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MERCHANT INVESTORS SERVICES COMPANY LIMITED

Directors' Report and Financial Statements
for the year ended 31 December 2009

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Merchant Investors Services Company Limited

Directors

M W Edmonds
S J Geard
L van der Walt

Company Secretary

M W Edmonds

Auditors

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Registered Office

St Bartholomew's House
Lewins Mead
Bristol
BS1 2NH

Registered Number

2354894

Merchant Investors Services Company Limited

Directors' Report continued

The directors have pleasure in submitting their Annual Report and audited financial statements for the year ended 31 December 2009

Business Review

The company's principal activity is the provision of administration and other services, initially only to companies within the Merchant Investors group of companies (the "Group")

This activity is part of a group strategic business plan to facilitate growth as a result of changing regulatory requirements, and in order to better co-ordinate the activities of the Group

Principal Activity

The principal activity of the company is the provision of administration and client money handling services to Merchant Investors Assurance Company Limited ("MIACL") and to act as the scheme administrator of the Merchant Investors Personal Retirement Scheme (a personal retirement scheme established under a trust deed dated 8 June 1988 (as subsequently amended) by MIACL, with Merchant Investors (Trustee Services) Limited acting as the trustee of the scheme)

Directors

The directors of the company at the date of this report are shown on page 1

Directors' interests

None of the directors has any interests in the shares of the company

Risk management

The main risk that the company is exposed to is the operational risk that it fails to meet its contractual and regulatory obligations. The company manages its risks through a process and control framework supplemented by proactive compliance and risk monitoring

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, risk management strategy and its key risk exposures are described on page 1 to 3 of the Directors' report. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future

Merchant Investors Services Company Limited

Directors' Report continued

Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the company's auditor is unaware

Having made enquiries of the other directors and the company's auditor, each director has taken all steps that a director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the company's auditor is aware of that information

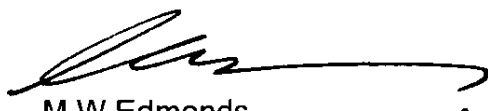
Directors' qualifying third party indemnity provisions

In accordance with the requirements of section 234 of the Companies Act 2006, qualifying third party indemnity provisions are in force for the benefit of the directors of the company and its associated companies

Elective regime

In accordance with Section 379A of the Companies Act 1985 the company passed a resolution on 12 March 1993 to dispense with the obligation to hold AGM's, lay financial statements before the company in a general meeting and appoint auditors annually. The auditors, Ernst & Young LLP, will continue in office

By Order of the Board



M W Edmonds
Company Secretary

26 April 2010

Merchant Investors Services Company Limited

Statement of Directors' responsibilities in respect of 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 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 judgments and estimates that are reasonable and prudent,
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to 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.

Merchant Investors Services Company Limited

Independent Auditors' report to the members of Merchant Investors Services Company Limited

We have audited the financial statements of Merchant Investors Services Company Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet 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 auditors

As explained more fully in the Directors' Responsibilities Statement on page 4, 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 2009 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.

Merchant Investors Services Company Limited

**Independent Auditor's report to the members of Merchant Investors Services
Company Limited continued**

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

A handwritten signature in black ink, appearing to read "Ernst & Young LLP", written over a horizontal line.

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

26 April 2010

Merchant Investors Services Company Limited

Profit and Loss Account at 31 December 2009

	Notes	2009 £	2008 £
TURNOVER	2	497,526	374,553
Administrative expenses	4	549,612	395,026
OPERATING LOSS		(52,086)	(20,473)
Interest receivable	3	55,624	19,610
PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		3,538	(863)
Tax on profit/(loss) on ordinary activities	5	(745)	-
PROFIT/LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		2,793	(863)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

Merchant Investors Services Company Limited

**Balance Sheet as
at 31 December 2009**

	Notes	2009 £	2008 £
CURRENT ASSETS			
Debtors	6	197,481	92,654
Cash at bank		<u>462,035</u>	<u>402,160</u>
Net current assets		<u>659,516</u>	<u>494,814</u>
 CREDITORS			
Amounts falling due within one year	7	<u>497,584</u>	<u>335,675</u>
 NET ASSETS		<u><u>161,932</u></u>	<u><u>159,139</u></u>
 CAPITAL AND RESERVES			
Called up share capital	8	160,002	160,002
Profit and loss account		<u>1,930</u>	<u>(863)</u>
SHAREHOLDERS' FUNDS		<u><u>161,932</u></u>	<u><u>159,139</u></u>

Approved by the Board 26 April 2010



Stuart Geard
Director

Merchant Investors Services Company Limited

Notes to the Financial Statements continued

1. Accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

These financial statements have been prepared on a going concern basis and using the accruals basis of accounting

Turnover

Turnover principally represents fees for services provided to the company's parent undertaking, which is based upon standard rates and volumes of business written during the year. It also includes administration fees and other charges earned on trust-based self invested personal pension products. All turnover arises wholly in the United Kingdom.

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes, accounted for on an accruals basis.

Administrative expenses

Administrative expenses principally represents amounts invoiced from group undertakings in respect of staff resources and general overheads utilised to provide money handling and administrative services to the Merchant Investors Personal Retirement Scheme and group undertakings. Amounts invoiced are based on a pre-determined re-charge of allocated resources and overheads based on volumes written.

Interest receivable and similar income

Interest receivable represents interest on bank deposits and other funding activities and is accrued on a daily basis.

Interest payable and similar charges

Interest is payable on any amounts outstanding in respect of financing arrangements between group undertakings.

Employee information

The directors are employed and paid by the company's parent undertaking (MIACL) and their directorships are held as part of that employment. No director has received any emoluments or other benefits from the company in respect of services to the company.

Merchant Investors Services Company Limited

Notes to the Financial Statements continued

The company has no employees. The costs of any staff are borne by MIACL. MIACL levies management fees on the company based upon standard rates and volumes of business processed. It is therefore not possible to identify separately the amounts of staff costs comprised within the management fees. Staff and pension costs and other related information will be disclosed in the financial statements of MIACL.

Client Money

The company was subject to the FSA's Client Money Rules during the year. Amounts held for clients are accounted for through a separate bank account which does not form part of these accounts.

Cash flow statement

The company has taken advantage of the exemption given by FRS1 (revised) to subsidiary undertakings where 90% or more of the voting rights are controlled within the group, by not preparing a cash flow statement.

A cash flow statement is prepared by the ultimate parent undertaking that includes the cash flows of the company. Details of the ultimate parent undertaking are given in note 10 to the Financial Statements.

2. Turnover and Segmental Analysis

	2009 £	2008 £
Fee Income		
MIACL	342,472	354,237
SIPP Administration charges	155,054	20,316
	<u>497,526</u>	<u>374,553</u>

3 Net Interest Receivable

	2009 £	2008 £
Net interest received from cash on deposit	<u>55,624</u>	<u>19,610</u>

Merchant Investors Services Company Limited

Notes to the Financial Statements continued

4 Administrative Expenses

The principal administrative expense relates to amounts invoiced by group undertakings in respect of staff resources and general overheads

	2009 £	2008 £
Fees from group undertakings	469,489	373,809
Auditors' remuneration	23,000	15,000
Other administrative expenses	8,500	6,217
Interest payable	48,623	-
	<u>549,612</u>	<u>395,026</u>

5 Taxation

The tax on result shown in the Profit and Loss Account is as follows

	2009 £	2008 £
Profit/(loss) on ordinary activities	3,538	(863)
Tax at 28% (2008 - 28.5%)	(991)	246
Tax losses utilised/(unrelieved)	246	(246)
Current tax charge for the year	<u>745</u>	<u>-</u>

6 Debtors

	2009 £	2008 £
Amounts owed by parent and subsidiary undertakings	-	2
Prepayments	54,788	70,000
Other debtors	142,693	22,652
	<u>197,481</u>	<u>92,654</u>

Merchant Investors Services Company Limited

Notes to the Financial Statements continued

7 Creditors

	2009	2008
	£	£
Balance due to group companies	85,757	-
Other creditors	393,827	320,675
Accruals	18,000	15,000
	<u>497,584</u>	<u>335,675</u>

8 Share capital

	2009	2008
	£	£
Authorised		
Ordinary shares of £1 each	350,000	350,000
0.001% Cumulative Redeemable Preference shares of £1 each	15,000	15,000
	<u>365,000</u>	<u>365,000</u>
Issued		
Fully paid Ordinary Shares of £1 each	160,000	160,000
Ordinary shares of £1 each	2	2
	<u>160,002</u>	<u>160,002</u>
Movement in reserves		
Reserves brought forward	(863)	-
Profit/(loss) in the year	2,793	(863)
Reserves carried forward	<u>1,930</u>	<u>(863)</u>

9. Related party disclosure

The company has taken advantage of the exemption given by FRS8 to wholly owned subsidiary undertakings, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties

Merchant Investors Services Company Limited

Notes to the Financial Statements continued

10. Parent undertaking

The ultimate parent undertaking, Sanlam Limited, is incorporated in South Africa and is the parent of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member

Copies of its group financial statements are available on request from Sanlam Limited, 2 Strand Road, Bellville, South Africa (PO Box 1, Sanlamhof, 7532, South Africa)

The immediate parent undertaking is MIACL