

**Guarantee Protection Insurance Limited**

Report and Financial Statements

Year Ended

31 December 2006

# **GUARANTEE PROTECTION INSURANCE LIMITED**

## **Annual report and financial statements for the year ended 31 December 2006**

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Directors

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### **Directors**

Mr A Baxendale  
Ms Y C B Chopin  
Mr P T Dawson  
Mr G Dixon  
Mr M J Edwards  
Mr G D Hockey  
Mr C McIntosh  
Mrs S F Priest

### **Secretary and registered office**

Mrs S F Priest, 106 Coppergate House, 16 Brune Street, London, E1 7NJ

### **Company number**

3326800

### **Auditors**

BDO Stoy Hayward LLP, Prospect Place, 85 Great North Road, Hatfield, Hertfordshire, AL9 5BS

## **GUARANTEE PROTECTION INSURANCE LIMITED**

### **Report of the directors for the year ended 31 December 2006**

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The directors present their report together with the audited financial statements for the year ended 31 December 2006.

#### **Results**

The profit and loss account is set out on page 6 and shows the profit for the year.

#### **Principal activities, review of business and future developments**

The company is an FSA authorised insurer which underwrites mainly in the damp proofing, wood preservation and insurance backed guarantee areas of the construction market. It operates principally in the UK and is passported under EEA legislation into Eire and Gibraltar.

Throughout the year under review the company has continued to grow in line with forecasts and deliver the levels of premium expected. The directors are happy with the progress made and the results for the year which show an improvement over the previous year. Assets continue to grow and the outlook for insurance in the sectors the company operates within are good. The company operates in a specialist market within which it is very influential. The directors' plans include continued progress within its chosen market as well as further development of ancillary markets.

During the year, a strategic stake within the company was taken by Kinnell Holdings Limited. The directors are delighted to welcome Kinnell as a significant shareholder and look forward to the further strategic growth opportunities this will bring for the company.

#### **Risks and uncertainties**

As an insurer, the company operates within an environment with a higher degree of inherent risk than most. The directors counter that by concentrating effort upon the markets chosen and employing staff with in depth knowledge of our insurance offerings. Increased volatility in the insurance markets throughout the world creates both potential problems as well as opportunities.

Due to the minimum capital requirements imposed by EEA legislation, the company carries capital in excess of that which would be required under a traditional insurance risk assessment and as such is confident that with the continued diligence and application of its staff, underwriting profits will be maintained on the present books of business.

The directors are also mindful of the FSA regulated environment within which the company operates and the increasing trend for referral to the Financial Ombudsman Service if a claimant is unhappy with a declined or disputed claim. Close attention continues to be paid to this to ensure that the pattern of premium income recognition remains suitable.

#### **Financial instruments**

The board regularly reviews the financial requirements of the group and the risks associated therewith. The operations of the company are financed from retained earnings. The company does not use complicated financial instruments. The company does not use derivative financial instruments for trading purposes.

## GUARANTEE PROTECTION INSURANCE LIMITED

### Report of the directors for the year ended 31 December 2006

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#### Directors

The directors of the company during the year and their interests in the share capital (together with spouses interests) were as follows:

	2006 Ordinary shares of £1 each	2006 Ordinary shares of £0.01 each	2005 Ordinary shares of £1 each	2005 Ordinary shares of £0.01 each
Mr A Baxendale	-	-	17,000	30,000
Mr C McIntosh	-	-	-	30,000
Mr G D Hockey	-	-	27,000	30,000
Mr M G McKenzie (resigned 29 <sup>th</sup> November 2006)	-	-	-	30,000
Mr C H M Marsh (resigned 29 <sup>th</sup> November 2006)	-	-	17,000	30,000
Mr A L McHugh (resigned 29 <sup>th</sup> November 2006)	-	-	25,000	30,000
Mrs S F Priest	-	-	12,000	30,000
Mr G Dixon (appointed 6 <sup>th</sup> December 2006)	-	-	-	-
Mr P T Dawson (appointed 6 <sup>th</sup> December 2006)	-	-	-	-
Mr M J Edwards (appointed 6 <sup>th</sup> December 2006)	-	-	-	-
Ms Y C B Chopin (appointed 6 <sup>th</sup> December 2006)	-	-	-	-

#### Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and 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 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;
- 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 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.

## **GUARANTEE PROTECTION INSURANCE LIMITED**

### **Report of the directors for the year ended 31 December 2006 *(Continued)***

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#### **Directors' responsibilities *(Continued)***

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

#### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which auditors are unaware.

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

#### **On behalf of the Board**

G Dixon  
**Chairman**

Date :

# GUARANTEE PROTECTION INSURANCE LIMITED

## Report of the independent auditors

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### To the shareholders of Guarantee Protection Insurance Limited

We have audited the financial statements of Guarantee Protection Insurance Limited for the year ended 31 December 2006 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.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 and have been 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 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *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 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.

**GUARANTEE PROTECTION INSURANCE LIMITED**

**Report of the independent auditors (*Continued*)**

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*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 December 2006 and of its profit for the year then ended; and
- 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.

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Hatfield

Date :

# GUARANTEE PROTECTION INSURANCE LIMITED

## Profit and loss account for the year ended 31 December 2006

	Note	2006 £	2006 £	2005 £	2005 £
<b>Technical Account: General Business</b>					
<b>Earned premiums, net of reinsurance</b>					
Gross premiums written	2	2,074,203		2,545,765	
Outward reinsurance premiums		(60,000)		(55,750)	
			2,014,203		2,490,015
<b>Change in the gross provision for unearned premiums</b>					
Gross amount	2		(1,123,378)		(1,763,343)
			890,825		726,672
		(73,804)		(109,922)	
Change in the provision for claims – gross amount		(86,211)		8,374	
			(160,015)		(101,548)
<b>Earned premiums less claims incurred, net of reinsurance</b>					
			730,810		625,124
Net operating expenses	5		(461,097)		(458,907)
<b>Balance on technical account for general business</b>					
			269,713		166,217
<b>Non Technical Account</b>					
Realised gains on investments	6	10,254		-	
Unrealised gain on investment	6	178,285		266,361	
Interest receivable		7,995		21,504	
Interest payable and charges		(2,084)		(9,971)	
Other income		4,253		5,738	
			198,703		283,632
<b>Profit on ordinary activities before taxation</b>					
			468,416		449,849
Taxation on profit from ordinary activities	7		(136,566)		(131,862)
<b>Profit for the financial year</b>					
	13		331,850		317,987

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss accounts.

The notes on pages 9 to 17 form part of these financial statements.

# GUARANTEE PROTECTION INSURANCE LIMITED

## Balance sheet at 31 December 2006

	Note	2006 £	2006 £	2005 £	2005 £
<b>ASSETS</b>					
<b>Tangible fixed assets</b>	8		16,452		22,340
<b>Investments</b>					
Other financial investments	9		6,672,905		6,064,365
Investment in subsidiary undertakings	10		2		2
<b>Debtors</b>					
Debtors arising from direct insurance operation	11		277,289		291,866
<b>Other assets</b>					
Cash at bank			616,508		133,639
<b>Prepayments and accrued income</b>					
Prepayments		3,531		16,882	
			3,531		16,882
<b>Total assets</b>			<b>7,586,687</b>		<b>6,529,094</b>
<b>LIABILITIES</b>					
<b>Called up share capital</b>	12		1,602,100		1,602,100
<b>Reserves</b>	13		738,411		724,548
<b>Technical provisions</b>					
Provision for unearned premiums		4,867,333		3,743,955	
Provision for outstanding claims		91,011		4,800	
			4,958,344		3,748,755
<b>Creditors</b>					
Other creditors including taxation and social security	14		285,487		450,443
<b>Provision for deferred taxation</b>	15		2,345		3,248
<b>Total liabilities</b>			<b>7,586,687</b>		<b>6,529,094</b>

The financial statements were approved by the Board of Directors and authorised for issue on

**G Dixon**  
Chairman

The notes on pages 9 to 17 form part of these financial statements.

**GUARANTEE PROTECTION INSURANCE LIMITED**

**Cash flow statement for the year ended 31 December 2006**

	Note	2006 £	2006 £	2005 £	2005 £
<b>Net cash inflow from operating activities</b>	18		<b>1,354,367</b>		<b>2,206,896</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		<b>7,995</b>		21,504	
Interest paid		<b>(2,084)</b>		(9,971)	
			<b>5,911</b>		<b>11,533</b>
<b>Taxation</b>			<b>(129,167)</b>		<b>(208,494)</b>
<b>Capital expenditure and financial investments</b>					
Purchase of tangible fixed assets			-		(9,155)
<b>Dividend paid</b>			<b>(317,987)</b>		-
			<b>913,124</b>		<b>2,000,780</b>
<b>Cash flows were invested as follows:</b>					
<b>Increase/(decrease) in cash holdings</b>	19		<b>482,869</b>		<b>(164,220)</b>
<b>Net portfolio investment</b>					
Purchase of shares and other variable yield securities and units in unit trusts	19		<b>430,255</b>		<b>2,165,000</b>
<b>Net investment of cash flows</b>			<b>913,124</b>		<b>2,000,780</b>

The notes on pages 9 to 17 form part of these financial statements.

## GUARANTEE PROTECTION INSURANCE LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2006

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#### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, except for the revaluation of investments, and are in accordance with applicable accounting standards and section 255 and schedule 9A of the Companies Act 1985 applicable to insurance companies.

The requirements of the Statement of Recommended Practice on Accounting for insurance business issued by the Association of British Insurers have been adopted.

##### *Consolidation*

The company has taken advantage of the exemption conferred under section 228 of the Companies Act 1985 not to prepare consolidated accounts on the basis that it will be consolidated into the accounts of its ultimate parent company, Guarantee Protection Trust Limited.

##### *Premiums receivable*

Gross premiums comprise the total premiums incepted during the year regardless of whether such amounts may relate in whole or part to a later financial year end and exclude insurance premium tax.

##### *Unearned premiums*

Unearned premiums represent the proportion of premiums written in the year which is estimated to be earned in subsequent financial years. This is computed on a basis which reflects the company's statistical experience of claims incurred over the term of policies.

##### *Claims*

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is made on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date.

##### *Unexpired risks*

Provision is made for any excess over the provision for unearned premiums for claims and administrative expenses likely to arise after the year end from contracts concluded before the date if required. The assessment of whether a provision is necessary is made by considering information available at the balance sheet date.

##### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

## GUARANTEE PROTECTION INSURANCE LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

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#### 1 Accounting policies (*Continued*)

##### *Valuation of listed investments*

All investments are valued at their market value 31 December 2006 determined as follows:

- Unit trust and managed fund investments are stated at the mid-point of the latest prices quoted by the managers at 31 December 2006.

##### *Investment income and expenses*

Investment income includes interest, gains and losses on the realisation of investments and related expenses and is dealt with in the non-technical account.

##### *Investment gains and losses*

Realised gains and losses on investments are calculated as the difference between net sales proceeds and purchase price or, if previously valued, the valuation at the last balance sheet date. Unrealised gains and losses that represent the movement in accumulated unrealised gains and losses are taken to the non-technical account.

##### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Office equipment	- 10%-15% per annum straight line
Computer equipment	- over 3 years straight line

##### *Operating leases*

The annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

## GUARANTEE PROTECTION INSURANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

### 2 Premiums written and change in provision for unearned premiums

Premiums written are wholly generated within the United Kingdom and are as follows:

	2006 £	2005 £
Premiums receivable	1,665,986	2,160,469
Policy fees receivable	408,217	385,296
	<u>2,074,203</u>	<u>2,545,765</u>
Change in provision for unearned premiums		
In respect of premiums receivable	<u>1,123,378</u>	<u>1,763,343</u>

### 3 Employees

	2006 £	2005 £
Staff costs, including directors salaries (note 4), consists of:		
Wages and salaries	181,748	170,413
Social security costs	15,760	17,679
	<u>197,508</u>	<u>188,092</u>

The average number of employees including directors during the year was 9 (2005: 7).

### 4 Directors emoluments

	2006 £	2005 £
Directors emoluments consists of :		
Directors salaries	143,346	148,400
Directors consultancy fees	34,865	33,190
	<u>178,211</u>	<u>181,590</u>

## GUARANTEE PROTECTION INSURANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

<b>5</b>	<b>Net operating expenses</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Administrative expenses	<b>413,118</b>	410,959
	Auditors' remuneration	<b>26,000</b>	25,000
	Hire of other assets – operating leases – land and buildings	<b>16,091</b>	19,000
	Depreciation and loss on disposal	<b>5,888</b>	3,948
		<hr/>	<hr/>
		<b>461,097</b>	458,907
		<hr/> <hr/>	<hr/> <hr/>
<b>6</b>	<b>Investment return summary</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Realised gain on investment	<b>10,254</b>	-
	Unrealised gain on investments	<b>178,285</b>	266,361
		<hr/>	<hr/>
<b>7</b>	<b>Taxation on profit on ordinary activities</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	<i>Current tax</i>		
	UK corporation tax on profits of the year	<b>137,469</b>	131,076
	<i>Deferred tax</i>		
	Accelerated capital allowances	<b>(903)</b>	786
		<hr/>	<hr/>
	Taxation on profit on ordinary activities	<b>136,566</b>	131,862
		<hr/> <hr/>	<hr/> <hr/>

The company is liable to UK corporation tax on its investment income and realised chargeable gains.

**GUARANTEE PROTECTION INSURANCE LIMITED**

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

**7 Taxation on profit on ordinary activities *(Continued)***

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<b>468,416</b>	449,849
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005: 30%)	<b>140,525</b>	134,955
Effects of:		
Expenses not deductible for tax purposes	<b>3,667</b>	3,047
Capital allowances in excess of depreciation	<b>903</b>	(786)
Other adjustment	<b>(302)</b>	-
Marginal relief	<b>(7,324)</b>	(6,140)
Current tax charge for year	<b>137,469</b>	131,076

**8 Tangible assets**

	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2006	21,323	5,688	27,011
Disposal	(2,506)	-	(2,506)
At 31 December 2006	<b>18,817</b>	<b>5,688</b>	<b>24,505</b>
<b>Depreciation</b>			
At 1 January 2006	2,462	2,209	4,671
Disposal	(439)	-	(439)
For the year	2,006	1,815	3,821
At 31 December 2006	<b>4,029</b>	<b>4,024</b>	<b>8,053</b>
<b>Net book value</b>			
At 31 December 2006	<b>14,788</b>	<b>1,664</b>	<b>16,452</b>
At 31 December 2005	18,861	3,479	22,340

**GUARANTEE PROTECTION INSURANCE LIMITED**

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

9 Financial investments	Current value 2006 £	Current value 2005 £	Cost 2006 £	Cost 2005 £
<b>Total listed investments</b>				
Shares and other variable yield securities and units in unit trusts:				
- Listed	6,672,905	6,064,365	5,960,608	5,530,354

At 31 December 2006, there is no material difference between the bid price and the mid-point market price for the investments above.

10 Fixed asset investment	£
At 1 January 2006 and at 31 December 2006	2

**Subsidiary Undertaking**

The company's investment in its subsidiary undertaking represents the cost of acquisition of the whole issued ordinary share capital of Guarantee Protection Administration Limited, a company incorporated in England and Wales.

11 Debtors	2006 £	2005 £
Debtors arising from direct insurance operations	277,289	291,866

All amounts shown under debtors fall due for payment within one year.

12 Share capital	Authorised			
	2006 Number	2005 Number	2006 £	2005 £
Ordinary shares of £1 each	2,000,000	2,000,000	2,000,000	2,000,000
'A' Ordinary shares of £0.01 each	210,000	210,000	2,100	2,100
	2,210,000	2,210,000	2,002,100	2,002,100

**GUARANTEE PROTECTION INSURANCE LIMITED**

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

**12 Share capital (*Continued*)**

	Allotted, called up and fully paid			
	2006 Number	2005 Number	2006 £	2005 £
Ordinary shares of £1 each	1,600,000	1,600,000	1,600,000	1,600,000
'A' Ordinary shares of £0.01 each	210,000	210,000	2,100	2,100
	<u>1,810,000</u>	<u>1,810,000</u>	<u>1,602,100</u>	<u>1,602,100</u>

At 31 December 2006 the different classes of shares rank pari passu.

**13 Reserves**

	Profit and loss account £
At 1 January 2006	724,548
Profit for the year	331,850
Dividend paid	(317,987)
At 31 December 2006	<u>738,411</u>

**14 Other creditors including taxation and social security**

	2006 £	2005 £
Trade creditors	9,011	7,165
Amounts due to group undertakings	-	175,628
Other taxes, including insurance premium tax	51,635	65,923
Accruals	64,813	61,831
Other creditors	20,028	8,196
Corporation tax	140,000	131,700
	<u>285,487</u>	<u>450,443</u>

## GUARANTEE PROTECTION INSURANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

<b>15</b>	<b>Deferred taxation</b>		<b>2006</b>
			<b>£</b>
	Balance at 1 January 2006		3,248
	Charge to profit and loss account		(903)
			2,345
	Deferred taxation		2,345
		<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Accelerated capital allowances	2,345	3,248
		2,345	3,248

## 16 Commitments under operating leases

As at 31 December 2006, the company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings 2006 £</b>	<b>Land and buildings 2005 £</b>
Operating leases which expire:		
In one year	-	19,000
	-	19,000

## 17 Related party transactions

The company paid interest of £2,084 (2005: £9,971) to Guarantee Protection Trust Limited. The amount owed to Guarantee Protection Trust Limited at the year-end was £Nil (2005: £175,628).

During the year the company paid consultancy fees of £25,948 (2005: £27,111) to McKenzie Consulting Limited, a company in which Mr M G McKenzie has a controlling interest, and £5,000 (2005: £6,079) to Coverall Consulting Limited, a company in which Mr C McIntosh has a controlling interest. The company paid consultancy fees of £2,417 (2005: £Nil) to Mr A Baxendale, fees of £750 (2005: £ Nil) to Ms Y Chopin and £750 (2005: £Nil) to Mr G Hockey.

Mr P T Dawson has a controlling interest in QANW Services Limited ('QANW').

The QANW gross premium received in the year amounted to £1,117,239, with £347,552 released to the profit and loss account and £769,687 transferred to unearned reserves. The claims paid in the year to QANW are £50,542, and QANW were owed £6,924 at year end.

Timberwise (UK) Limited, a company in which Mr Mark Edwards has a controlling interest, contributed £104,414 to gross premiums received in the year. Trace Remedial Services Limited, a company in which Mr George Hockey has a controlling interest, contributed £28,186 to gross premiums received in the year.

**GUARANTEE PROTECTION INSURANCE LIMITED**

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

<b>18 Reconciliation of net cash inflow from operating activities</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Operating profit	468,416	449,849
Interest receivable	(7,995)	(21,504)
Interest payable	2,084	9,971
Depreciation and loss on disposal	5,888	3,948
Decrease in debtors	27,928	306,131
Decrease in creditors	(87,045)	(38,481)
Increase in provision	1,123,376	1,763,343
Unrealised gain on investments	(178,285)	(266,361)
	<u>1,354,367</u>	<u>2,206,896</u>

<b>19 Movement in opening and closing portfolio investments net of financing</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Cash inflow/(outflow)	482,869	(164,220)
Portfolio investment	430,255	2,165,000
	<u>913,124</u>	<u>2,000,780</u>
Movement arising from cash flows	913,124	2,000,780
Changes in market values	178,285	266,360
	<u>1,091,409</u>	<u>2,267,140</u>
Total movement in portfolio investments net of financing	1,091,409	2,267,140
Portfolio investments net of financing at 1 January 2006	6,198,004	3,930,864
	<u>7,289,413</u>	<u>6,198,004</u>
Portfolio investments net of financing at 31 December 2006	7,289,413	6,198,004

<b>20 Movement in cash and portfolio investments</b>	<b>At</b>		<b>Changes</b>	<b>At</b>
	<b>1 January</b>	<b>Cash</b>	<b>to market</b>	<b>31 December</b>
	<b>2006</b>	<b>flow</b>	<b>values</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash in hand and at bank	133,639	482,869	-	616,508
Shares and other variable yield securities and units in unit trusts	6,064,365	430,255	178,285	6,672,905
	<u>6,198,004</u>	<u>913,124</u>	<u>178,285</u>	<u>7,289,413</u>
Total	6,198,004	913,124	178,285	7,289,413

**21 Ultimate parent company**

At 31 December 2006, the company's ultimate parent company was Guarantee Protection Trust Limited, a company limited by guarantee and registered in England and Wales.

The page which follows does not  
form part of the statutory  
financial statements of the company

# GUARANTEE PROTECTION INSURANCE LIMITED

## Detailed profit and loss account for the year ended 31 December 2006

	2006 £	2005 £
<b>Administrative expenses</b>		
Directors fees and expenses	178,211	181,590
Underwriting fees Whole House	1,962	2,332
Accountancy fees	57,090	23,997
Audit fees	26,000	25,202
Legal and professional fees	16,738	32,523
Computer maintenance costs	15,019	20,499
Sundry expenses	5,454	6,335
Bank charges	1,569	1,852
Commissions	4,188	5,170
General insurance	3,344	14,376
Heat and light	1,765	1,276
Rent and rates	23,711	28,176
Staff salaries and life assurance	38,402	34,308
Staff national insurance	15,760	19,215
Depreciation	3,821	3,948
Travel and subsistence	13,678	10,332
Postage and telephone	11,992	11,555
Subscriptions	893	1,896
Printing and stationery	12,356	14,121
Directors meeting costs	3,492	9,966
Donations	50	755
Marketing	8,107	1,780
Entertaining	12,173	9,403
Repairs and renewals	3,255	1,532
Reinsurer's share	-	(3,232)
Loss on disposal of fixed assets	2,067	-
	<u>461,097</u>	<u>458,907</u>
<b>Interest payable</b>	<u>(2,084)</u>	<u>(9,971)</u>
<b>Interest receivable</b>	<u>7,995</u>	<u>21,504</u>