

# **SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

## **DIRECTORS' REPORT & ACCOUNTS**

**31 December 2007**



**Registered Number: SC113007**

# **SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

## **DIRECTORS' REPORT**

The Directors present their Report and Audited Accounts for the year ended 31 December 2007

### **Principal Activity**

The principal activity of the Company is the provision of wrap administration services

### **Review of the Business**

Previously the company has carried on the business as agents for the transaction of general branch insurance. On 28 November 2006, the company was authorised by the FSA to provide wrap administration services. Trading in this regard commenced on 22 December 2006. Turnover for the year ended 31 December 2007 was £706,211 (2006: £19,537). The loss for the year was £218,687 (2006: nil).

### **Dividend**

The Directors do not recommend the payment of a dividend.

### **Directors & Directors' Interests**

The Directors of the Company and their interests in the Company were as follows:

	<b>Number of Shares</b>	
	<b>As at 31.12.07</b>	<b>As at 01.01.07</b>
F C McBain	1	1
G H Webster		
J Galbraith		

The share held by F C McBain is held beneficially on behalf of Scottish Friendly Assurance Society Limited.

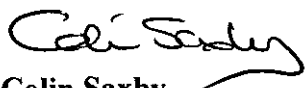
### **Statement of disclosure of information to auditors**

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

## **Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

A handwritten signature in black ink, appearing to read 'Colin Saxby', with a stylized flourish at the end.

**Colin Saxby**

Secretary

5 March 2008

## **SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

### **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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that financial year

In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgments and estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

We have audited the financial statements of Scottish Friendly Insurance Services Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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.

## **Opinion**

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

**INDEPENDENT AUDITORS' REPORT TO THE  
MEMBERS OF SCOTTISH FRIENDLY  
INSURANCE SERVICES LIMITED (continued)**

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.

**Opinion**

In our opinion the financial statements.

- Give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- Have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' report is consistent with the financial statements

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
5 March 2008

191 West George Street  
Glasgow  
G2 2LJ

**SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

**PROFIT & LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
Turnover	2	<b>706,211</b>	19,537
Administrative expenses	3	<b><u>(939,235)</u></b>	<b><u>(20,636)</u></b>
Operating loss		<b>(233,024)</b>	(1,099)
Interest receivable		<b>14,337</b>	1,099
Loss on ordinary activities before taxation		<b><u>(218,687)</u></b>	<u>Nil</u>
Tax charge on ordinary activities	4		
Loss on ordinary activities after taxation		<b><u>(218,687)</u></b>	<u>Nil</u>

The company has no recognised gains or losses other than the loss for the year

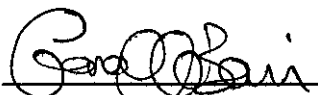
# SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	2007 £	2006 £
<b>CURRENT ASSETS</b>			
Trade debtors		325,286	11,705
Cash at bank		<u>1,176,697</u>	<u>510,276</u>
		<u>1,501,983</u>	<u>521,981</u>
<b>CREDITORS: Amounts falling due within one year</b>			
Amounts due to parent company		854,796	12,544
Amounts due to fellow subsidiary undertaking			
Other creditors		<u>365,969</u>	<u>9,532</u>
		<u>1,220,765</u>	<u>22,076</u>
<b>NET ASSETS</b>		<u>281,218</u>	<u>499,905</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	5	499,905	499,905
Profit and loss account		(218,687)	
<b>SHAREHOLDERS' FUNDS</b> All equity		<u>281,218</u>	<u>499,905</u>

The Accounts were approved by the Board of Directors on 5 March 2008.

Director  F C McBain

Director  G H Webster



**SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>Note</b>	<b>2007 £</b>	<b>2006 £</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>7</b>	<b>652,084</b>	<b>(20,241)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		<u>14,337</u>	<u>1,099</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>14,337</u>	<u>1,099</u>
<b>Financing</b>			
Issue of shares		<u>          </u>	<u>499,900</u>
<b>Net cash inflow from financing</b>		<u>          </u>	<u>499,900</u>
<b>Increase in cash</b>	<b>8</b>	<u><b>666,421</b></u>	<u><b>480,758</b></u>

# SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 1. Basis of Preparation

The Accounts are prepared in accordance with applicable accounting standards and under the historical cost accounting rules

#### 2 Turnover

Turnover comprises fees received in respect of the provision of wrap administration services and commissions received in the United Kingdom

#### 3 Administrative Expenses

	2007	2006
	£	£
Administrative expenses include		
Directors' emoluments	<u>780</u>	<u>780</u>
Audit fee (including VAT)	<u>4,700</u>	<u>1,116</u>
Management charge by parent undertaking	<u>360,000</u>	<u>10,128</u>

The company does not employ any staff but utilises the services of its parent undertaking, Scottish Friendly Assurance Society Limited

#### 4 Tax Charge on Ordinary Activities

	2007	2006
	£	£
Factors affecting taxation charge for the year		
Loss on ordinary activities before taxation	<u>(218,687)</u>	<u>Nil</u>
Return on ordinary activities multiplied by the standard rate of corporation tax of 30% (2006 – 30%)	-	
Effects of:		
Losses brought forward utilised in year	_____	_____
Current tax charge	_____	_____

The company has not recognised a deferred tax asset of £61,232 (2006 £Nil) arising as a result of unutilised losses brought forward, calculated using the corporation tax rate of 28% effective from April 2008

# SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

#### 5 Share Capital

	2007 £	2006 £
Authorised Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>499,905</u>	<u>499,905</u>

#### 6. Reconciliation of movements in Shareholders' Funds

	2007 £	2006 £
Loss for year	(218,687)	-
Issue of shares		<u>499,900</u>
Net increase in shareholders' funds	<u>(218,687)</u>	<u>499,900</u>
Shareholders' funds at 1 January	<u>499,905</u>	<u>5</u>
Shareholders' funds at 31 December	<u>281,218</u>	<u>499,905</u>

#### 7 Net cash inflow from Operating Activities

	2007 £	2006 £
Operating loss	(233,024)	(1,099)
Increase in debtors	(313,581)	(11,089)
Increase / (decrease) in creditors	<u>1,198,689</u>	<u>(8,053)</u>
Net cash inflow/ (outflow) from operating activities	<u>652,084</u>	<u>(20,241)</u>

#### 8 Reconciliation of net cash flows to movement in Net Funds

	2007 £	2006 £
Increase in cash in year	666,421	480,758
Net Funds at 1 January	<u>510,276</u>	<u>29,518</u>
Net Funds at 31 December	<u>1,176,697</u>	<u>510,276</u>

# SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 9 Analysis of changes in Net Funds

	At 1/1/2007 £	Cash Flows £	At 31/12/2007 £
Cash at bank	<u>510,276</u>	<u>666,421</u>	<u>1,176,697</u>

### 10 Ultimate Parent Undertaking

The Company is a wholly owned subsidiary of Scottish Friendly Assurance Society Limited. Copies of those accounts may be obtained from the Secretary, Scottish Friendly Assurance Society Limited, Scottish Friendly House, 16 Blythswood Square, Glasgow G2 4HJ

### 11 Related Party

During the year, Scottish Friendly Insurance Services Limited transacted with Scottish Friendly Assurance Society Limited, its ultimate parent company, in relation to management services received (disclosed in Note 3) and reimbursement of invoices settled on its behalf amounting to £224,377 (also included in Administrative Expenses). Amounts owed to Scottish Friendly Assurance Society Limited at 31 December 2007 were £854,796 (2006 £12,544)