should these policies lapse within a six year timeframe, a proportion of the commission is repayable The commission clawback provision has been calculated based on historic lapse rates

The elements of deferred taxation are as follows

	2007 £000	2006 £000
Difference between accumulated depreciation and amortisation and capital allowances	**8**	5

Notes *(continued)*

13 Called up share capital

	2007 £000	2006 £000
Authorised		
Equity 10,000 Ordinary shares of £1 each	**10**	10
Allotted, called up and fully paid		
Equity 2,104 Ordinary shares of £1 each	**2**	2

14 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	350	275
Profit for the year	-	104
Dividends on share classified in shareholders' funds	-	(14)
At end of year	**350**	**365**

15 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit/(loss) for the financial year	**104**	(21)
Dividend on share classified in shareholders' funds	**(14)**	-
Dividend in specie	-	(1)
Net reduction in shareholders' funds	**90**	(22)
Opening shareholders' funds	**627**	649
Closing shareholders' funds	**717**	627

16 Commitments

There were no unprovided capital commitments at the end of the financial year *(2006 £nil)*

Notes *(continued)*

17 Pension scheme

The Company contributes to a defined contribution pension scheme operated by Outsourced Professional Administration Limited, a company under common control The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £24,000 *(2006 £5,000)* There were no amounts outstanding at the year end *(2006 £nil)*

18 Reconciliation of operating profit/(loss) to operating cash flows

	2007 £000	2006 £000
Operating profit/(loss)	**65**	(43)
Depreciation charge	**14**	9
Decrease/(increase) in debtors	**300**	(152)
Increase/(decrease) in creditors	**219**	(137)
Increase in provisions	**314**	543
Net cash inflow from operating activities	**912**	220

19 Analysis of net debt

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in bank and in hand	790	942	**1,732**

Notes *(continued)*

20 Related party disclosures

Management, staff and other support and services have been provided and received from Synergy Financial Products Limited by the group of companies headed by Opal (UK) Holdings Limited, NDF Administration Limited and Defined Returns Limited Synergy Financial Products Limited, Defined Returns Limited, NDF Administration Limited and OPAL (UK) Holdings Limited group are subject to common control from the same shareholders, and as such qualify as related parties under Financial Reporting Standard 8

The net transactions in respect of this were

	2007	2006
	£000	£000
NDF Administration Limited		
– Staff costs recharged	97	912
– Office costs recharged	1	(6)
Opal Information Systems Limited		
– Staff costs recharged	(240)	46
Outsourced Professional Administration Services Limited		
– Cost of sales provision of administration services	(408)	(248)
– Staff costs recharged	510	455
– Office costs recharged	(1)	12
Defined Returns Limited		
– Staff costs recharged	10	-

Balances outstanding at the end of the financial year were

	2007	2006
	£000	£000
Defined Returns Limited - Debtor	1	-
NDF Administration Limited – Debtor/(creditor)	1	(14)
Opal Information Systems Limited – (Creditor)	(271)	14
Outsourced Professional Administration Services Limited – (Creditor)/debtor	(12)	248