

**REGISTERED NUMBER: 2338540 (England and Wales)**

**Report of the Directors and  
Financial Statements for the Year Ended 31 December 2010  
for  
Sesame Services Limited**



**Sesame Services Limited (Registered number. 2338540)**

**Contents of the Financial Statements  
for the Year Ended 31 December 2010**

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**Sesame Services Limited**

**Company Information  
for the Year Ended 31 December 2010**

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**DIRECTORS**

M A Couzens  
I Martin  
P Hooper

**REGISTERED OFFICE**

Pixham End  
Dorking  
Surrey  
RH4 1QA

**REGISTERED NUMBER:**

2338540 (England and Wales)

**AUDITORS:**

Ernst & Young LLP  
The Paragon  
Counterslip  
Bristol  
BS1 6BX

**Report of the Directors  
for the Year Ended 31 December 2010**

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The directors present their report with the financial statements of the company for the year ended 31 December 2010

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of intermediate parent company within the Friends Provident Holdings (UK) Ltd and to provide central resources to the Sesame Bankhall Group

**REVIEW OF BUSINESS**

The cost of providing these resources is recharged to other group companies as management charges. These resources relate primarily to staffing and other overheads. During the year average headcount reduced from 422 to 355, in line with operating requirements.

The company also receives revenue from product providers for various marketing and promotional activities. During 2010 the company received £4,503,763 of revenue from product providers (2009 £3,599,000). Due to the current economic climate in the UK, these revenue streams are not expected to increase in future periods. The company continues to ensure that services are available to support the rest of the companies within the group including staffing at appropriate levels. The company expects this to continue in the forthcoming year.

**DIVIDENDS**

The total distribution of dividends for the year ended 31 December 2010 was £nil (2009- £nil)

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2010 to the date of this report.

M A Couzens  
I Martin

Other changes in directors holding office are as follows:

M T Wadelin - resigned 30 June 2010  
S Young - resigned 24 November 2010  
P Hooper - appointed 1 July 2010

**COMPANY'S POLICY ON PAYMENT OF CREDITORS**

It is the company's policy to agree terms and conditions for its business transactions with its suppliers. The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has abided by its contractual obligations. The trade creditors of the company at 31 December 2010 represent 8 days (2009 12 days) as a proportion of the total amount invoiced by suppliers during the year.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The company made charitable donations during the period of £4,286 (2009 £742). No political contributions were made.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks for the company are that its investments will decrease in value and not generate returns, that revenue from product providers will decrease and that group companies will require significant changes in service requirements at short notice. The principal risks and uncertainties of each of the group companies are shown in the financial statements of those companies.

**KEY PERFORMANCE INDICATORS (KPI's)**

Given the nature of the business, its performance is dependent on the service requirements of the rest of the group companies. The company's directors are of the opinion that analysis using KPI's other than monitoring staffing levels is not necessary for the understanding of the development, performance or position of the business.

**Report of the Directors  
for the Year Ended 31 December 2010**

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**EMPLOYEES**

It is the policy of the company that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The company is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's abilities.

The company seeks to engage all employees in both its short and long term goals. This is achieved through a number of communication methods such as senior management briefings, focus groups, newsletters and, increasingly, through the use of intranet technology.

**GOING CONCERN AND FUTURE OUTLOOK**

The company's business activities, together with the factors likely to affect its future development and position, are set out in this Director's Report.

The company has considerable financial resources and the company's parent Friends Provident Holdings (UK) plc, has also indicated that for at least 12 months from the date of approval of the financial statements, it will continue to make available such funds as are needed by the company. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Based on this the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The company is expected to continue its current activities in the coming year.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Sesame Services Limited (Registered number: 2338540)

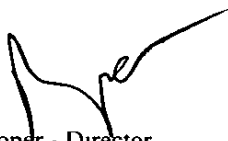
**Report of the Directors  
for the Year Ended 31 December 2010**

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**AUDITORS**

The auditors, Ernst & Young LLP were appointed on 24 November 2010 and their appointment will be confirmed at the forthcoming Annual General Meeting

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to be 'P Hooper', with a long, sweeping flourish extending upwards and to the right.

P Hooper - Director

21 March 2011

**Report of the Independent Auditors to the Members of  
Sesame Services Limited**

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We have audited the financial statements of Sesame Services Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. 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 auditors**

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 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.

**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 loss 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.

**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.



Richard Page (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol

Date 23 March 2011

**Sesame Services Limited (Registered number: 2338540)**

**Profit and Loss Account  
for the Year Ended 31 December 2010**

	Notes	2010 £'000	£'000	2009 £'000	£'000
<b>TURNOVER</b>			28,802		27,944
Cost of sales			<u>14,759</u>		<u>15,352</u>
<b>GROSS PROFIT</b>			14,043		12,592
Administrative expenses			12,305		10,683
Restructuring costs			<u>349</u>		<u>697</u>
<b>OPERATING PROFIT</b>	3		1,389		1,212
Income from fixed asset investments		11,113		-	
Interest receivable and similar income	4	<u>107</u>		<u>146</u>	
			<u>11,220</u>		<u>146</u>
			12,609		1,358
Amounts written off investments	5		<u>12,452</u>		-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			157		1,358
Tax on profit on ordinary activities	6		<u>541</u>		<u>704</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>			<u>(384)</u>		<u>654</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year

The notes form part of these financial statements




**Sesame Services Limited (Registered number: 2338540)**

**Balance Sheet  
31 December 2010**

	Notes	2010 £'000	2009 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	476	323
Investments	8	<u>4,173</u>	<u>16,625</u>
		4,649	16,948
<b>CURRENT ASSETS</b>			
Debtors	9	88,684	93,651
Cash in hand		<u>5,495</u>	<u>10,147</u>
		94,179	103,798
<b>CREDITORS</b>			
Amounts falling due within one year	10	<u>32,646</u>	<u>55,641</u>
<b>NET CURRENT ASSETS</b>		<u>61,533</u>	<u>48,157</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		66,182	65,105
<b>PROVISIONS FOR LIABILITIES</b>	12	<u>3,070</u>	<u>1,609</u>
<b>NET ASSETS</b>		<u>63,112</u>	<u>63,496</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	5,599	5,599
Share premium	14	85,999	85,999
Equity capital contributions	14	228	228
Profit and loss account	14	<u>(28,714)</u>	<u>(28,330)</u>
<b>SHAREHOLDERS' FUNDS</b>	17	<u>63,112</u>	<u>63,496</u>

The financial statements were approved by the Board of Directors on 21 March 2011 and were signed on its behalf by

  
P Hooper - Director

The notes form part of these financial statements

Notes to the Financial Statements  
for the Year Ended 31 December 2010

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1 ACCOUNTING POLICIES

**Basis of accounting**

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

**Going Concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in this Director's Report.

The company has considerable financial resources and the company's parent Friends Provident Holdings (UK) plc, has also indicated that for at least 12 months from the date of approval of the financial statements, it will continue to make available such funds as are needed by the company. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Based on this the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

**Preparation of consolidated financial statements**

The financial statements contain information about Sesame Services Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Friends Provident Holdings (UK) plc, a company registered in England and Wales.

**Financial Reporting Standard Number 1**

Exemption has been taken from preparing a cash flow statement on the grounds that the parent company includes the company in its published financial statements.

**Turnover**

Turnover is made up mainly of management charges receivable from other group companies for the provision of services. There is no cost plus arrangement with group companies in respect of the management charge.

Turnover also includes revenue in relation to the development and sale of software for financial advisers. Revenue from maintenance and support contracts is recognised rateably over the period of the contract. Electronic data interchange and remote processing services (transaction processing) are recognised as the work is performed. Professional services, such as implementation, training and consultancy, are recognised when the services are performed. Turnover represents invoiced value net of value added tax and/or trade discounts. All turnover relates to sales in the United Kingdom.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life:

Plant and machinery - 10% - 25% per annum

Assets under construction are not depreciated until they are brought into use.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2010

1 ACCOUNTING POLICIES - continued

**Deferred tax**

Deferred tax is provided using the full provision method following the company's adoption of FRS 19 "Deferred Tax". Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future. Resultant deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

**Provisions for Liabilities and Charges**

The company has recognised provisions for future costs that it expects to incur as a result of transactions, actions or commitments that had taken place at the balance sheet date. The dilapidations provision is recognised based on estimated costs payable at the end of relevant leases. The other provisions are discussed further in note 12.

2 STAFF COSTS

	2010 £'000	2009 £'000
Wages and salaries	12,381	13,570
Social security costs	1,420	1,463
Other pension costs	552	616
Share based payments	-	108
	<u>14,353</u>	<u>15,757</u>

The average monthly number of employees during the year was as follows

	2010	2009
Sales staff	10	57
Administrative and management staff	<u>345</u>	<u>365</u>
	<u>355</u>	<u>422</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2010

2 STAFF COSTS - continued

There were no accrued or prepaid amounts in relation to the pension scheme at either year end

DIRECTORS' EMOLUMENTS

	2010 £'000	2009 £'000
Management remuneration	58	574
Pension costs	4	110
	<u>62</u>	<u>684</u>
Number of directors in pension scheme	<u>3</u>	<u>4</u>

	£'000	£'000
Remuneration of the highest paid director, excluding pension contributions of £2,000 (2009 £54,000)	<u>24</u>	<u>130</u>

The directors are remunerated by the company but these emoluments are apportioned between other group companies. The amounts disclosed above relate to the proportion of the directors' emoluments which relate to their services to Sesame Services Limited

3 OPERATING PROFIT

The operating profit is stated after charging

	2010 £'000	2009 £'000
Depreciation - owned assets	180	228
Loss on disposal of fixed assets	63	-
Operating leases - other	689	754
Auditors' remuneration - audit services	<u>360</u>	<u>260</u>
	<u>62</u>	<u>684</u>

The company has borne the auditors' remuneration for all of the Sesame Bankhall group companies

The amount of auditors' remuneration relating directly to the company is £95,000 excluding VAT (2009 £90,000)

Notes to the Financial Statements – continued  
for the Year Ended 31 December 2010

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £'000	2009 £'000
Interest receivable	105	146
Other interest received	<u>2</u>	<u>-</u>
	<u>107</u>	<u>146</u>

Interest receivable is recognised on an accruals basis

5 AMOUNTS WRITTEN OFF INVESTMENTS

	2010 £'000	2009 £'000
Amounts written off investments	<u>12,452</u>	<u>-</u>

6 TAXATION

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows

	2010 £'000	2009 £'000
Current tax		
UK corporation tax	469	620
Prior period adjustment	<u>2</u>	<u>7</u>
Total current tax	471	627
Deferred tax	<u>70</u>	<u>77</u>
Tax on profit on ordinary activities	<u>541</u>	<u>704</u>

UK corporation tax has been charged at 28% (2009 – 28%)

Notes to the Financial Statements – continued  
for the Year Ended 31 December 2010

## 6 TAXATION – continued

**Factors affecting the tax charge**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	<u>157</u>	<u>1,358</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 – 28%)	44	380
Effects of		
Non-deductible expenditure	15	31
Tax adjustment on intercompany transactions	98	242
Prior period adjustment	2	7
Share scheme	-	30
Amounts written off investments	3,486	-
Deferred tax movement	-	(2)
Accelerated capital allowances movement	(62)	(61)
Non-deductible income	<u>(3,112)</u>	<u>-</u>
Current tax charge	<u>471</u>	<u>627</u>

## 7 TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Assets under construction £'000	Totals £'000
<b>COST</b>			
At 1 January 2010	3,553	-	3,553
Additions	1	396	397
Disposals	<u>(1,401)</u>	<u>-</u>	<u>(1,401)</u>
At 31 December 2010	<u>2,153</u>	<u>396</u>	<u>2,549</u>
<b>DEPRECIATION</b>			
At 1 January 2010	3,230	-	3,230
Charge for year	180	-	180
Eliminated on disposal	<u>(1,337)</u>	<u>-</u>	<u>(1,337)</u>
At 31 December 2010	<u>2,073</u>	<u>-</u>	<u>2,073</u>
<b>NET BOOK VALUE</b>			
At 31 December 2010	<u>80</u>	<u>396</u>	<u>476</u>
At 31 December 2009	<u>323</u>	<u>-</u>	<u>323</u>

Notes to the Financial Statements – continued  
for the Year Ended 31 December 2010

## 8 FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2010	
and 31 December 2010	<u>174,040</u>
<b>PROVISIONS</b>	
At 1 January 2010	157,415
Provision for year	<u>12,452</u>
At 31 December 2010	<u>169,867</u>
<b>NET BOOK VALUE</b>	
At 31 December 2010	<u>4,173</u>
At 31 December 2009	<u>16,625</u>

Given the current economic climate, the directors considered it prudent to undertake an impairment review. This was carried out using a discounted future cash flow calculation covering a seven year period and an assessment of the net realisable value of the investment, as suggested by Financial Reporting Standard 11. The discount rate used was 8.59%. The discount rate used was based on the Bank of England yield rate with an additional 5% added on for risk. An impairment of £12,451,000 in relation to Financial Options Services Limited was identified and written off during the year.

The investments in subsidiaries comprise

	Cost £'000	Provision for diminution in value £'000	Net book value £'000
Sesame Regulatory Services Limited	-	-	-
Countrywide Independent Advisors Limited	1,300	1,300	-
DBS Financial Management (Sheffield) Limited	-	-	-
DBS Financial Management Plc	88,281	88,281	-
DBS National Financial Services Limited	-	-	-
Financial Options Services Limited	27,900	27,900	-
I E Group Limited	26,658	26,658	-
Sesame Bankhall Valuation Services Limited	-	-	-
Pre-Retirement Education Programme Limited	-	-	-
PTC Actuarial Services Limited	-	-	-
Sesame General Insurance Services Limited	15,900	11,750	4,150
DBS Mortgage Services Limited	14,000	14,000	-
Countrywide Independent Advisors Limited	11	-	11
DBS Financial Management Limited	11	-	11
Sesame Protection Services Limited	-	-	-
Sesame Group India Pvt	1	-	1
At 31 December 2010	<u>174,062</u>	<u>169,889</u>	<u>4,173</u>

8 FIXED ASSET INVESTMENTS - continued

The company's investments at the balance sheet date in the share capital of companies include the following

**Sesame Regulatory Services Limited**

Nature of business Dormant

	%
Class of shares	holding
Ordinary shares	100 00

(formerly Aetas Limited)

**Countrywide Independent Advisors Limited**

Nature of business Dormant

	%
Class of shares	holding
Ordinary shares	100 00

**DBS Financial Management (Sheffield) Limited**

Nature of business Dormant

	%
Class of shares	holding
Ordinary shares	100 00

**DBS Financial Management Plc**

Nature of business Dormant

	%
Class of shares	holding
Ordinary shares	100 00

**DBS National Financial Services Limited**

Nature of business Dormant

	%
Class of shares	holding
Ordinary shares	100 00

**Financial Options Services Limited**

Nature of business Dormant

	%
Class of shares	holding
Ordinary shares	100 00

**I.E Group**

Nature of business Intermediate holding company

	%
Class of shares	holding
Ordinary shares	100 00

**Sesame Bankhall Valuation Services Limited**

Nature of business Dormant

	%
Class of shares	holding
Ordinary shares	100 00

(formerly Sesame Regulatory Services Limited)



Notes to the Financial Statements - continued  
for the Year Ended 31 December 2010

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8 FIXED ASSET INVESTMENTS - continued

**The Pre-Retirement Education Programmes Limited**

Nature of business Dormant

	%
Class of shares	holding
Ordinary shares	100 00

**PTC Actuarial Services Limited**

Nature of business Dormant

	%
Class of shares	holding
Ordinary shares	100 00

**Sesame General Insurance Services Limited**

Nature of business The provision of general insurance products to

	%
Class of shares	holding
Ordinary shares	100 00

**DBS Mortgage Services Limited**

Nature of business Dormant

	%
Class of shares	holding
Ordinary shares	100 00

**Sesame Protection Services Limited**

Nature of business Non-trading

	%
Class of shares	holding
Ordinary shares	100 00

**Sesame Group India Pvt**

Country of incorporation India

Nature of business Supply of compliance services to Sesame

	%
Class of shares	holding
Ordinary shares	100 00

Group financial statements are not prepared as during the year Sesame Services Limited was a wholly owned subsidiary of Friends Provident Holdings (UK) plc, which produces publicly available consolidated financial statements

Sesame Group India Pvt Limited is incorporated and registered in India. All other companies are incorporated in Great Britain and registered in England and Wales. The company is exempt from preparing consolidated financial statements under section 400 of the Companies Act 2006. The directors believe that the carrying value of investments is supported by their underlying net assets.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2010

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Trade receivables	364	411
Amounts owed by group undertakings	87,228	92,119
Other receivables	200	219
Corporation tax recoverable	31	-
Deferred tax asset	386	456
Prepayments and accrued income	475	446
	<u>88,684</u>	<u>93,651</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

Deferred tax arose from decelerated capital allowances. The company is expected to trade profitably in future periods so the deferred tax asset has been recognised in full

	2010 £'000	2009 £'000
At 1 January 2010	456	533
Deferred Tax charge in profit and loss account for period	<u>(70)</u>	<u>(77)</u>
At 31 December 2010	<u>386</u>	<u>456</u>

The company has no unrecognised deferred tax asset at the year end (2009 £nil). The reduction in the tax rate from 28% to 27% has impacted the amount of deferred tax recognised in these accounts

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Trade payables	649	483
Amounts owed to group undertakings	29,571	40,128
Corporation tax	-	620
Social security and other taxes	282	857
Other payables	26	36
Accruals and deferred income	<u>2,118</u>	<u>13,517</u>
	<u>32,646</u>	<u>55,641</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2010

11 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings	
	2010 £'000	2009 £'000
Expiring		
Between one and five years	<u>-</u>	<u>689</u>

12 PROVISIONS FOR LIABILITIES

	Onerous Lease £'000	Dilapidations £'000	Other £'000	Total £'000
At 1 January 2010	-	927	682	1,609
Charged/(credited) to the profit and loss account	<u>1,521</u>	<u>(19)</u>	<u>(41)</u>	<u>1,461</u>
At 31 December 2010	<u>1,521</u>	<u>908</u>	<u>641</u>	<u>3,070</u>

The company has made provision for onerous lease commitments in relation to a property of which it is the tenant under a lease agreement. The property is currently empty and an onerous lease and dilapidations provision has been established based on management assessment of future conditions. The onerous contract provision is expected to be fully utilised by 2012.

Within other provisions are amounts relating to certain contractual issues and exposures, the timing of settlement of which is uncertain.

13 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value	2010 £'000	2009 £'000
1,000,001	A Ordinary shares	£1	1,000	1,000
4,598,590	B Ordinary shares	£1	<u>4,599</u>	<u>4,599</u>
			<u>5,599</u>	<u>5,599</u>

Notes to the Financial Statements - continued  
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13 CALLED UP SHARE CAPITAL - continued

Holders of A ordinary shares are entitled to attend and vote at general meetings but holders of B ordinary shares are only entitled to attend and vote if the business of the meeting involves a reduction in share capital or a variation of class rights

The rights attaching to the shares are as follows

"A" Ordinary shareholders are entitled to 1% of any dividends paid or of surplus assets on winding up

"B" Ordinary shareholders are entitled to 99% of any dividends paid or of surplus assets on winding up

14 RESERVES

	Profit and loss account £'000	Share premium £'000	Equity capital contributions £'000	Totals £'000
At 1 January 2010	(28,330)	85,999	228	57,897
Deficit for the year	<u>(384)</u>	<u>—</u>	<u>—</u>	<u>(384)</u>
At 31 December 2010	<u>(28,714)</u>	<u>85,999</u>	<u>228</u>	<u>57,513</u>

15 ULTIMATE PARENT COMPANY

The company's immediate parent company is Friends Provident Holdings (UK) plc, a company registered in England and Wales

The company's ultimate parent undertaking is Resolution Limited, which is incorporated in Guernsey. Copies of the Group Report and Accounts of Resolution Limited can be viewed via its website at [www.resolution.gg](http://www.resolution.gg)

The smallest Group in which the results of the company are consolidated is that headed by Friends Provident Holdings (UK) plc

16 RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary undertaking of Friends Provident Holdings (UK) plc. The results of both the company and Friends Provident Holdings (UK) plc are consolidated in the results of Resolution Limited, the company's ultimate parent and controlling undertaking, whose financial statements are publicly available. Accordingly, the company is exempt from the requirements of Financial Reporting Standard 8 Related Party Disclosures, concerning the disclosure of transactions with other companies that qualify as related parties within the Friends Provident Group.

There are no other material related party transactions

Notes to the Financial Statements - continued  
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17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
(Loss)/Profit for the financial year	(384)	654
Capital contribution to equity	<u>-</u>	<u>108</u>
<b>Net (reduction)/addition to shareholders' funds</b>	<b>(384)</b>	<b>762</b>
Opening shareholders' funds	<u>63,496</u>	<u>62,734</u>
<b>Closing shareholders' funds</b>	<b><u>63,112</u></b>	<b><u>63,496</u></b>