

Registered No. 2208249

FAMILY EQUITY PLAN LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31st DECEMBER 2012

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DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31st December 2012

Principal activity and review of business

The Company is regulated by the Financial Services Authority

The Company's principal activity is, and continues to be, to administer

- (i) Cash ISAs distributed by the Post Office ®,
- (ii) Child Trust Fund policies which haven't been sold since August 2012, and
- (iii) Junior ISAs which were sold for the first time in November 2011

The Post Office introduced 6 new Fixed Rate products during 2012 and 2 new premier variable rate ISAs which have increased Family Equity Plan's Funds Under Management

The principal risks of the Company are incorporated in the parent company's group accounts

Results and dividends

The profit for the year was £941,215 (2011 loss £198,679) The Directors do not recommend the payment of a dividend in 2012 (2011 nil)

Directors

The Directors of the Company for the financial year ended 31st December 2012 are listed below

| | |
|------------|--|
| J R Reeve | Chairman & Chief Executive (resigned 31st October 2012) |
| S C Markey | Chairman & Chief Executive (appointed 1st November 2012) |
| K Meeres | Company Secretary |
| J Adams | Director |

Elective resolutions

There are elective resolutions in force to dispense with

- a) the laying of accounts and reports before the Company in general meeting and
- b) the holding of Annual General Meetings

Auditors

Mazars LLP continue in office as auditors in accordance with section 487 (2) of the Companies Act 2006

Directors' remuneration

The Company is required to comply with the FSA Remuneration Code. The Directors of the Company are not remunerated directly by the Company, they are remunerated by the parent company, Family Assurance Friendly Society Limited. Details of the remuneration of the Directors can be found in the Remuneration Report of Family Assurance Friendly Society Limited at www.familyinvestments.co.uk/memberrepac.aspx or can be provided to you on request to the Secretary

DIRECTORS' REPORT

CONTINUED

Statement of Directors' responsibilities

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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting 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,
- * 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

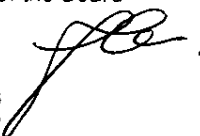
Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that

- * so far as that Director is aware, there is no relevant audit information of which the Company and the group's auditors are unaware, and
- * that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company and the group's auditors in connection with preparing their report and to establish that the Company and the group's auditors are aware of that information

By order of the Board

K Meeres
Secretary



Date 13th March 2013

16 West Street
Brighton
East Sussex
BN1 2RE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FAMILY EQUITY PLAN LIMITED

We have audited the financial statements of Family Equity Plan Limited for the year ended 31 December 2012 which comprises the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member 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 member as a body of our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements

- * give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- * have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- * have been prepared in accordance with the requirements of the Companies Act 2006.

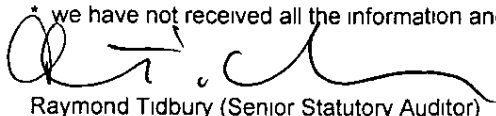
Opinion of the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- * adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- * the financial statements are not in agreement with the accounting records and returns, or
- * certain disclosures of Directors' remuneration specified by law are not made, or
- * we have not received all the information and explanations we require for our audit.



Raymond Tidbury (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date 13th March 2013

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2012

| | Notes | 2012 £ | 2011 £ |
|--|--------|--------------|--------------|
| Continuing operations | | | |
| Turnover | 2 | 20,309,491 | 16,792,510 |
| Cost of sales | | (2,949,845) | (2,996,932) |
| Gross profit | | 17,359,646 | 13,795,578 |
| Expenses | 3 | (16,600,636) | (14,175,926) |
| Profit/(Loss) on ordinary activities before interest and taxation | | 759,010 | (380,348) |
| Interest received | 4 | 182,251 | 182,072 |
| Interest payable and similar charges | 4 | (46) | (403) |
| Profit/(Loss) on ordinary activities before taxation | 5 | 941,215 | (198,679) |
| Tax on ordinary activities | 6 | - | - |
| Profit/(Loss) for the financial year | 12, 13 | 941,215 | (198,679) |

The Company has no recognised gains and losses other than those included in the movements on the Profit and Loss account above and, therefore, no separate statement of total recognised gains and losses has been presented

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year stated above, and their historical cost equivalents

The notes on pages 6 to 8 form part of these accounts

BALANCE SHEET

AS AT 31ST DECEMBER 2012

Registered No 2208249

| | Notes | 2012 £ | 2011 £ |
|--|-------|-------------------|------------------|
| CURRENT ASSETS | | | |
| Debtors | 9 | 5,914,861 | 2,639,023 |
| Cash at bank | | 5,118,936 | 6,408,923 |
| | | <u>11,033,797</u> | <u>9,047,946</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 10 | (4,944,645) | (3,900,009) |
| | | <u>6,089,152</u> | <u>5,147,937</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | <u>6,089,152</u> | <u>5,147,937</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 21,465,000 | 21,465,000 |
| Profit and loss account | 12 | (15,375,848) | (16,317,063) |
| Equity shareholders' funds | 13 | <u>6,089,152</u> | <u>5,147,937</u> |

The financial statements on pages 4 to 8 were approved by the Board of Directors on 13th March 2013 and signed on their behalf by

J Adams
Director



K Meeres
Secretary



The notes on pages 6 to 8 form part of these accounts

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

- a) The Financial Statements have been prepared in accordance with Companies Act 2006 and applicable Accounting Standards issued in the United Kingdom. The Financial Statements have been prepared under the historical cost convention.
- b) The Company has taken advantage of the exemption permitted by the FRS 1 (Revised) 'Cash Flow Statements' and has elected not to prepare the Cash Flow statement.
- c) The Company's significant accounting policies are detailed below and have been applied consistently.

Turnover

Turnover comprises commissions, interest margin and charges derived from the management of Individual Savings Accounts and Child Trust Funds. The Company's policy is to recognise commissions and interest margin receivable when they are earned.

Interest

Interest earned net of that paid on Cash ISA and Cash CTF client money accounts is treated as turnover.

Interest received on Company bank and deposit accounts is treated as interest received.

Expenses

Expenses are recognised when they are incurred. Expenses include a service charge payable by the Company to the parent in respect of certain expenses.

Current Tax

The charge for taxation is based on the taxable profits for the year at the current rate.

Deferred tax

Deferred tax is calculated on a full provision basis and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences using expected future rates of tax where applicable. Credit is taken for relief from trading losses only to the extent that the Directors anticipate that profits will absorb such losses in the foreseeable future. Deferred tax is not discounted.

2 TURNOVER

| | 2012 | 2011 |
|---|-------------------|-------------------|
| | £ | £ |
| Commission received | 18,384,673 | 15,035,511 |
| Margin earned on cash ISA and cash CTF (see note 4) | 1,888,966 | 1,719,058 |
| Account charges | 35,852 | 37,941 |
| | <u>20,309,491</u> | <u>16,792,510</u> |

All turnover is earned in the United Kingdom and is stated exclusive of VAT.

3 EXPENSES

| | 2012 | 2011 |
|----------------|-------------------|-------------------|
| | £ | £ |
| Administration | 12,042,561 | 10,409,640 |
| Acquisition | 4,064,591 | 2,281,974 |
| Development | 493,484 | 1,484,312 |
| | <u>16,600,636</u> | <u>14,175,926</u> |

4 INTEREST RECEIVED AND PAID

| | 2012 | 2011 |
|---|------------------|------------------|
| | £ | £ |
| Interest receivable on cash ISA and cash CTF client accounts | 51,304,165 | 31,068,220 |
| Interest payable on cash ISA and cash CTF client accounts | (49,415,199) | (29,349,162) |
| Margin earned on cash ISA and cash CTF client accounts (see note 2) | <u>1,888,966</u> | <u>1,719,058</u> |
| Interest receivable on Company bank and deposit accounts | <u>182,251</u> | <u>182,072</u> |
| Interest payable on Company bank and deposit accounts | <u>(46)</u> | <u>(403)</u> |

5 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2012 | 2011 |
|---|---------------|---------------|
| | £ | £ |
| Profit/(Loss) on ordinary activities before taxation is stated after charging Auditors' remuneration for Audit services | <u>10,660</u> | <u>15,400</u> |

NOTES TO THE ACCOUNTS (Continued)

6 TAXATION

a) Analysis of charge in period

| | 2012 £ | 2011 £ |
|---|-----------|-----------|
| <i>Current Tax</i> | | |
| UK corporation tax on profit/(loss) of the period | - | - |
| Adjustments in respect of previous periods | - | - |
| <i>Current tax charge for the period (note 6 (b))</i> | - | - |
| <i>Total deferred tax</i> | - | - |
| <i>Tax on profit/(loss) on ordinary activities</i> | - | - |

b) Factors affecting tax charge for period

The tax assessed for the period is lower (2011 higher) than the main rate of corporation tax in the UK 24.5% (2011 26%)

The differences are explained below

| | 2012 £ | 2011 £ |
|---|-----------|-----------|
| Profit/(Loss) on ordinary activities before tax | 941,215 | (198,679) |
| Profit/(Loss) on ordinary activities multiplied by main rate of corporation tax in the UK of 24.5% (2011 26%) | 230,598 | (51,657) |
| <i>Effects of</i> | | |
| Losses surrendered as group relief | - | 7,507 |
| Expenses not deducted for tax purposes | 1,280 | 515 |
| Losses brought forward and utilised against trading profits | (231,879) | - |
| Losses carried forward to be utilised against future trading profits | - | 43,635 |
| <i>Current tax charge for period (note 6 (a))</i> | - | - |

c) Factors that may affect future tax charges

The Company has trading losses carried forward for tax purposes of approximately £13.5 million (2011 £14.5m), available for offset against future trading profits. The Directors do not consider it prudent to recognise a deferred tax asset. The amount of unprovided deferred tax asset is estimated to be approximately £3.1 million (2011 £3.6m)

7 DIRECTORS' EMOLUMENTS

The current Directors received no emoluments during the year in respect of their services since they are remunerated as employees of the Company's parent (2011 nil)

8 EMPLOYEES

There are no employees directly employed by the Company (2011 nil). A service charge payable by the Company to the parent includes a portion for salary and staff related costs.

9 DEBTORS

| | 2012 £ | 2011 £ |
|---|------------------|------------------|
| Amounts falling due within one year | | |
| Amounts due from group undertakings - Fellow Subsidiaries | 614,990 | 547,730 |
| Trade debtors | 5,278,527 | 2,013,480 |
| Other debtors | 21,344 | 77,813 |
| | <u>5,914,861</u> | <u>2,639,023</u> |

NOTES TO THE ACCOUNTS (Continued)

| | | |
|--|---------------------|---------------------|
| 10 CREDITORS | 2012 | 2011 |
| | £ | £ |
| Amounts falling due within one year | | |
| Amounts due to group undertakings - Parent Company | 1,471,879 | 1,850,045 |
| Bank overdrafts | 3,236,815 | 951,870 |
| Accruals and deferred income | 220,900 | 291,135 |
| Other creditors | 15,051 | 15,129 |
| Commission due | - | 791,830 |
| | <u>4,944,645</u> | <u>3,900,009</u> |
| 11 SHARE CAPITAL | 2012 | 2011 |
| | £ | £ |
| Authorised | | |
| 25,000,000, £1 ordinary shares | <u>25,000,000</u> | <u>25,000,000</u> |
| Allotted, called up and fully paid £1 ordinary shares - | | |
| Issued as at 31st December | <u>21,465,000</u> | <u>21,465,000</u> |
| 12 PROFIT AND LOSS ACCOUNT | 2012 | 2011 |
| | £ | £ |
| Balance at 1st January | (16,317,063) | (16,118,384) |
| Profit/(Loss) for the financial year | <u>941,215</u> | <u>(198,679)</u> |
| Balance at 31st December | <u>(15,375,848)</u> | <u>(16,317,063)</u> |
| 13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS | 2012 | 2011 |
| | £ | £ |
| Opening shareholders' funds | 5,147,937 | 5,346,616 |
| Profit/(Loss) for the financial year | <u>941,215</u> | <u>(198,679)</u> |
| Closing shareholders' funds | <u>6,089,152</u> | <u>5,147,937</u> |

14 RELATED PARTY TRANSACTIONS

The Company has taken advantage of an exemption from FRS8 not to disclose transactions with Family Assurance Friendly Society Limited's group undertakings as they are fully controlled by the Society. Balances with Family Assurance Friendly Society Limited's group undertakings are shown in notes 9 and 10.

The Directors of the Company and the key management of the parent company had no transactions with the Company during 2012.

15 ULTIMATE PARENT

The immediate and ultimate parent company is Family Assurance Friendly Society Limited, a Friendly Society incorporated in England and Wales in accordance with the Friendly Societies Act 1992. Copies of the ultimate parent's consolidated financial statements may be obtained from:

The Secretary
Family Assurance Friendly Society Limited
16-17 West Street
Brighton
East Sussex
BN1 2RL