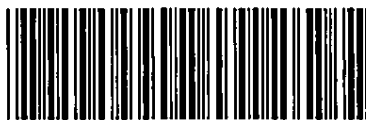


**SCOTTISH FRIENDLY
INSURANCE SERVICES LIMITED**

DIRECTORS' REPORT & ACCOUNTS

31 December 2010

SATURDAY



SRBVKXTZ

SCT	24/09/2011	17
	COMPANIES HOUSE	
SCT	12/04/2011	480
	COMPANIES HOUSE	

Registered Number: SC113007

SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

The directors present their Directors' Report and financial statements for the year ended 31 December 2010.

Principal activity

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

Review of the business

Previously the company 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 2010 was £8,210,328 (2009: £6,925,901). The profit after taxation for the year was £494,336 (2009: £1,118,657)

Dividend

The Directors do not recommend the payment of a dividend (2009: nil).

Directors

The Directors who held office during the year were as follows:

M J Walker
F C McBain
J Galbraith

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/ she ought to have taken as a Director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (continued)

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

By order of the Board

A handwritten signature in black ink, appearing to read 'F C McBain', written in a cursive style.

F C McBain

Director

23 March 2011

Registered Number: SC113007

SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

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 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 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 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 2010 set out on pages 6 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, 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 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 explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

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 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; 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.

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

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.



Simon Pashby (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
191 West George Street
23 March 2011

SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010	2009
		£	£
Turnover	2	8,210,328	6,925,901
Administrative expenses	3	(7,538,222)	(5,383,233)
Operating profit		<u>672,106</u>	<u>1,542,668</u>
Interest receivable		14,481	11,018
Profit on ordinary activities before taxation		<u>686,587</u>	<u>1,553,686</u>
Tax charge on ordinary activities	4	(192,251)	(435,029)
Profit on ordinary activities after taxation		<u>494,336</u>	<u>1,118,657</u>

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

SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

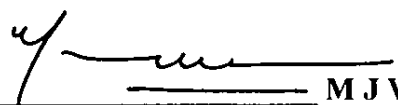
BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	2010 £	2009 £
CURRENT ASSETS			
Debtors		3,045,647	2,122,065
Cash at bank		1,373,229	1,939,853
		<u>4,418,876</u>	<u>4,061,918</u>
CREDITORS: Amounts falling due within one year			
Amounts due to parent company		324,002	182,256
Amounts due to fellow subsidiary undertaking		-	953
Other creditors		1,752,051	2,030,222
		<u>2,076,053</u>	<u>2,213,431</u>
NET ASSETS		<u>2,342,823</u>	<u>1,848,487</u>
CAPITAL AND RESERVES			
Called up share capital	5	599,905	599,905
Profit and loss account		1,742,918	1,248,582
SHAREHOLDERS' FUNDS - All equity		<u>2,342,823</u>	<u>1,848,487</u>

The Accounts were approved by the Board of Directors on 23 March 2011:

Director  F C McBain

Director  M J Walker

SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010	2009
		£	£
Net cash (outflow)/inflow from operating activities	7	(146,076)	1,122,928
Returns on investments and servicing of finance			
Interest received		14,481	11,018
Net cash inflow from returns on investments and servicing of finance		<u>14,481</u>	<u>11,018</u>
Taxation		<u>(435,029)</u>	<u>(46,401)</u>
(Decrease)/Increase in cash	8	<u>(566,624)</u>	<u>1,087,545</u>

SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1. Basis of Preparation

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

2. Accounting Policies

Turnover

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

3. Administrative Expenses

	2010 £	2009 £
Administrative expenses include:		
Directors' emoluments	810	810
Amounts receivable by auditors in respect of:		
Audit of financial statements	4,380	4,250
Other services pursuant to legislation	4,430	4,300
Management charge by parent undertaking	4,275,000	2,653,688

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

	2010 £	2009 £
Factors affecting taxation charge for the year:		
Profit on ordinary activities before taxation	686,587	1,553,686
Return on ordinary activities multiplied by the standard rate of corporation tax of 28% (2009 – 28%)	<u>192,251</u>	<u>435,029</u>

SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

5. Share Capital

	2010	2009
	£	£
Authorised:		
Ordinary shares of £1 each	600,000	600,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
Ordinary shares of £1 each at 1 January and 31 December	599,905	599,905
	<hr/>	<hr/>

6. Reconciliation of movements in Shareholders' Funds

	2010	2009
	£	£
Shareholders' funds at 1 January	1,848,487	729,830
Profit for the financial year	494,336	1,118,657
	<hr/>	<hr/>
Shareholders' funds at 31 December	2,342,823	1,848,487
	<hr/>	<hr/>

7. Net cash inflow from Operating Activities

	2010	2009
	£	£
Operating profit	672,106	1,542,668
Increase in debtors	(923,582)	(763,896)
Increase in creditors	105,400	344,156
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(146,076)	1,122,928
	<hr/>	<hr/>

SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

8. Reconciliation of net cash flows to movement in Net Funds		
	2010	2009
	£	£
(Decrease)/Increase in cash	(566,624)	1,087,545
Net Funds at 1 January	1,939,853	852,308
Net Funds at 31 December	<u>1,373,229</u>	<u>1,939,853</u>

9. Analysis of changes in Net Funds			
	At	Cash	At
	1 Jan 2010	Flows	31 Dec 2010
	£	£	£
Cash at bank	<u>1,939,853</u>	<u>(566,624)</u>	<u>1,373,229</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.

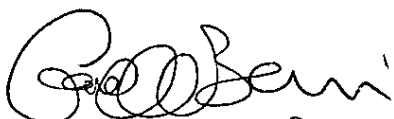
SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (continued)

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

By order of the Board

A handwritten signature in black ink, appearing to read 'G. O'Brien', written over a horizontal line.

Director
23 March 2011

Registered Number: SC113007

SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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