

**Registered No: SC117431**

**SCOTTISH AMICABLE ISA MANAGERS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

## SCOTTISH AMICABLE ISA MANAGERS LIMITED

Incorporated and registered in Scotland. Registered No: SC117431  
Registered office: Craigforth, Stirling, Scotland, FK9 4UE

### CONTENTS

	Page
Directors, Secretary and Independent Auditor	1
Directors' report	2
Statement of Directors' responsibilities	6
Independent auditor's report	7
Profit and loss account	8
Reconciliation of movement in shareholders' funds	8
Balance sheet	9
Notes to the financial statements	10

## **SCOTTISH AMICABLE ISA MANAGERS LIMITED**

Incorporated and registered in Scotland. Registered No: SC117431  
Registered office: Craigforth, Stirling, Scotland, FK9 4UE

### **Directors**

The Directors in office during the year were as follows:

Ms T Naidu  
Mr K Nunn

### **Secretary**

Prudential Group Secretarial Services Limited

### **Independent Auditor**

KPMG Audit Plc, London

## SCOTTISH AMICABLE ISA MANAGERS LIMITED

Registered office: Craigforth, Stirling, Scotland, FK9 4UE  
Incorporated and registered in Scotland. Registered No: SC117431

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

#### Principal activity

The principal activity of the Company was to manage lump sum investments in fixed term investment products whose returns are linked to stock market indices. Following the maturity of the Company's two remaining products during 2004, its activities have ceased apart from the management of any unclaimed maturity proceeds. This activity will continue in 2013.

The Company is regulated by the FSA and is subject to General Prudential Sourcebook for Banks, Building Societies, Insurers and Investment Firms (GENPRU) and Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) guidelines. The Company is also required to comply with the Client Money and Assets Sourcebook (CASS) as it holds unclaimed maturity proceeds. During 2012 the Company initiated discussions with the Regulator with a view to removing its client money, a potential step towards the ultimate de-authorisation of the firm.

The management and administration of the unclaimed proceeds has been outsourced to International Financial Data Services Limited (IFDS). The Company has an agreement with M&G Limited (M&G), a Group company, to facilitate the administration and compliance activities and manage the relationship with IFDS.

#### Business review

Key Performance Indicators	2012 £'000	2011 £'000
Loss on ordinary activities before tax	(10)	(4)
Shareholders' funds at end of year	3,270	3,230
Regulatory capital requirement	101	104

The Company made a pre-tax loss of £10k (2011: loss £4k). The loss is primarily on account of management charges paid to IFDS, partially offset by interest earned on its bank balances, the Company's only source of income.

The regulatory capital requirement for the year was £101k (2011: £104k); the Company's capital resources as at 31 December 2012 were £3,270k (2011: £3,230k) giving rise to surplus capital of £3,169k (2011: £3,126k). Given the Company's very limited operations the capital position is virtually static.

#### Risks & uncertainties

The Company is a wholly owned subsidiary of the Prudential Group and is subject to the Group's internal control and risk management processes as detailed in the Group Governance Manual and Group Risk Framework. The control procedures and systems established within the Group are designed to manage, rather than eliminate, the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatement or loss, and focus on aligning the levels of risk-taking with the achievement of business objectives.

The Group's risk governance framework requires all businesses and functions within the Group, including the Company, to establish processes for identifying, evaluating and managing key risks. The risk governance framework is based on the concept of three lines of defence: risk management, risk oversight and independent assurance.

## SCOTTISH AMICABLE ISA MANAGERS LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

A number of risk factors affect the Company's results and financial condition. The Company is exposed to both financial and non-financial risk factors.

#### Financial risk

Whilst the Company is exposed to financial risks these are largely mitigated as explained below:

##### a) Liquidity risk

Liquidity risk is the risk that the Company, although solvent on a balance sheet basis, does not have sufficient resources available to meet its obligations as they fall due, or can secure them only at excessive cost.

The bank balances held with HSBC are liquid. The Company undertakes careful management of bank balances and cash-flow forecasting. The Company is covered by the Risk Procedure Manual within the Group and has a defined liquidity appetite. The Company is governed by the UKIO liquidity framework and has a liquidity appetite defined and approved by the Board.

##### b) Market Risk and Credit Risk

The Company's exposure to market and credit risk are presumed to be negligible since the Company holds much of its current assets in the form of cash in its bank accounts and does not have any trade debtors.

#### Non-financial risk

The Company has limited exposure to business environment, strategic, operational and group risk.

##### a) Business environment risk

Business environment risk is the exposure to forces in the external environment that could significantly change the fundamentals that drive the Company's overall strategy.

Changes in government policy and legislation may adversely affect the Company's reported results and financing requirements.

Any further changes or modification to Financial Reporting Standards, or adoption of International Financial Reporting Standards (IFRS) may require a change in the reporting basis of future results, or a restatement of reported results.

##### b) Strategic risk

Strategic risk is the risk of ineffective, inefficient or inadequate senior management processes for the development and implementation of business strategy in relation to the business environment and the Company's capabilities.

The Company has little exposure to this risk. However, any changes in the regulatory and market environment, could play a role in forcing the senior management to take decisions which could affect the Company's performance.

##### c) Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

The main risk for the Company is the outsourcing of the management of client money to IFDS, with M&G taking the role of the compliance overseer. Any breach of the client monies rules could result in penalties or fines which could adversely affect the Company's results. Although the Company is dependent upon the operational processing performance of IFDS this risk is currently mitigated by maintaining robust internal controls which form part of the Group wide initiatives within Prudential such as Turnbull certification, the Risk Register, management information and six monthly review meetings.

The Company in the future may be subject to legal and regulatory actions in the ordinary course of its business.

## SCOTTISH AMICABLE ISA MANAGERS LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

#### d) Group risk

Group risk is the risk of a direct or indirect loss arising from a connection with a related undertaking.

Group risk is present from the consequences of risks arising from other parts of the Group in addition to those risks arising from the Company's own activities. The independent capitalisation of the Company as well as the risk management processes and internal control mechanisms within the Company ensure Group risk is appropriately managed.

#### Remuneration Code

The Prudential UK Remuneration Committee and Executive Committee takes the lead in determining remuneration policy for the Prudential UK and setting the individual remuneration packages of all employees in the Prudential UK group.

The Company does not have Code Staff as defined by Financial Services Authority in Senior Management Arrangements, Systems and Controls (SYSC) Rules 19A 3.4R. The Company has no employees and its results do not affect the calculation of any bonus payable to any employee of Prudential UK or the Prudential Group.

#### Corporate Responsibility

The Company is a wholly owned subsidiary within the Prudential Group and Corporate Responsibility (CR) is integral to the way the Group does business.

The Group, of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures for example, the Group Code of Business Conduct.

The Group aims to be sustainable in the broadest sense – financially, socially and environmentally.

The Group believes that CR is best managed on the ground by those closest to the customer and local stakeholders. Underpinning this approach are the Group's four global CR themes:

1. Customers: Using the Group's financial strength, knowledge and skills to provide fair and transparent products, which meet customers' needs;
2. People: Recruiting, developing and retaining the best people for the best-performing business;
3. The environment: Increasing the efficiency of the Group's business by reducing the direct impact of the properties it occupies and the properties it manages as part of its investment portfolio;
4. Communities: Supporting its communities through donations, employee volunteering and long-term partnerships with charitable organisations that make a real difference.

These themes demonstrate the Group's CR commitments and principles to its stakeholders and provide clarity to its businesses, including the Company, on where they should focus their CR efforts and resources in the context of their individual markets.

The Prudential plc Board discusses Prudential's performance in the areas of social and environmental management at least once a year and also reviews and approves Prudential's corporate responsibility report and strategy on an annual basis.

#### Post balance sheet events

There have been no significant events affecting the Company since the balance sheet date.

#### Accounts

The state of affairs of the Company at 31 December 2012 is shown in the balance sheet on page 9. The profit and loss account appears on page 8.

## SCOTTISH AMICABLE ISA MANAGERS LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

#### Share capital

There were no changes to the Company's share capital during the year.

#### Dividends

No dividend is proposed for the year (2011: Nil).

#### Payment policy

The Company does not have any trade creditors and therefore codes or standards on payment practice and disclosure of trade creditor days are not applicable.

#### Directors

The directors of the Company holding office during the year are shown on page 1. There were no changes during the year or up to the date of this report.

#### Financial risk management objectives, policies and exposure

The Company's objectives and policy in relation to the management of financial risk resulting from its financial assets and liabilities are to minimise any risk. The Company's exposure to financial risk through its financial assets and liabilities is not considered material to the assessment of the Company's assets, liabilities, financial position and the profit and loss of the Company.

#### 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 is 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 auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

#### Auditor

In accordance with Section 487(2) of the Companies Act 2006, KPMG Audit Plc will be deemed to be re-appointed auditor of the Company for the current financial year.

#### Directors' and Officers' Protection

Prudential plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. In addition, the Articles of Association of the Company permit the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office.

K Nunn

Signed on behalf of the Board of Directors.


P Howe  
On behalf of Prudential Group Secretarial Services Limited  
Company Secretary  
25<sup>th</sup> March 2013

## SCOTTISH AMICABLE ISA MANAGERS 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.



25<sup>th</sup> March 2013

K Nunn

Director



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH AMICABLE ISA MANAGERS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2012**

We have audited the financial statements of Scottish Amicable ISA Managers Limited for the year ended 31 December 2012 set out on pages 8 to 12. 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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.

### **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](http://www.frc.org.uk/auditscopeukprivate).

### **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 loss 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.

### **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.



**Marie Williams (Senior Statutory Auditor)**  
**For and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL  
25<sup>th</sup> March 2013

**SCOTTISH AMICABLE ISA MANAGERS LIMITED**

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

	Note	2012 £'000	2011 £'000
Operating expenses	2	<u>(23)</u>	<u>(22)</u>
<b>Operating loss from continuing operations</b>		<b>(23)</b>	<b>(22)</b>
Interest receivable	4	<u>13</u>	<u>18</u>
<b>Loss on ordinary activities before tax</b>		<b>(10)</b>	<b>(4)</b>
Tax credit on ordinary activities	5	<u>50</u>	<u>3</u>
<b>Profit/(Loss) on ordinary activities after tax retained for the year</b>		<b><u>40</u></b>	<b><u>(1)</u></b>

*No statement of total recognised gains or losses has been included as there are no recognised gains or losses other than the profit for the financial year.*

*A statement of historical cost profits and losses has not been prepared as the amounts are not materially different from the profit for the financial year.*

*Turnover and loss on ordinary activities before taxation for the period relate exclusively to continuing operations as defined under the terms of Financial Reporting Standard 3.*

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012 £'000	2011 £'000
Profit/(Loss) after tax attributable to shareholders	<b>40</b>	<b>(1)</b>
Opening equity shareholders' funds	<b>3,230</b>	<b>3,231</b>
<b>Closing equity shareholders' funds</b>	<b><u>3,270</u></b>	<b><u>3,230</u></b>

The accounting policies and notes on pages 10 to 12 form an integral part of these financial statements.

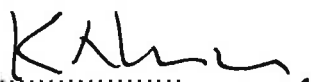
**SCOTTISH AMICABLE ISA MANAGERS LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2012**

	Note	2012 £'000	2011 £'000
<b>Current assets</b>			
Debtors	6	3	10
Cash at bank	7	<u>3,271</u>	<u>3,225</u>
		<b>3,274</b>	<b>3,235</b>
<b>Creditors - amounts falling due within one year</b>			
	8	<u>(4)</u>	<u>(5)</u>
<b>Net current assets</b>		<b>3,270</b>	<b>3,230</b>
<b>Net assets</b>			
		<u><b>3,270</b></u>	<u><b>3,230</b></u>
<b>Capital and reserves</b>			
Called up share capital	9	6,600	6,600
Profit and loss account		<b>(3,330)</b>	<b>(3,370)</b>
<b>Total equity shareholders' funds</b>		<u><b>3,270</b></u>	<u><b>3,230</b></u>

The accounting policies and notes on pages 10 to 12 form an integral part of these financial statements.

The accounts on pages 8 to 12 were approved by the board of directors on 25<sup>th</sup> March 2013.



.....  
K Nunn  
Director

## SCOTTISH AMICABLE ISA MANAGERS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 1. Accounting policies

##### a) Changes to accounting policies

The Company has implemented the following changes in preparing its results for the year ended 31 December 2012. These standards closely reflect the requirements of International Financial Reporting Standards (IFRS) and form part of the continuing convergence of UKGAAP to IFRS requirements in the UK.

In 2012, the Company adopted "Amendments to FRS29 (IFRS 7) - Financial Instruments: Disclosures - Disclosures - Transfers of Financial Assets", which had no impact on the financial statements of the Company.

##### b) Basis of preparation

The financial statements are prepared in accordance with Part 15 of the Companies Act 2006 and Schedule 1 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements. This conclusion has been based upon the following: the Company is a subsidiary within the Prudential Group and it, its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation, the Company has a healthy capital adequacy, well in excess of the capital requirements stipulated by FSA. In addition consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Business Review on page 2.

##### c) Expense recognition

Operating expenses include recharges of costs borne on behalf of the Company by Prudential Distribution Limited, a fellow group undertaking. Expenses are included in the profit and loss account on an accrued basis.

##### d) Deferred tax

Except where otherwise required by accounting standards, full provision for deferred tax without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

##### e) Interest receivable

Bank interest is included in the profit and loss account on an accrued basis.

#### 2. Operating expenses

Auditor's remuneration of £10k (2011: £7k) in respect of the audit of the Company's financial statements is borne by other group company, Prudential Distribution Limited.

The Company had no employees during the year (2011: Nil).

#### 3. Directors' emoluments

No emoluments were paid to the Directors during the period in connection with the management of the affairs of the Company (2011: Nil).

SCOTTISH AMICABLE ISA MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

4. Interest receivable

	2012 £'000	2011 £'000
Bank interest receivable	<u>13</u>	<u>18</u>
	<u>13</u>	<u>18</u>

5. Taxation

a) Analysis of taxation in the period

	2012 £000	2011 £000
Analysis of taxation in the period		
Current tax:		
Current period corporation tax at effective tax rate of 24.5% (2011: 26.5%)	(2)	(1)
Adjustments in respect of previous years	<u>(48)</u>	<u>(2)</u>
Tax credit on ordinary activities	<u>(50)</u>	<u>(3)</u>

b) Factors affecting tax credit for the period

The tax assessed in the period is the standard rate of corporation tax in the UK. The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the period for which the profit/losses of the Company will be taxed.

	2012 £000	2011 £000
The factors affecting the taxation for the years are:		
Loss on ordinary activities before tax	<u>(10)</u>	<u>(4)</u>
Tax on loss at effective tax rate of 24.5% (2011: 26.5%)	(2)	(1)
Adjustments in respect of previous years	<u>(48)</u>	<u>(2)</u>
Current tax credit for the year	<u>(50)</u>	<u>(3)</u>

c) Factors that may affect future tax charges

From April 2012, the standard corporation tax rate for the UK changed from 26% to 24%. A further reduction in the standard corporation tax rate to 23% from April 2013 has also been enacted.

The Chancellor has proposed a further reduction to the UK corporation tax rate to 20% by 2015 however this is not reflected in the financial statements for the year ended 31 December 2012 as it has not yet been substantively enacted.

## SCOTTISH AMICABLE ISA MANAGERS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

#### 6. Debtors

	2012 £000	2011 £000
Corporation tax recoverable	1	8
Amounts owed from group undertakings	2	1
Other debtors	-	1
	<u>3</u>	<u>10</u>

#### 7. Cash at bank

Under the terms of the Company's arrangements with the Prudential Group's main UK banker, the bank has a right of set-off between credit balances at the bank and all overdrawn balances of those group undertakings with similar arrangements. At 31 December 2012, total cash at bank included an amount of £3,271k (2011: £3,225k) which was held with the Prudential Group's main UK banker.

#### 8. Creditors - amounts falling due within one year

	2012 £'000	2011 £'000
Other creditors	<u>4</u>	<u>5</u>
	<u>4</u>	<u>5</u>

#### 9. Called up share capital

	2012 £'000	2011 £'000
<b>Allotted, issued and fully paid</b>		
6,600,000 (2010: 6,600,000) ordinary shares of £1 each	<u>6,600</u>	<u>6,600</u>

#### 10. Immediate and ultimate parent company

The immediate parent company is The Prudential Assurance Company Limited. The ultimate parent company is Prudential plc, a company registered in England and Wales. Consolidated accounts are prepared by Prudential plc and copies of these are available from the registered office at Laurence Pountney Hill, London, EC4R 0HH.

#### 11. Related party transactions

The Company has taken advantage of the exemption under FRS 8 from disclosing transactions with other wholly owned subsidiary undertakings of the Prudential Group. There are no other related party transactions.