

**Company No: SC 129573**

**Independent Insurance Services (Holdings) Limited**

**Report and Accounts**

**For the year ended 31<sup>st</sup> December 2007**

TUESDAY



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# CONTENTS

## Page

1	Contents
2	Notice Under Companies Act 1985 s 253(1)
3	Corporate Information
4	Director's Report
5	Director's Responsibilities
6 7	Auditor's Report
8	Profit and Loss Account
9	Balance Sheet
10	Cashflow Statement
11	Reconciliation of Movement in Shareholders' Funds
12 16	Notes to the Financial Statements

## **NOTICE UNDER COMPANIES ACT 1985, s. 253(1)**

**INDEPENDENT INSURANCE SERVICES (HOLDINGS) LIMITED** ("the Company")

To each member of the Company

The members of the Company have passed an elective resolution in accordance with (inter alia) Section 252 of the Companies Act 1985 (as amended) ('the 1985 Act'), the effect of which is that the Company has dispensed with the laying of accounts and reports before the Company in general meeting

This notice is accompanied by a copy of the accounts and reports of the Company for the year ended 31 December 2007 which are sent to you in accordance with Sections 238 and 253 of the 1985 Act

Section 253(2) of the 1985 Act gives to each member of the Company the right to require the laying of the accounts and reports before a general meeting. Such right is exercisable by a member giving notice in writing to that effect deposited at the registered office of the Company before the end of the period of 28 days commencing with the date below (being the date on which the accompanying accounts and reports were sent to members)

By order of the Board



M Ayling  
Secretary

27 October 2008

Registered office of the Company 24 Great King Street, Edinburgh, EH3 6QN

## CORPORATE INFORMATION

DIRECTOR	Aurora Executive Services Limited
SECRETARY	M Ayling
BANKERS	The Royal Bank of Scotland plc London Corporate SC P O Box 39952 2 1/2 Devonshire Square London EC2M 4XJ
AUDITOR	Leonard Jones & Co 1 Printing House Yard London E2 7PR
REGISTERED OFFICE	24 Great King Street Edinburgh EH3 6QN
COMPANY NUMBER	SC 129573

## **DIRECTOR'S REPORT**

The Director presents the annual report and the audited financial statements of the Company for the year ended 31 December 2007

### **ACTIVITIES**

The Company provides insurance related activities and is a wholly owned subsidiary of Independent Insurance Group plc, in provisional liquidation

### **RESULTS**

The transfer to retained reserves for the year is a profit of £5,743 (2006 £79,094)

### **DIVIDENDS**

No dividend has been proposed or paid during the period under review (2006 nil)

### **DIRECTORS**

The sole Director as at the date of this report is shown on page 3 and served throughout the year

### **DIRECTORS' INTERESTS**

No Director held interests in the share capital of the Company

### **STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

The Director of the Company who held office at the date of approval of this annual report confirms that

So far as he is aware, there is no relevant audit information needed by the Company's auditors in connection with preparing their report, of which the Company's auditors are unaware, and

He 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

### **AUDITOR**

On 28 July 2008 Bournier Bullock resigned as Auditor. On 14 August 2008 Leonard Jones & Co were appointed Auditor. Bournier Bullock have confirmed there were no matters regarding their resignation, which should be brought to the attention of the Company's members

By order of the Board



M Ayling  
Secretary

27 October 2008

## STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the Director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the provisions of the Companies Act 1985. The Director has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud or other irregularities.

# **REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF INDEPENDENT INSURANCE SERVICES (HOLDINGS) LIMITED**

We have audited the financial statements of Independent Insurance Services (Holdings) Limited for the year ended 31 December 2007 set out on pages 8 to 16. These financial statements have been prepared in accordance with the Financial Reporting Standards under the historical cost convention and the accounting policies set out on page 12.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Director's Responsibilities the Company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company are not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

## **Emphasis of matter – going concern**

In forming our opinion, we have considered the adequacy of the disclosure made in note 1(f) to the financial statements concerning the fundamental uncertainty surrounding the Company's ability to continue to operate for the foreseeable future. Should the Company be unable to continue to operate, adjustments would need to be made, including to reclassify fixed assets as current assets, to write down assets to their recoverable amount and to provide for further liabilities that may arise.

Our opinion is not qualified in this respect.

# **REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF INDEPENDENT INSURANCE SERVICES (HOLDINGS) LIMITED - CONTINUED**

## **Opinion**

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information in the Directors' Report is consistent with the financial statements

*Leonard Jones & Co*

**Leonard Jones & Co**  
**Chartered Accountants and Registered Auditors**  
**1 Printing House Yard**  
**London**  
**E2 7PR**

*27th October 2008*



## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2007

	Notes	2007 £	2006 £
Operating expenses	3	(2,988)	43,678
<b>Operating (Loss)/profit</b>		<b>(2,988)</b>	<b>43,678</b>
Investment income	2	9,742	49,371
<b>Profit on ordinary activities before taxation</b>		<b>6,754</b>	<b>93,049</b>
Tax on profit on ordinary activities	4	(1,011)	(13,955)
<b>Retained profit for the financial year</b>	9	<b>5,743</b>	<b>79,094</b>

The Company's result arose entirely from continuing operations

The Company had no recognised gains or losses other than the results for the current and preceding years

# BALANCE SHEET

As at 31 December 2007

	Notes	2007 £	2006 £
<b>FIXED ASSETS</b>			
Associated undertakings	5		
<b>CURRENT ASSETS</b>			
Debtors Amounts falling due within one year	6		92,241
Cash at bank and on deposit		<b>183,247</b>	820,666
		<b>183,247</b>	912,907
<b>CREDITORS</b> Amounts falling due within one year	7	<b>(20,554)</b>	(755,957)
<b>NET CURRENT ASSETS</b>		<b>162,693</b>	156,950
		<b>162,693</b>	156,950
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	<b>2</b>	2
Profit and loss account	9	<b>162,691</b>	156,948
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b>162,693</b>	156,950



for and on behalf of  
Aurora Executive Services Limited  
Director

27 October 2008

# CASHFLOW STATEMENT

For the period ended 31 December 2007

	Notes	2007 £	2006 £
<b>NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES</b>	13(a)	<b>(646,150)</b>	<b>(9,987)</b>
<b>RETURNS ON INVESTMENTS</b>			
Investment income		9,742	49,371
<b>TAXATION</b>			
Tax Charge		(1,011)	(13,955)
<b>(DECREASE) / INCREASE IN CASH</b>	13(b)	<b>(637,419)</b>	<b>25,429</b>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

*For the year ended 31 December 2007*

	2007 £	2006 £
Shareholders' funds brought forward	156,950	77,856
Retained profit for the year	5,743	79,094
Shareholders' funds carried forward	162,693	156,950

# NOTES TO THE FINANCIAL STATEMENTS

## 1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements

(a) **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985

(b) **Associated undertakings**

Investments in associated undertakings are shown at cost. Provision has been made to the extent that there has been a permanent diminution in value below cost

(c) **Income from investments**

Income from investments is credited to the profit and loss account in the period in which it is earned

(d) **Deferred taxation**

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 that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non discounted basis

(e) **Other investments**

Other investments are shown at the lower of cost or the Director's valuation

(f) **Fundamental uncertainty going concern**

The financial statements have been drawn up on a going concern basis, which assumes that the Company will be able to continue to operate for the foreseeable future. This basis may not be appropriate as the Company is a subsidiary of Independent Insurance Group plc, which is in provisional liquidation

The Company's balance sheet shows it had net assets at 31 December 2007. However, the Company's ability to continue to operate is dependent on, inter alia, whether the provisional liquidators consider it appropriate to retain and support the Company. Should the Company be unable to continue to operate, adjustments would need to be made to the financial statements, including those to write down assets to their recoverable amount, to reclassify fixed assets as current assets and to provide for any further liabilities that may arise

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2 INVESTMENT INCOME

	2007	2006
	£	£
Short term deposit interest	9,742	25,434
Interest received on loan		23,937
	<b>9,742</b>	<b>49,371</b>

### 3 OPERATING EXPENSES

	2007	2006
	£	£
Auditor's remuneration	2,988	1,981
Specific bad debt provision		(45,659)
	<b>2,988</b>	<b>(43,678)</b>

### 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007	2006
	£	£
Taxation comprises the following		
Group relief payable	1,011	13,955
	<b>1,011</b>	<b>13,955</b>

The tax assessed for the year varies from the standard rate of corporation tax in the UK (30%)  
The differences are explained below

	2007	2006
	£	£
Profit on ordinary activities before tax	6,754	93,049
Taxation at standard rate in the UK 30% (2006 30%)	2,026	27,915
Effects of		
Timing differences (losses b/fwd / accelerated capital allowances)	(4)	(5)
Group relief claimed from Group undertaking	(1,011)	(13,955)
Tax charge for the year	<b>1,011</b>	<b>13,955</b>

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES CONT.

Deferred taxation is calculated as

	2007 £	2006 £
Short term timing differences		
Losses		
<b>Total</b>		

The Company has an unrecognised deferred tax asset of £1,766 (2006 £1,766)

### 5 ASSOCIATED UNDERTAKINGS

The company holds 33,177 ordinary shares in Polaris UK Limited As at 31 December 2007 the Polaris UK Limited shares had nil value

### 6 DEBTORS

	2007 £	2006 £
Amounts owed by Group undertakings		92,241
		<b>92,241</b>

### 7 CREDITORS

	2007 £	2006 £
Amounts falling due within one year		
Amounts owed to Group undertakings	17,754	753,357
Accruals	2,800	2,600
	<b>20,554</b>	<b>755,957</b>

### 8 CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, issued and fully paid		
Ordinary shares of £1 each	2	2

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 9 PROFIT AND LOSS ACCOUNT

	2007 £	2006 £
At 1 January	156,948	77,854
Retained profit for the year	5,743	79,094
At 31 December	162,691	156,948

### 10. RELATED PARTY DISCLOSURES

At year end, the following balances were owed (to)/from Group undertakings

	2007 £	2006 £
<b>Owed to group undertakings</b>		
Independent Insurance Group plc		(399,404)
Independent Insurance Company Ltd	(10,270)	(340,603)
Kite Property Holdings Ltd	(7,484)	(13,350)
	(17,754)	(753,357)
<b>Owed from group undertakings</b>		
New Scotland Services Ltd		92,241
		92,241
<b>Net amount owed to group undertakings</b>	(17,754)	(661,116)

### 11 ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary of Independent Insurance Group plc, in provisional liquidation, which is incorporated in Great Britain and registered in Scotland

### 12. APPROVAL OF ACCOUNTS

The financial statements were approved by the Board on 27 October 2008 and signed on its behalf by M Ayling, for and on behalf of the corporate director, Aurora Executive Services Limited



## NOTES TO THE FINANCIAL STATEMENTS - continued

### 13 NOTES TO THE CASHFLOW STATEMENT

	2007 £	2006 £
<b>(a) Reconciliation of operating profit to net cash outflow from operating activities</b>		
Operating (loss)/profit	(2,988)	43,678
Decrease in debtors	92,241	
Decrease in creditors and accruals	(735,403)	(53,665)
<b>Net cash outflow from operating activities</b>	<b>(646,150)</b>	<b>(9,987)</b>
<b>(b) Reconciliation of net cash flow to movement in net funds</b>		
(Decrease) / increase in cash for the year	(637,419)	25,429
Change in net funds resulting from cash flows	(637,419)	25,429
Net funds brought forward	820,666	795,237
Net funds carried forward	183,247	820,666