

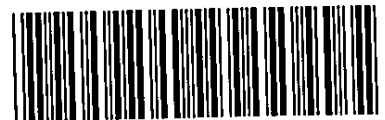
**SCOTTISH FRIENDLY  
INSURANCE SERVICES LIMITED**

**DIRECTORS' REPORT & ACCOUNTS**

**31 December 2012**

**Registered Number: SC113007**

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## **SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

### **DIRECTORS' REPORT**

The directors of Scottish Friendly Insurance Services Limited ('the Company') present their Directors' Report and financial statements for the year ended 31 December 2012.

#### **Principal activity**

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

#### **Review of the business**

Turnover for the year ended 31 December 2012 was £1.1m (2011: £11.8m). The profit after taxation for the year was £0.07m (2011: £2.3m).

Turnover and Administrative expenses have reduced significantly following the sale of the Company's interest in Scottish Friendly's wrap administration services business in 2011. The Company continued to earn income in 2012 from the provision of products to its client's wrap platform as well as transitional services to Citi. One product will continue to be provided in 2013. Administrative expenses are comprised mainly of the management charge from the Parent Undertaking, Scottish Friendly Assurance Society Limited and this charge is expected to continue to reduce significantly in line with the reduced activity.

#### **Dividend**

The directors declared and paid a dividend of £3.0m in 2012 (2011: 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 auditor**

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 auditor 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 auditor are aware of that information.

**SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

**DIRECTORS' REPORT (continued)**

**Going Concern**


The Board is satisfied that it is appropriate for the company to draw up financial statements on the going concern basis, as the company has adequate resources to continue in business for the foreseeable future.

**Auditor**

KPMG Audit plc resigned as auditor on 7 August 2012 and Deloitte LLP were appointed to act as auditor from that date.

For the coming year, pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Deloitte LLP will therefore continue in office.

By order of the Board



**D A Elston**

Secretary

27 March 2013

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 AUDITOR'S 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 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 10. 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).

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 auditor**

As explained more fully in the Directors' Responsibilities Statement, 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.

### **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 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 on other matter prescribed by the Companies Act 2006**

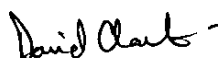
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S 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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



David Claxton ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Glasgow, United Kingdom  
**27 March 2013**

**SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

**PROFIT & LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>£000</b>	<b>£000</b>
Turnover	2	<b>1,098</b>	11,832
Administrative expenses	3	<b>(1,013)</b>	(10,597)
Operating profit		<u><b>85</b></u>	<u>1,235</u>
Gain on sale of wrap administration business		-	1,922
Interest receivable		<b>9</b>	16
Profit on ordinary activities before taxation		<u><b>94</b></u>	<u>3,173</u>
Tax charge on ordinary activities	4	<b>(23)</b>	(841)
Profit on ordinary activities after taxation		<u><b>71</b></u>	<u>2,332</u>

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

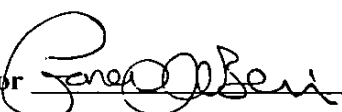
**SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

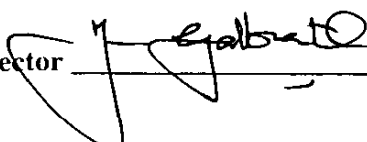
**BALANCE SHEET**

**AS AT 31 DECEMBER 2012**

	Note	2012	2011
		£000	£000
<b>CURRENT ASSETS</b>			
Debtors		2,233	3,574
Amounts due from parent undertaking		-	2,658
Cash at bank		1,315	1,595
		<u>3,548</u>	<u>7,827</u>
<b>CURRENT LIABILITIES: Amounts falling due within one year</b>			
Amounts due to parent undertaking		1,191	-
Other creditors		611	3,153
		<u>1,802</u>	<u>3,153</u>
<b>NET ASSETS</b>		<u>1,746</u>	<u>4,675</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	5	600	600
Profit and loss account		1,146	4,075
<b>SHAREHOLDERS' FUNDS</b>	6	<u>1,746</u>	<u>4,675</u>

The Accounts were approved by the Board of Directors on 27 March 2013:

Director  F C McBain

Director  J Galbraith



**SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b>Note</b>	<b>2012</b>	2011
		<b>£000</b>	<b>£000</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>7</b>	<b>3,552</b>	<b>398</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>9</b>	16
Dividend paid		<b>(3,000)</b>	-
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		<b>(2,991)</b>	<b>16</b>
<b>Taxation</b>		<b>(841)</b>	<b>(192)</b>
<b>Increase/(Decrease) in cash</b>	<b>8</b>	<b>(280)</b>	<b>222</b>

# SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

#### 1. Basis of Preparation

The Accounts are prepared on a going concern basis, 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 administration services and commissions received in the United Kingdom.

#### 3. Administrative Expenses

	2012 £000	2011 £000
Administrative expenses include:		
Amounts receivable by auditor:		
Audit of financial statements	10	5
Other services pursuant to legislation	8	11
Other services	11	1
Management charge by parent undertaking	756	5,292

2011 figures relate to the previous auditor KPMG. During 2012, fees payable to KPMG totalled £24k.

The company does not employ any staff but utilises the services of its parent undertaking, Scottish Friendly Assurance Society Limited. Director's emoluments are also paid by Scottish Friendly Assurance Society Limited.

#### 4. Tax Charge on Ordinary Activities

	2012 £000	2011 £000
Factors affecting taxation charge for the year:		
Profit on ordinary activities before taxation	94	3,173
Return on ordinary activities multiplied by the standard rate of corporation tax of 24.5% (2011 – standard rate of 26.5%)	<u>23</u>	<u>841</u>

**SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**5. Share Capital**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Allotted, called up and fully paid:		
Ordinary shares of £1 each at 1 January and 31 December	<b>600</b>	<b>600</b>
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**6. Reconciliation of movements in Shareholders' Funds**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Shareholders' funds at 1 January	<b>4,675</b>	2,343
Profit for the financial year	<b>71</b>	2,332
Dividend Paid	<b>(3,000)</b>	-
Shareholders' funds at 31 December	<b>1,746</b>	4,675
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**7. Net cash inflow/(outflow) from Operating Activities**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Operating profit	<b>85</b>	1,235
(Increase) / decrease in debtors	<b>3,999</b>	276
(Decrease) / increase in creditors	<b>(532)</b>	(1,113)
Net cash inflow/(outflow) from operating activities	<b>3,552</b>	398
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**SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**8. Reconciliation of net cash flows to movement in Net Funds**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Increase/(Decrease) in cash	<b>(280)</b>	<b>222</b>
Net Funds at 1 January	<b>1,595</b>	<b>1,373</b>
Net Funds at 31 December	<u><b>1,315</b></u>	<u><b>1,595</b></u>

**9. Analysis of changes in Net Funds**

	<b>At</b>	<b>Cash</b>	<b>At</b>
	<b>1 Jan 2012</b>	<b>Flows</b>	<b>31 Dec 2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank	<u><b>1,595</b></u>	<u><b>(280)</b></u>	<u><b>1,315</b></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.