

Registered No: SC117431

SCOTTISH AMICABLE ISA MANAGERS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

SCOTTISH AMICABLE ISA MANAGERS LIMITED

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

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SCOTTISH AMICABLE ISA MANAGERS LIMITED

Directors

The Directors in office during the year were as follows:

	Appointed on	Resigned on
Ms T Naidu		
Mr K Nunn		19 August 2013
Mr H A Hussain	13 August 2013	

Secretary

Prudential Group Secretarial Services Limited

Independent Auditor

KPMG Audit Plc, London

SCOTTISH AMICABLE ISA MANAGERS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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.

The Company is regulated by the Financial Conduct Authority (FCA) 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. 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. Further, the Company has an agreement with Prudential Distribution Limited (PDL), to provide administrative services to the Company.

Given that the Company's activities have ceased, apart from managing unclaimed maturity proceeds, plans have been put in place to de-authorise the Company. Since the intention is to liquidate the company following the de-authorisation the financial statements have not been prepared on a going concern basis. The effect of this is explained in note 1(b) of the Notes to the Accounts.

The first step towards de-authorisation has been to reduce the unclaimed maturity proceeds with the objective of removing the client monies. Therefore, significant work was undertaken during the year to locate all legacy records held and to upgrade information held for the clients. That information was provided to a third party, Equiniti to undertake further tracing work. However the results of the exercise indicated a very low likelihood of any substantial reduction in the client money balance as many clients were either dead or could not be traced. Whilst the Company and its parent company, The Prudential Assurance Company Limited (PAC), are fully committed to honouring any legitimate claim that may arise now or in the future, it was felt that holding a specific ring-fenced client money account would not be proportionate given that there has been no significant movement in the client money balances in the past nine years. The Company, thus submitted a modification application to the FCA in relation to the evidential provisions of the CASS rules. The FCA approved the modification in November 2013 enabling the Company to take the necessary steps to remove the client money status from the Company. The PAC Board has enacted a deed poll asserting that any future valid claim will be honoured by PAC as the parent of the Company. In February 2014, as a two step process for de-authorisation, the Company has made a variation of permission application to remove the Company's ability to hold client money. This will be followed by an application for complete de-authorisation. The intention is to liquidate the Company in the next twelve months, however the timelines will depend upon the FCA's response to vary the permission and de-authorise the Company. It is expected that assets remaining after the settlement of liquidation expenses and amounts due to creditors will be distributed to the shareholder as dividend.

Business review

Key Performance Indicators	2013	2012
	£'000	£'000
Loss on ordinary activities before tax	(176)	(10)
Shareholders' funds at end of year	3,135	3,270
Regulatory capital requirement	104	101

SCOTTISH AMICABLE ISA MANAGERS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

The Company made a pre-tax loss of £176k (2012: loss £10k). The loss is on account of management charges paid to PDL, partially offset by interest earned on its bank balances, the Company's only source of income. The loss has increased on account of expenses incurred in relation to the work undertaken to remove the client monies and ultimately de-authorise the Company as outlined above.

The regulatory capital requirement for the year was £104k (2012: £101k). The Company's capital resources as at 31 December 2013 were £3,135k (2012: £3,270k) giving rise to surplus capital of £3,031k (2012: £3,169k). 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.

For the period that the Company continues in business, a number of risk factors affect the Company's results and financial condition and the Company may be 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 risk that can arise as a result of changing external factors in the business environment and the impact on the fundamentals that drive the Company's overall strategy.

SCOTTISH AMICABLE ISA MANAGERS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

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 that can arise as a result of ineffective or inadequate business strategy decisions in relation to competitors, the market and consumers.

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. Any breach of the client money 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 its resource provider 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.

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.



P Howe
On behalf of Prudential Group Secretarial Services Limited
Company Secretary
25th March 2014

SCOTTISH AMICABLE ISA MANAGERS LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Introduction

None of the information required to be included in the Directors' Report under Schedule 1 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) has been set out in the Company's Strategic Report.

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.

As a business that provides savings, income, investment and protection products and services social value is created through the day-to-day operations. The Group provides customers with ways to help manage uncertainty and build a more secure future. In seeking to match the long-term liabilities the Group has towards its customers with similarly long-term financial assets, it provides capital that finances businesses, builds infrastructure and fosters growth in both developed and developing markets.

The Group's sustainable approach to business is reinforced by the Group-wide CR strategy. While the Group believes that CR is best managed on the ground by those closest to the customer and local stakeholders, the Group approach is underpinned by four global CR themes:

- Serving its customers: The Group aims to provide fair and transparent products that meets the customers' needs
- Valuing its people: The Group aspires to retain and develop highly engaged employees
- Supporting local communities: The Group seeks to make a positive contribution to its communities through long-term partnerships with charitable organisations that make a real difference
- Protecting the environment: The Group takes responsibility for the environment in which it operates

These themes provide clarity to the businesses as to how they should focus their CR efforts and resources in the context of their individual markets.

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

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.

SCOTTISH AMICABLE ISA MANAGERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

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.

Results and dividends

The state of affairs of the Company at 31 December 2013 is shown in the balance sheet on page 11. The profit and loss account appears on page 10.

Share capital

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

Post balance sheet events

Following the grant of modification on 18 November 2013 by the FCA ,

- The company has made a payment to the charity Age UK of an amount equal to the remaining unclaimed maturity proceeds.
- The PAC Board has enacted a deed poll asserting that any future valid claim will be honoured by PAC as the parent of the Company.
- In February 2014 the Company has filed a verification of permission application with the FCA as a step towards de-authorisation of the Company.

Directors

The directors of the Company holding office during the year are shown on page 1.

Mr H A Hussain was appointed as a director of the Company on 13th August 2013. Mr K Nunn resigned as a director of the Company on 19th August 2013.

There were no other changes in the year and up to the date of approving this report.

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.

SCOTTISH AMICABLE ISA MANAGERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

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. Prudential plc also provides protections for directors and senior managers of Companies within the Group against personal financial exposure they may incur in their capacity as such. These indemnities were in force during 2013 and remain in force.

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.

Signed on behalf of the Board of Directors.



P Howe
On behalf of Prudential Group Secretarial Services Limited
Company Secretary
25 March 2014

SCOTTISH AMICABLE ISA MANAGERS LIMITED

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

The directors are responsible for preparing the Strategic Report, 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. As explained in note 1(b) of the Notes to the Accounts, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



H A Hussain
Director

25 March 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH AMICABLE ISA MANAGERS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2013

We have audited the financial statements of Scottish Amicable ISA Managers Limited for the year ended 31 December 2013 set out on pages 10 to 14. 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 8, 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.

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 2013 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.

Emphasis of matter - non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 (b) on page 12, to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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

25th March 2014

SCOTTISH AMICABLE ISA MANAGERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
Operating expenses	2	(189)	(23)
Operating loss from continuing operations		(189)	(23)
Interest receivable	4	13	13
Loss on ordinary activities before tax		(176)	(10)
Tax credit on ordinary activities	5	41	50
(Loss) / profit on ordinary activities after tax retained for the year		(135)	40

No statement of total recognised gains or losses has been included as there are no recognised gains or losses other than the loss 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 loss 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 2013

	2013 £'000	2012 £'000
(Loss) / Profit after tax attributable to shareholders	(135)	40
Opening equity shareholders' funds	3,270	3,230
Closing equity shareholders' funds	3,135	3,270

SCOTTISH AMICABLE ISA MANAGERS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
Current assets			
Debtors	6	38	3
Cash at bank	7	3,222	3,271
		<u>3,260</u>	<u>3,274</u>
Creditors - amounts falling due within one year	8	<u>(125)</u>	<u>(4)</u>
Net current assets		<u>3,135</u>	<u>3,270</u>
Net assets		<u>3,135</u>	<u>3,270</u>
Capital and reserves			
Called up share capital	9	6,600	6,600
Profit and loss account		<u>(3,465)</u>	<u>(3,330)</u>
Total equity shareholders' funds		<u>3,135</u>	<u>3,270</u>

The accounting policies and notes on pages 12 to 14 form an integral part of these financial statements.

The accounts on pages 10 to 14 were approved by the board of directors on 25th March 2014.



H A Hussain
Director

SCOTTISH AMICABLE ISA MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting policies

a) Changes to accounting policies

In 2013 there have been no changes to accounting policies arising from changes to, or new Financial Reporting Standards

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.

In previous years, the financial statements have been prepared on a going concern basis. However, the directors intend to liquidate the Company, following the approval of the application for variation of permission submitted to FCA which can be considered as a first step to de-authorisation. Hence the financial statements have not been prepared on a going concern basis and as such prepared on a break up basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

c) Expense recognition

Operating expenses include recharges of costs borne on behalf of the Company by PDL, a fellow group undertaking and fees paid to IFDS for management and administration of the unclaimed proceeds. 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 (2012: £10k) in respect of the audit of the Company's financial statements and £5k (2012: Nil) in respect of the other services are borne by other group company, Prudential Distribution Limited.

The Company had no employees during the year (2012: 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 (2012: Nil).

4. Interest receivable

	2013	2012
	£'000	£'000
Bank interest receivable	13	13
	<u>13</u>	<u>13</u>

SCOTTISH AMICABLE ISA MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

5. Taxation

a) Analysis of taxation in the period

	2013 £000	2012 £000
Current tax:		
Current period corporation tax at effective tax rate of 23.25% (2012: 24.5%)	(41)	(2)
Adjustments in respect of previous years	-	(48)
Tax credit on ordinary activities	<u>(41)</u>	<u>(50)</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.

	2013 £000	2012 £000
The factors affecting the taxation for the years are:		
Loss on ordinary activities before tax	(176)	(10)
Tax on loss at effective tax rate of 23.25% (2012: 24.5%)	(41)	(2)
Adjustments in respect of previous years	-	(48)
Current tax credit for the year	<u>(41)</u>	<u>(50)</u>

c) Factors that may affect future tax charges

The reduction in the UK corporation tax rate to 21 per cent from 1 April 2014 and a further reduction to 20 per cent from 1 April 2015 was substantively enacted on 2 July 2013. As the 2013 Finance Act has been enacted at the balance sheet date, the effects of these changes are reflected in the financial statements for the year ended 31 December 2013.

Other than the effects of permanent differences and adjustments in respect of previous periods, it is not expected that the tax charge will deviate from that calculated by applying the standard rate of corporation tax to the profit before tax of the Company.

6. Debtors

	2013 £000	2012 £000
Corporation tax recoverable	38	1
Amounts owed from group undertakings	-	2
	<u>38</u>	<u>3</u>

SCOTTISH AMICABLE ISA MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

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 2013, total cash at bank included an amount of £3,222k (2012: £3,271k) which was held with the Prudential Group's main UK banker.

8. Creditors - amounts falling due within one year

	2013	2012
	£'000	£'000
Other creditors	125	4
	<u>125</u>	<u>4</u>

9. Called up share capital

	2013	2012
	£'000	£'000
Allotted, issued and fully paid		
6,600,000 (2012: 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.