

4th Contact Limited
Annual Financial Statements
for the year ended 31 December 2011

Registration no 3958182

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4th Contact Limited

Directors and Officers

Directors

Stephen Ingledew
Stephen Thurlow

Company Secretary

Frances Horsburgh

Registered Office

30 St Mary Axe
14th Floor
London
EC3A 8EP

Registered Number

3958182

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

4th Contact Limited

Report by the Directors

The directors present their report and the audited financial statements of 4th Contact Limited (the Company) for the year ended 31 December 2011 (registration 3958182).

Principal activities

The principal activity of the Company is to provide software for the management and communication of employee benefit programmes

Key performance indicators

The directors of Standard Life plc manage the Group's operations on a business segment basis. The development, performance and position of the Company, are discussed in the UK section of the Business Review in the Group's Annual Report and Accounts which does not form part of this report.

Principle risks and uncertainties

The principal risks to which the Company is most specifically exposed are credit risk, liquidity risk and operational risk. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, which is straightforward given the nature of the business and structure of the remaining assets and liabilities.

Results

The result of the Company was a profit after tax of £223,304 (2010: £162,053). The directors do not recommend the payment of a dividend for the year (2010: £Nil).

Financial risk management

The Company manages its various financial risks as outlined in note 18 of the financial statements.

Directors

The names of the current directors are listed on page 2. Changes in directorship during the year, and subsequent to it, are as follows:

Gerard O'Neill (resigned 24 June 2011)
Stephen Ingledew (appointed 1 August 2011)

The appointment of directors is not subject to retirement by rotation.

Report by the Directors *continued*

Employees

The staff who manage the affairs of the Company are employed by Standard Life Employee Services Limited (SLESL), a related party

The Company is committed to engaging with employee representatives on a broad range of issues, including consultation on any major business change. The Company has a Partnership Agreement with VIVO, the Standard Life Staff Association, which outlines how the Company and VIVO will work on shared objectives including employment security, terms and conditions, equality and diversity and health and safety.

The Company is committed to an equal opportunities policy. The sole criterion for selection or promotion is the suitability of any applicant for the job regardless of ethnic origin, religion, sex, marital status or disability.

The Company will continue to employ, arrange for retraining, or retire on disability pension any member of staff who becomes disabled, as may be appropriate.

The Company communicates with its employees on a regular basis either through the Company's intranet facility or through regular meetings with management. All employees are encouraged to participate in the Group share scheme.

Environmental matters and social and community issues

Information about environmental matters including the impact of the Company's business on the environment, and information on social and community issues is given in the Corporate responsibility section in the Group's Annual Report.

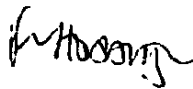
Supplier payment policy

It is the Company's policy to negotiate payment terms with principal suppliers and to pay in accordance with the terms agreed. For other suppliers, where goods and services have been supplied to specification, payment is made in accordance with the terms offered by the supplier. The average duration of amounts owing to suppliers for the Group is disclosed within the accounts of Standard Life plc.

Statement of disclosure of information to the auditors

In accordance with applicable company law, as the Company's directors, we certify that:

- So far as we are aware, there is no relevant information of which the Company's auditors are unaware, and
- As the directors of the Company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



On behalf of the Board of Directors
Frances Horsburgh, Company Secretary
Edinburgh
20 June 2012

Statement of directors' responsibilities in respect to 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union 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 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

Independent auditors' report to the members of 4th Contact Limited

We have audited the financial statements of 4th Contact Limited for the year ended 31 December 2011 which comprise the Income statement, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows, the Accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibility statement set out on page 5, 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

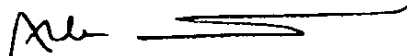
Opinion on other matter prescribed by the Companies Act 2006

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.



Allan McGrath (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
20 June 2012

4th Contact Limited

**Income statement
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Revenue			
Fee income	2	358,766	450,380
Interest income	3	6,555	5,821
Total revenue		365,321	456,201
Expenses			
Administrative expenses	4	140,280	298,518
Total expenses		140,280	298,518
Profit before tax		225,041	163,683
Tax expense	8	1,737	1,630
Profit for the year		223,304	162,053

The Company has no comprehensive income or expense other than the profit for the year recognised in the income statement. Accordingly a separate statement of total comprehensive income is not presented in these financial statements.

The notes on pages 11 to 21 form an integral part of these financial statements

4th Contact Limited

**Statement of financial position
as at 31 December 2011**

		2011	2010
	Notes	£	£
Assets			
Receivables and other financial assets	11	65,620	146,544
Other assets	12	663	663
Cash and cash equivalents	13	1,098,968	725,530
Total assets		1,165,251	872,737
Equity			
Share capital	14	211	211
Share premium		2,166,460	2,166,460
Retained earnings		(1,181,110)	(1,404,414)
Total equity		985,561	762,257
Liabilities			
Other financial liabilities	15	26,726	26,236
Other liabilities	16	152,964	84,244
Total liabilities		179,690	110,480
Total equity and liabilities		1,165,251	872,737

Approved on behalf of the Board of Directors on 20 June 2012



Stephen Thurlow
Director

The notes on pages 11 to 21 form an integral part of these financial statements.

**Statement of changes in equity
for the year ended 31 December 2011**

	Share capital 2011 £	Share premium 2011 £	Retained earnings 2011 £	Total equity 2011 £
At 1 January	211	2,166,460	(1,404,414)	762,257
Profit for the year	-	-	223,304	223,304
At 31 December	211	2,166,460	(1,181,110)	985,561

	Share capital 2010 £	Share premium 2010 £	Retained earnings 2010 £	Total equity 2010 £
At 1 January	211	2,166,460	(1,566,467)	600,204
Profit for the year	-	-	162,053	162,053
At 31 December	211	2,166,460	(1,404,414)	762,257

The notes on pages 11 to 21 form an integral part of these financial statements.

4th Contact Limited

**Statement of cash flows
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Cash flows from operating activities			
Profit before tax		225,041	163,683
Adjusted for			
Depreciation of property, plant and equipment	9	-	3,682
Net decrease/(increase) in operating assets and liabilities	17	148,397	(29,213)
Net cash flows from operating activities		373,438	138,152
Net increase in cash and cash equivalents		373,438	138,152
Cash and cash equivalents at the beginning of the year		725,530	587,378
Cash and cash equivalents at the end of the year	13	1,098,968	725,530
Supplemental disclosures on cash flows from operating activities			
Interest received		6,555	32,561

The notes on pages 11 to 21 form an integral part of these financial statements

Notes to the financial statements

1. Accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The principal accounting policies set out below have been consistently applied to all financial reporting periods presented in these financial statements, unless otherwise stated

(a)(i) New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following amendments to IFRSs, International Accounting Standards (IASs) and interpretations which are effective from 1 January 2011 and management considers that the implementation of these amendments and interpretations has had no significant impact on the Company's financial statements

- Amendment to IAS 32 *Financial Instruments: Presentation – classification of rights issues*
- IAS 24 (revised) *Related Party Disclosures*
- *Annual Improvements 2010*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendment to IFRIC 14 *Prepayment of a Minimum Funding Requirement*

(a)(ii) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's annual accounting periods beginning on or after 1 January 2012 or later periods. The Company has not early adopted the standards, amendments and interpretations described below

Amendment to IFRS 1 *First time adoption of IFRS* (effective for annual periods beginning on or after 1 July 2011)

IFRS 1 amendment eliminates the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. Additionally, the revised standard provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The adoption of the amendment to IFRS 1 is not expected to have a significant impact on the financial statements of the Company. The amendment has not yet been endorsed by the EU.

Amendment to IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 July 2011)

The amendment to IFRS 7 requires additional disclosures for financial instruments which are designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets. This includes understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of the amendment to IFRS 7 is not expected to have a significant impact on the financial statements of the Company.

Amendment to IAS 12 *Income Taxes* (effective for annual periods beginning on or after 1 January 2012)

IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This amendment to IAS 12 introduces a presumption that the recovery of the carrying amount of an asset measured using the fair value model in IAS 40 *Investment Property* will, normally, be through sale. The adoption of the amendment to IAS 12 is not expected to have an impact on the financial statements of the Company. The amendment has not yet been endorsed by the EU.

Notes to the financial statements *continued*

1. Accounting policies *continued*

(a) Basis of preparation *continued*

- (a)(ii) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company *continued*

Amendment to IAS 1 *Presentation of Financial Instruments* (effective for annual periods beginning on or after 1 July 2012)

The amendment to IAS 1 revises the way other comprehensive income (OCI) is presented. The key changes are as follows:

- Requirement to group items presented in OCI according to whether they will subsequently be reclassified to profit and loss
- Requirement to show separately the tax associated with items presented before tax in OCI for each classification of OCI items

The adoption of the amendment to IAS 1 is not expected to have an impact on the financial statements of the Company. The amendment has not yet been endorsed by the EU.

IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013)

IFRS 10 introduces that a single consolidation model be applied to all entities and replaces previous requirements on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 defines control, determines how to identify if an investor controls an investee and requires an investor to consolidate entities it controls under the new standard. IFRS 10 identifies three elements which must be present for an investor to control an investee, which are as follows:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use that power over the investee to affect the amount of the returns

IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013)

IFRS 11 defines and establishes accounting principles for joint arrangements and replaces previous requirements in IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The standard distinguishes between two types of joint arrangements – Joint Ventures and Joint Operations – based on how rights and obligations are shared by the parties to the arrangement. Joint operators should recognise their share of the assets, liabilities, revenue and expenses of the interest in accordance with applicable IFRSs. Joint venturers should apply the equity method of accounting prescribed in IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* to account for their interest.

IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013)

IFRS 12 is a single disclosure standard which applies to all entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 requires entities to disclose information to enable users of the financial statements to evaluate the nature, risks and financial effects associated with interests in other entities. The required disclosures are grouped into the following main categories:

- Significant judgements and assumptions
- Interests in subsidiaries
- Interests in joint arrangements and associates
- Interests in unconsolidated structured entities

Amendment to IAS 28 *Investments in Associates and Joint Ventures* (2011) (effective for annual periods beginning on or after 1 January 2013)

IAS 28 is amended to include Joint Ventures as well as associates. Joint Ventures are required to be equity accounted following the issue of IFRS 11.

Amendment to IAS 27 *Separate Financial Statements* (2011) (effective for annual periods beginning on or after 1 January 2013)

IAS 27 is amended to remove the requirements for consolidated financial statements which are superseded by the issue of IFRS 10.

IFRS 10, IFRS 11, IFRS 12, Amendment to IAS 27 and Amendment to IAS 28 must be adopted concurrently. The adoption of IFRS 10, IFRS 11, IFRS 12 and the amendments to IAS 27 and IAS 28 are not expected to have a significant impact on the recognition financial statements of the Company. The new standards have not yet been endorsed by the EU.

Notes to the financial statements *continued*

1. Accounting policies *continued*

(a) Basis of preparation *continued*

(a)(ii) Standards, Interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company *continued*

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

IFRS 13 replaces the guidance on fair value measurement in existing IFRSs with a single standard. The standard does not change requirements regarding which items should be measured at fair value but provides guidance on how to determine fair value and enhances disclosures about fair value measurement.

Entities are required to make various quantitative and qualitative disclosures about fair value measurements and their classification within the hierarchy. The adoption of IFRS 13 is not expected to have a significant impact on the financial statements of the Company. The standard has not yet been endorsed by the EU.

Amendment to IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2013)

IAS 19 amendment revises requirements for pensions and other post retirement benefits, termination benefits and other employee benefits. The key changes which affect defined benefit plans are as follows:

All actuarial gains and losses should be recognised immediately in OCI. Companies will no longer be able to defer gains and losses under the corridor approach.

The calculation of the finance cost through profit and loss has been revised.

Enhanced disclosures surrounding the characteristics and risk profile of defined benefit plans are required.

Other changes include changes to accounting for termination benefits and clarification of various miscellaneous issues and other matters submitted to the IFRS Interpretations Committee. The adoption of the amendment to IAS 19 is not expected to have a significant impact on the financial statements of the Company. The standard has not yet been endorsed by the EU.

Amendment to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2013)

This amendment to IFRS 7 enhances the disclosure requirements where financial assets and liabilities are offset on the statement of financial position. The new requirements focus on enhancing quantitative disclosures about recognised financial instruments that are offset. Additionally enhanced disclosures are required on financial instruments subject to master netting or similar arrangements regardless of whether they are offset. The impact of the adoption of the amendment to IFRS 7 on the financial statements of the Company is currently being reviewed by management. The amendment has not yet been endorsed by the EU.

Amendment to IAS 32 Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2014)

The amendment to IAS 32 clarifies the circumstances in which financial assets and financial liabilities may be offset on the statement of financial position. The impact of the adoption of the amendment to IAS 32 is not expected to have a significant impact on the financial statements of the Company. The amendment has not yet been endorsed by the EU.

IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2015)

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 allows only two measurement categories for financial assets: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if it is held to collect contractual cash flows and the cash flows represent principal and interest; otherwise it is measured at fair value through profit or loss (FVTPL). For financial liabilities designated as at FVTPL, changes in the fair value due to changes in the liability's credit risk are recognised directly in OCI. Financial liabilities that are neither held for trading nor elected to be held at FVTPL are measured at amortised cost. Financial liabilities that are held for trading are measured at FVTPL. The standard has not yet been endorsed by the EU.

In December 2011 the IASB issued *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, which amends IFRS 9 to require application for annual periods beginning on or after 1 January 2015, rather than January 2013.

The adoption of IFRS 9 is not expected to have a significant impact on the financial statements of the Company. The standard has not yet been endorsed by the EU.

Notes to the financial statements *continued*

1. Accounting policies *continued*

(a) Basis of preparation *continued*

(a)(iii) Judgement in applying accounting policies

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles (GAAP), requires management to exercise judgements in applying the accounting policies that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses arising during the period. The judgements applied by management have no significant effect on the amounts recognised in the financial statements.

(b) Revenue recognition

(b)(i) Fee income

Fee income, which arose wholly in the UK, relates to the provision of software for management and communication of employee benefit programmes and represents the following:

- the provision of software for management and communication of employee benefit programmes. This is stated net of tax
- the provision of support contracts and fixed term licenses. Income is recognised over the relevant contract period
- the delivery of professional services. Income is calculated with reference to the value of the work performed to date as a proportion of total contract value.
- the supply of other goods and services. Income is recognised after goods and services have been provided.

Fee income is stated net of value added tax.

(b)(ii) Interest income

Interest income recognised in the financial statements is calculated using the effective interest rate (EIR) method.

(c) Expense recognition

Expenditure incurred by the Company is recognised in the month to which it relates. Expenses relating to a month that have not been invoiced are accrued, while invoices received for expenses relating to future months are prepaid.

(d) Property, plant and equipment

Office equipment is capitalised at historical cost less depreciation. Depreciation is charged to the income statement, within administration expenses, on a straight-line basis, over the estimated useful life of 3 years.

The residual values and useful lives of assets are reviewed at each statement of financial position date and adjusted if appropriate.

(e) Taxation

The income tax expense is based on the taxable profits for the year, after adjustments in respect of prior years. Amounts are charged or credited to the statement of comprehensive income or equity as appropriate.

Deferred tax is provided using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is recognised in the income statement. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Notes to the financial statements *continued*

1. Accounting policies *continued*

(e) Taxation *continued*

The income tax expense is determined using rates enacted or substantively enacted at the Statement of financial position date

(f) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Cash and cash equivalents are categorised for measurement purposes as loans and receivables and are therefore measured at amortised cost.

(g) Trade receivables

Trade receivables are measured at amortised cost less any impairment losses.

Impairment on individual receivables is determined, at each reporting date, by an evaluation of the exposure on a case-by-case basis. The amount of any impairment loss is recorded in the income statement.

(h) Provisions and contingent liabilities

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reasonably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Contingent liabilities are disclosed if the future obligation is not probable but greater than remote and the amount cannot be reasonably estimated.

Notes to the financial statements continued**2. Fee income**

Fee income arises wholly from the provision of software for the management and communication of employee benefit programmes. All fee income is generated in the UK.

3. Interest income

	2011 £	2010 £
Cash and cash equivalents	6,555	5,821
Total interest income	6,555	5,821

4. Administrative expenses

	Notes	2011 £	2010 £
Staff costs and other employee related costs	5	104,555	179,272
Auditors' remuneration	6	6,000	6,000
Management charges payable to related party	20	26,726	28,488
Depreciation of property, plant and equipment	9	-	3,682
Other administrative expenses		2,999	81,076
Total administrative expenses		140,280	298,518

5. Staff costs and other employee related costs

The staff who manage the affairs of the Company are employed by Standard Life Employee Services Limited (SLES), a subsidiary of Standard Life plc. Staff costs recharged to the Company are set out below.

	2011 £	2010 £
The aggregate remuneration payable in respect of employees was:		
Wages and salaries	87,489	149,760
Social security costs	9,641	16,437
Pension costs	7,426	13,075
Total staff costs and other employee related costs	104,555	179,272

The average number of staff during the year was:

United Kingdom	2	3
Total average number of staff employed	2	3

6. Auditors' remuneration

Auditors' remuneration amounted to £6,000 (2010: £6,000) in respect of the audit of the Company's financial statements. There are no audit fees for services other than the statutory audit of the Company (2010: £Nil).

7. Directors' remuneration

No amounts are payable to the directors in respect of their services to the Company.

Notes to the financial statements *continued***8. Tax expense****(a) Current year tax expense**

Tax expense of £1,737 (2010 £1,630) relates to current tax, which is expected to be settled within 12 months (2010 12 months)

(b) Reconciliation of tax expense

	2011 £	2010 £
Profit before tax	225,041	163,683
Tax at 26.5% (2010 28%)	59,636	45,831
Utilisation of previously unrecognised tax losses	(57,899)	(45,232)
Temporary differences for which no deferred tax asset is recognised	-	1,031
Total tax expense for the year	1,737	1,630

(c) Deferred tax asset not recognised

Due to uncertainty regarding recoverability, deferred tax has not been recognised in respect of the following assets. The amounts unprovided detailed below were calculated using a rate of 26.5%

- Tax losses carried forward of £352,844 (2010 - £456,361)
- Fixed asset temporary differences of £13,651 (2010 - £15,289)

9. Property, plant and equipment

	Notes	2011 £	2010 £
Cost or valuation			
At 1 January		-	47,152
At 31 December		-	47,152
Accumulated depreciation			
At 1 January		-	43,470
Depreciation charge for the year	4	-	3,682
At 31 December		-	47,152
Carrying Amount			
At 31 December		-	-

Property, plant and equipment consisted of office equipment which has now been written off

10. Financial investments

	Notes	2011 £	2010 £
Loans and receivables			
Receivables and other financial assets	11	65,620	146,544
Cash and cash equivalents	13	1,098,968	725,530
Total loans and receivables		1,164,588	872,074
Total financial investments		1,164,588	872,074

At 31 December 2011 the Company held no financial investments at fair value (2010 £Nil)

Notes to the financial statements continued**11. Receivables and other financial assets**

	Notes	2011 £	2010 £
Trade receivables		97,662	180,172
Impairment		(32,042)	(74,300)
Net trade receivables		65,620	105,872
Due from related parties	20	-	40,672
Receivables and other financial assets		65,620	146,544

The carrying amounts disclosed above reasonable approximate the fair values as at the year end. All receivables and other financial assets are expected to be recovered within 12 months

12. Other assets

	2011 £	2010 £
Prepayments	663	663
Total other assets	663	663

The carrying amounts disclosed above reasonably approximated the fair values as at the year end. All other assets are expected to be recovered within 12 months

13. Cash and cash equivalents

Cash and cash equivalents of £1,098,968 (2010: £725,530) comprised cash held at bank. Interest at a variable rate is applied to cash and cash equivalents

14. Share capital**(a) Authorised share capital**

The authorised share capital of the Company at the year end was

	2011 Number	2011 £	2010 Number	2010 £
Ordinary share of £0.00005 each	8,960,000	448	8,960,000	448
Ordinary A shares of £0.00005 each	1,292,856	65	1,292,856	65
Total	10,252,856	513	10,252,856	513

(b) Issued share capital

The allotted, issued and paid up share capital of the Company at the year end was

	2011 Number	2011 £	2010 Number	2010 £
Ordinary share of £0.00005 each	2,920,373	148	2,920,373	148
Ordinary A shares of £0.00005 each	1,292,856	65	1,292,856	65
Total	4,213,229	211	4,213,229	211

Ordinary shares and ordinary A shares rank *pari passu* and carry the same voting rights and the right to receive dividends and other distributions declared or paid by the Company

Notes to the financial statements *continued***15. Other financial liabilities**

	Notes	2011 £	2010 £
Due to related parties	20	26,726	-
Accruals		-	26,207
Trade payables		-	29
Total other financial liabilities		26,726	26,236

At 31 December 2011 the Company held no financial liabilities at fair value (2010 £Nil)

All other financial liabilities are expected to be settled within 12 months

The carrying amounts above reasonable approximated the fair values as at the year end

16. Other liabilities

	Notes	2011 £	2010 £
Deferred income		45,852	61,332
Due to related parties	20	94,298	4,979
Taxation and social security		12,814	17,933
Total other liabilities		152,964	84,244

All other liabilities are expected to be settled within 12 months

The carrying amounts disclosed above reasonable approximate the fair values as at the year end

17. Net decrease/(increase) in operating assets and liabilities

	2011 £	2010 £
Decrease in operating assets		
Other assets	80,924	741,461
	80,924	741,461
Increase/(decrease) in operating liabilities		
Other liabilities	67,473	(770,674)
	67,473	(770,674)
Net decrease/(increase) in operating assets and liabilities	148,397	(29,213)

18. Risk management**(a) Overview**

From the perspective of the Company, risk management is carried out within the Group's Enterprise Risk Management (ERM) framework. This is discussed in the risk management sections of the Business review and the Financial statements in the Group's Annual Report which does not form part of this report.

The Group Enterprise Risk Management Committee (ERMC) is supported by business unit ERMCs. In the case of the Company, the relevant business unit is the UK. Within each business unit, the ERMC consists of members of its Executive Team as well as its Chief Risk Officer.

The Chief Risk Officer of each business unit heads up the unit's risk function which is responsible for providing assurance that the financial and non-financial risks inherent in business activities are identified and managed in accordance with the appetite and limits approved by the Group Board and relevant subsidiary boards. The risk function is also responsible for producing risk management information for use within the business unit and for aggregation across the Group.

(b) Market risk

The Company defines market risk as the risk that arises from the Company's exposure to market movements, which could result in income, the value of financial assets and liabilities, or the cash flows relating to these, fluctuating by differing amounts. The Company's assets and liabilities are denominated in sterling.

Notes to the financial statements *continued*

18. Risk management *continued*

(b) Market risk *continued*

(b)(i) Interest rate risk

The Company has exposure to interest rate risk from its investment in cash and cash equivalents, which is not considered significant.

The Company has no liabilities that expose the Company to interest rate risk

(c) Credit risk

The Company defines credit risk as the risk of exposure to loss if a counterparty fails to perform its financial obligations, including failure to perform those obligations in a timely manner

(c)(i) Concentrations of credit risk

Concentrations of credit risk are managed by setting maximum exposure limits to types of financial instruments and counterparties. The limits are established using the following controls

Financial instrument with credit risk exposure	Control
Cash and cash equivalents	Maximum counterparty exposure limits are set with reference to internal credit assessments
Other financial instruments	Appropriate limits are set for other financial instruments to which the Company may have exposure at certain times

(c)(ii) Credit exposure of financial assets that are neither past due nor impaired

The financial assets of the Company that are neither past due nor impaired at the Statement of financial position date are classified according to external rating agencies credit ratings of the counterparties. The Company's assets which are placed with external counterparties are its holdings in cash and cash equivalents, which have a credit rating of A

(c)(iii) Credit exposure to financial assets that are past due or impaired

Assets are deemed to be past due when a counterparty has failed to make a payment when contractually due. At 31 December 2011 the Company had receivables and other financial assets of £22,296 (2010 £56,881) which were deemed to be past due but not impaired

For receivables considered to be impaired, the following objective evidence is taken into account

- Reasonable doubt as to collectability of full amount due
- Amounts due that are contractually 90 days in arrears with uncertainty as to collectability

At 31 December 2011 assets considered to be impaired amounted to £32,042 (2010 £74,300). The carrying amount of an asset subject to any impairment charge is directly reduced by the amount of the impairment

(d) Liquidity risk

The Company defines liquidity risk as the risk that the Company is unable to realise investments and other assets in order to settle their financial obligations when they fall due, or can do so only at excessive cost

The Company benefits from membership of a larger Group to the extent that, centrally, the Group

- Coordinates strategic planning and funding requirements,
- Monitors, assesses and oversees the investment of assets within the Group,
- Monitors and manages risk, capital requirements, and available capital on a Group-wide basis, and
- Maintains a portfolio (currently undrawn) of committed bank facilities

Liquidity risk is managed in consultation with the Group Capital Management function which incorporates treasury management

At 31 December 2011 contractual undiscounted cashflows payable by the Company of £26,726 (2010 £26,236) are in respect of financial liabilities and are due within one year

Notes to the financial statements *continued*

18. Risk management *continued*

(e) Operational risk

Operational risk is the risk of loss, or adverse consequences for the Company's business, resulting from inadequate or failed internal processes, people or systems, or from external events

The assessment of operational risk exposure is performed on an ongoing basis taking into account a combination of impact and likelihood on the Company's performance. The management team review on a regular basis the new business pipeline, competitors' changes in legislation, security policy and changes in technological landscape. Appropriate action is taken to ensure exposure is limited based on specific events or actions.

19. Contingencies

The Company is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on the results and financial position of the Company.

20. Related party transactions

Transactions with and balances from/to related parties

In the normal course of business, the Company enters into transactions with related parties that relate to the provision of staff, physical infrastructure and support services to other companies within the Group.

Details of transactions carried out by the Company during the year with related parties are as follows:

	Notes	2011 £	2010 £
Purchases from other group companies	4	26,726	28,488

The year end balances arising from transactions carried out by the Company with related parties are as follows:

	Notes	2011 £	2010 £
Due from related parties			
Other Group companies	11	-	40,672
Total due from related parties		-	40,672
Due to related parties			
Other Group companies		114,308	
Due to parent		6,716	4,979
Total due to related parties	15,16	121,024	4,979

21. Events after the reporting period

There are no significant events after the reporting period.

22. Ultimate parent and controlling party

The Company's parent company is Vebnet (Holdings) Limited which owns 100% of the shares. The ultimate parent and controlling party of the Company is Standard Life plc.

Copies of Standard Life plc consolidated financial statements can be obtained from the Company Secretary, Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH.