

4th Contact Limited
Annual Financial Statements
for the year ended 31 December 2013

Registration no 3958182



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4th Contact Limited

Directors and Officers

Directors

Mark Hesketh
Graeme Bold

Company Secretary

Frances Horsburgh

Registered Office

30 St Mary Axe
14th Floor
London
EC3A 8EP

Registered Number

3958182

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX
United Kingdom

Report by the Directors

The directors present their report and the audited financial statements of 4th Contact Limited (the Company) for the year ended 31 December 2013. The company was incorporated in England & Wales (registration 3958182).

Results

The result of the Company was a profit after tax of £130,160 (2012: £178,381). The directors do not recommend the payment of a dividend for the year (2012: £Nil).

Directors

The names of the current directors are listed on page 2. Changes in directorship during the year, and subsequent to it, were as follows:

Ronnie Taylor (resigned 09 April 2013)
Graeme Bold (appointed 31 May 2013)

The appointment of directors is not subject to retirement by rotation.

Statement of disclosure of information to the auditors

In accordance with applicable company law, as the Company's directors, we certify that:

- So far as we are aware, there is no relevant information of which the Company's auditors are unaware, and
- As the directors of the Company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Strategic Report

Business review

The principal activity of the Company is to provide software for the management and communication of employee benefit programmes

Throughout 2013 much of the attention of our industry was focused on the implementation of the Retail Distribution Review (RDR) and the commencement of staging dates for Auto Enrolment. The Directors are satisfied that the Company performed well during 2013 whilst the economic environment remained tough and the competition from commission payers intensified in the run up to final RDR implementation deadlines and Auto Enrolment staging dates. As a Group we continue to build on our strengths and to focus on the savings and investment needs of customers. We believe that there are considerable opportunities for us in 2014 and we are ready to take advantage of the opportunities that RDR and Auto Enrolment will bring.

Key performance indicators

The directors of Standard Life plc manage Standard Life Group's operations on a business segment basis. The development, performance and position of the life and pensions business, which includes the Company, are discussed in the UK and Europe section of the Strategic Report in the Group's Annual Report and Accounts which does not form part of this report.

Principle risks and uncertainties

The principal risks to which the Company is most specifically exposed are credit risk, liquidity risk and operational risk. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, which is straightforward given the nature of the business and structure of the remaining assets and liabilities.

Employees

The staff who manage the affairs of the Company are employed by Standard Life Employee Services Limited (SLES), a related party.

The Company is committed to engaging with employee representatives on a broad range of issues, including consultation on any major business change. The Company has a Partnership Agreement with VIVO, the Standard Life Staff Association, which outlines how the Company and VIVO will work on shared objectives including employment security, terms and conditions, equality and diversity and health and safety.

The Company is committed to an equal opportunities policy. The sole criterion for selection or promotion is the suitability of any applicant for the job regardless of ethnic origin, religion, sex, marital status or disablement.

The Company will continue to employ, arrange for retraining, or retire on disability pension any member of staff who becomes disabled, as may be appropriate.

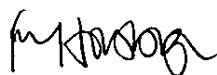
The Company communicates with its employees on a regular basis either through the Company's intranet facility or through regular meetings with management. All employees are encouraged to participate in the Group share scheme.

Environmental matters and social and community issues

Information about environmental matters, including the impact of the Company's business on the environment, and information on social and community issues is given in the Corporate responsibility section in the Group's Annual Report.

Financial risk management

The Company manages its various financial risks as outlined in note 16 of the financial statements.



On behalf of the Board of Directors
Frances Horsburgh, Company Secretary
Edinburgh
24th September 2014

Statement of directors' responsibilities

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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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.

Independent auditors' report to the members of 4th Contact Limited

Report on the financial statements

Our opinion

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 and cash flows for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by 4th Contact Limited, comprise

- the Statement of Financial Position as at 31 December 2013,
- the Income Statement for the year then ended,
- the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and
- the Accounting Policies and the notes to the financial statements which include other explanatory information

The financial reporting framework that has been applied in their preparation comprises applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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

In addition, we read all the financial and non-financial information in the Annual financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been, 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

We have no exceptions to report arising from this responsibility

Independent auditors' report to the members of 4th Contact Limited *continued*

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

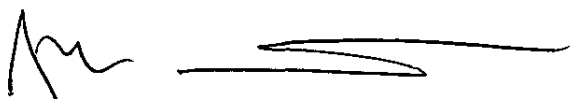
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, set out on page 5, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Allan McGrath (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
24th September 2014

Income statement for the year ended 31 December 2013

| | Notes | 2013 £ | 2012 £ |
|----------------------------|-------|----------------|----------------|
| Revenue | | | |
| Fee income | 2 | 253,772 | 300,128 |
| Finance income | 3 | 7,613 | 8,925 |
| Total revenue | | 261,385 | 309,053 |
| Expenses | | | |
| Administrative expenses | 4 | 129,038 | 130,672 |
| Total expenses | | 129,038 | 130,672 |
| Profit before tax | | 132,347 | 178,381 |
| Tax expense | 8 | 2,187 | - |
| Profit for the year | | 130,160 | 178,381 |

The Company has no comprehensive income or expense other than the profit for the year recognised in the income statement. Accordingly a separate statement of total comprehensive income is not presented in these financial statements.

The notes on pages 12 to 21 form an integral part of these financial statements.

**Statement of financial position
as at 31 December 2013**

| | Notes | 2013 £ | 2012 £ |
|--|-------|------------------|------------------|
| Assets | | | |
| Receivables and other financial assets | 10 | 45,168 | 57,394 |
| Cash and cash equivalents | 11 | 1,585,972 | 1,314,573 |
| Total assets | | 1,631,140 | 1,371,967 |
| Equity | | | |
| Share capital | 12 | 211 | 211 |
| Share premium | | 2,166,460 | 2,166,460 |
| Retained earnings | | (872,569) | (1,002,729) |
| Total equity | | 1,294,102 | 1,163,942 |
| Liabilities | | | |
| Other financial liabilities | 13 | - | 12,144 |
| Other liabilities | 14 | 337,038 | 195,881 |
| Total liabilities | | 337,038 | 208,025 |
| Total equity and liabilities | | 1,631,140 | 1,371,967 |

Approved on behalf of the Board of Directors on 24th September 2014



Mark Hesketh
Director

The notes on pages 12 to 21 form an integral part of these financial statements

**Statement of changes in equity
for the year ended 31 December 2013**

| | Share capital 2013 £ | Share premium 2013 £ | Retained earnings 2013 £ | Total equity 2013 £ |
|---------------------|----------------------------|-------------------------------|-----------------------------------|---------------------------|
| At 1 January 2013 | 211 | 2,166,460 | (1,002,729) | 1,163,942 |
| Profit for the year | - | - | 130,160 | 130,160 |
| At 31 December 2013 | 211 | 2,166,460 | (872,569) | 1,294,102 |

| | Share capital 2012 £ | Share premium 2012 £ | Retained earnings 2012 £ | Total equity 2012 £ |
|---------------------|----------------------------|-------------------------------|-----------------------------------|---------------------------|
| At 1 January 2012 | 211 | 2,166,460 | (1,181,110) | 985,561 |
| Profit for the year | - | - | 178,381 | 178,381 |
| At 31 December 2012 | 211 | 2,166,460 | (1,002,729) | 1,163,942 |

The notes on pages 12 to 21 form an integral part of these financial statements

**Statement of cash flows
for the year ended 31 December 2013**

| | Notes | 2013 £ | 2012 £ |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 132,347 | 178,381 |
| Adjusted for | | | |
| Net (increase)/decrease in operating assets and liabilities | 15 | 141,239 | 37,224 |
| Taxation Paid | 8 | (2,187) | - |
| Net cash flows from operating activities | | 271,399 | 215,605 |
| Net increase in cash and cash equivalents | | 271,399 | 215,605 |
| Cash and cash equivalents at the beginning of the year | | 1,314,573 | 1,098,968 |
| Cash and cash equivalents at the end of the year | 11 | 1,585,972 | 1,314,573 |
| Supplemental disclosures on cash flows from operating activities | | | |
| Interest received | | 7,613 | 8,925 |

The notes on pages 12 to 21 form an integral part of these financial statements

Notes to the financial statements

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The principal accounting policies set out below have been consistently applied to all financial reporting periods presented in these financial statements, unless otherwise stated

(a)(i) New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following amendments to IFRSs, International Accounting Standards (IASs) and amendments to existing standards which are effective by EU endorsement for annual periods beginning on or after 1 January 2013 unless otherwise stated. Management considers that the implementation of these amendments and interpretations has had no significant impact on the Company's financial statements

- IFRS 13 *Fair Value Measurement*
- Amendment to IAS 1 *Presentation of Financial Instruments* (effective for annual periods beginning on or after 1 July 2012)
- Amendment to IAS 19 *Employee Benefits*
- Amendment to IFRS 7 *Financial instruments Disclosures*
- Amendment to IAS 12 *Income Taxes Deferred Tax*
- Annual improvements to IFRS 2009-11

(a)(ii) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's annual accounting periods beginning on or after 1 January 2014. The Company has not early adopted the standards, amendments and interpretations described below

IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)

IFRS 10 introduces a single consolidation model to be applied to all entities and replaces previous requirements on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements* and Standing Interpretations Committee (SIC) 12 *Consolidation – Special Purpose Entities*. IFRS 10 defines control, determines how to identify if an investor controls an investee and requires an investor to consolidate entities it controls under the new standard. IFRS 10 identifies three elements which must be present for an investor to control an investee, which are as follows

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use that power over the investee to affect the amount of the returns

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)

IFRS 11 defines and establishes accounting principles for joint arrangements and replaces previous requirements in IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The standard distinguishes between two types of joint arrangements – Joint Ventures and Joint Operations – based on how rights and obligations are shared by the parties to the arrangement. Joint operators should recognise their share of the assets, liabilities, revenue and expenses of the interest in accordance with applicable IFRSs. Joint venturers should apply the equity method of accounting prescribed in IAS 28 *Investments in Associates and Joint Ventures 2011* to account for their interest

Notes to the financial statements *continued*

(a) **Basis of preparation *continued***

(a)(ii) **Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company *continued***

IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013)

IFRS 12 is a single disclosure standard which applies to all entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 requires entities to disclose information to enable users of the financial statements to evaluate the nature, risks and financial effects associated with interests in other entities. The required disclosures are grouped into the following main categories:

- Significant judgements and assumptions
- Interests in subsidiaries
- Interests in joint arrangements and associates
- Interests in unconsolidated structured entities

IAS 27 *Separate Financial Statements* (2011) (effective for annual periods beginning on or after 1 January 2013)

IAS 27 is revised to remove the requirements for consolidated financial statements which are superseded by the issue of IFRS 10. The adoption of IAS 27 is not expected to have a significant impact on the financial statements of the Company.

IAS 28 *Investments in Associates and Joint Ventures* (2011) (effective for annual periods beginning on or after 1 January 2013)

IAS 28 is revised to include joint ventures as well as associates. Joint ventures are required to be equity accounted following the issue of IFRS 11. The adoption of IAS 28 is not expected to have a significant impact on the financial statements of the Company.

Adoption of the consolidation standards

IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) as amended by *IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities transition guidance and investment Entities* must be adopted concurrently. The adoption of IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) is not expected to have a significant impact on the financial statements of the Company. The new standards and amendments have been endorsed by the EU for adoption for annual periods beginning on or after 1 January 2014.

Other

Amendment to IAS 32 *Financial Instruments: Presentation* (effective for annual periods beginning on or after 1 January 2014)

The amendment to IAS 32 clarifies the circumstances in which financial assets and financial liabilities may be offset on the statement of financial position. The adoption of the amendment to IAS 32 is not expected to have a significant impact on the financial statements of the Company.

Amendment to IAS 36 *Impairment of Assets* (effective for annual periods beginning on or after 1 January 2014)

The amendment to IAS 36 clarifies that the recoverable amount for a cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated, is only required to be disclosed when an impairment loss has been recognised or reversed. The adoption of the amendment to IAS 36 is not expected to have a significant impact on the financial statements of the Company.

International Financial Reporting Interpretations Committee (IFRIC) Interpretation 21 *Levies* (effective for annual periods beginning on or after 1 January 2014)

The legislation clarifies that an entity recognises a liability for a levy when and only when the triggering event specified in the legislation occurs. The adoption of the interpretation is not expected to have a significant impact on the financial statements of the Company. The interpretation has not yet been endorsed by the EU.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (effective for annual periods beginning on or after 1 January 2014)

The amendments to IAS 39 provide relief in certain circumstances from having to discontinue hedge accounting when a derivatives contract is novated as a result of a change in law or regulation and the new counterparty is a clearing counterparty. The adoption of the amendments to IAS 39 is not expected to have a significant impact on the financial statements of the Company.

Notes to the financial statements *continued*

(a) Basis of preparation *continued*

(a)(ii) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company *continued*

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after 1 January 2014)

The amendments clarify the requirements for attributing employee and third party contributions to periods of service and recognising employee and third party contributions in certain situations. The adoption of the amendment is not expected to have an impact on the financial statements of the Company. The amendment has not yet been endorsed by the EU.

IFRS 9 *Financial Instruments and subsequent amendments (amendments to IFRS 9 and IFRS 7, Mandatory Effective Date and Transition Disclosures and Hedge accounting and amendments to OFRS 9, IFRS 7 and IAS 39 (no stated mandatory effective date))*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 allows only two measurement categories for financial assets: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if it is held to collect contractual cash flows and the cash flows represent principal and interest; otherwise it is measured at fair value through profit or loss (FVTPL). Financial liabilities may be designated as FVTPL. The amortised cost measured basis is applied to most other financial liabilities. For financial liabilities designated FVTPL, changes in fair value due to changes in the liability's credit risk are recognised directly in other comprehensive income.

Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39 removes and replaces the current requirements for hedge effectiveness in IAS 39 and therefore the requirements for the application of hedge accounting. The new requirements change what qualifies as a hedge item and some of the restrictions on the use of some hedge instruments. The accounting and presentation requirements remain largely unchanged. However, entities will now be required to reclassify the gains and losses accumulated in equity on a cash flow hedge to the carrying amount of a non-financial hedged item when it is initially recognised. Additional disclosures on hedge accounting are also required.

The mandatory effective date for IFRS 9 has been removed; however, the standard as amended permits entities to adopt certain elements early without the need to adopt the entire standard. The standard including subsequent amendments has not yet been endorsed by the EU.

The adoption of IFRS 9 is not expected to have a significant impact on the financial statements of the Company.

Annual improvements 2010-2012 cycle and Annual improvements 2011-2013 cycle (effective for annual periods beginning on or after 1 July 2014)

The annual improvement cycles make 10 minor amendments to existing standards. The adoption of these amendments is not expected to have a significant impact on the financial statements of the Company. The annual improvement amendments have not yet been endorsed by the EU.

(a)(iii) Judgement in applying accounting policies

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles (GAAP), requires management to exercise judgements in applying the accounting policies that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses arising during the period. The judgements applied by management have no significant effect on the amounts recognised in the financial statements.

(b) Revenue recognition

(b)(i) Fee income

Fee income, which arose wholly in the UK, relates to the provision of software for management and communication of employee benefit programmes and represents the following:

- The provision of software for management and communication of employee benefit programmes
- The provision of support contracts and fixed term licenses. Income is recognised over the relevant contract period.
- The delivery of professional services. Income is calculated with reference to the value of the work performed to date as a proportion of total contract value.
- The supply of other goods and services. Income is recognised after goods and services have been provided.

Fee income is stated net of value added tax.

Notes to the financial statements *continued*

(b) Revenue recognition *continued*

(b)(ii) Interest income

Interest income recognised in the financial statements is calculated using the effective interest rate (EIR) method

(c) Expense recognition

Expenditure incurred by the Company is recognised in the month to which it relates. Expenses relating to a month that have not been invoiced are accrued, while invoices received for expenses relating to future months are prepaid.

(d) Taxation

The income tax expense is based on the taxable profits for the year, after adjustments in respect of prior years. Amounts are charged or credited to the statement of comprehensive income or equity as appropriate.

Deferred tax is provided using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is recognised in the income statement. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

The income tax expense is determined using rates enacted or substantively enacted at the Statement of financial position date.

(e) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Cash and cash equivalents are categorised for measurement purposes as loans and receivables and are therefore measured at amortised cost.

(f) Trade receivables

Trade receivables are measured at amortised cost less any impairment losses.

Impairment on individual receivables is determined, at each reporting date, by an evaluation of the exposure on a case-by-case basis. The amount of any impairment loss is recorded in the income statement.

(g) Provisions and contingent liabilities

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reasonably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Contingent liabilities are disclosed if the future obligation is not probable but greater than remote and the amount cannot be reasonably estimated.

2. Fee income

Fee income arises wholly from the provision of software for the management and communication of employee benefit programmes. All fee income is generated in the UK.

Notes to the financial statements *continued***3. Finance income**

| | 2013 £ | 2012 £ |
|---------------------------------------|--------------|--------------|
| Interest on Cash and cash equivalents | 7,613 | 8,925 |
| Total finance income | 7,613 | 8,925 |

4. Administrative expenses

| | Notes | 2013 £ | 2012 £ |
|--|-------|----------------|----------------|
| Staff costs and other employee related costs | 5 | 69,974 | 110,656 |
| Auditors' remuneration | 6 | 4,352 | 5,070 |
| Other administrative expenses | | 54,712 | 14,946 |
| Total administrative expenses | | 129,038 | 130,672 |

5. Staff costs and other employee related costs

The staff who manage the affairs of the Company are employed by Standard Life Employee Services Limited (SLES), a subsidiary of Standard Life plc. Staff costs recharged to the Company are set out below

| | 2013 £ | 2012 £ |
|---|---------------|----------------|
| The aggregate remuneration payable in respect of employees was | | |
| Wages and salaries | 57,405 | 92,297 |
| Social security costs | 6,775 | 9,422 |
| Pension costs | 5,794 | 8,937 |
| Total staff costs and other employee related costs | 69,974 | 110,656 |

The average number of staff during the year was

| | | |
|---|----------|----------|
| United Kingdom | 2 | 2 |
| Total average number of staff employed | 2 | 2 |

6. Auditors' remuneration

Auditors' remuneration amounted to £4,352 (2012 £5,070) in respect of the audit of the Company's financial statements. There are no audit fees for services other than the statutory audit of the Company (2012 £Nil).

7. Directors' remuneration

No amounts are payable to the directors in respect of their services to the Company (2012 £Nil).

8. Tax expense**(a) Current year tax expense**

There is a tax expense for the period of £2,187 in 2013 (2012 Nil).

Notes to the financial statements continued**8. Tax expense continued****(b) Reconciliation of tax expense**

| | 2013 £ | 2012 £ |
|---|----------------|----------------|
| Profit before tax | 132,347 | 178,381 |
| Tax at 23.25% (2012: 24.5%) | 30,771 | 43,703 |
| Utilisation of previously unrecognised tax losses | (30,771) | (43,703) |
| Adjustment in respect of previous periods | 2,187 | - |
| Total tax expense for the year | 2,187 | - |

(c) Deferred tax asset not recognised

Due to uncertainty regarding recoverability, deferred tax has not been recognised in respect of the following assets. The amounts not recognised detailed below were calculated using a rate of 20% (2012: 23%).

- Tax losses carried forward of £222,059 (2012: £283,588)
- Temporary timing differences of £10,920 (2012: £12,558)

9. Financial Assets

| | Notes | 2013 £ | 2012 £ |
|--|-------|------------------|------------------|
| Loans and receivables | | | |
| Receivables and other financial assets | 10 | 45,170 | 57,394 |
| Cash and cash equivalents | 11 | 1,585,972 | 1,314,572 |
| Total loans and receivables | | 1,631,142 | 1,371,966 |
| Total financial assets | | 1,631,142 | 1,371,966 |

At 31 December 2013 the Company held no financial investments at fair value (2012: £Nil)

10. Receivables and other financial assets

| | Notes | 2013 £ | 2012 £ |
|---|-------|---------------|---------------|
| Trade receivables | | 54,011 | 77,293 |
| Impairment | | (8,843) | (19,899) |
| Net trade receivables | | 45,168 | 57,394 |
| Receivables and other financial assets | | 45,168 | 57,394 |

The carrying amounts disclosed above reasonably approximate the fair values as at the year end. All receivables and other financial assets are expected to be recovered within 12 months.

11. Cash and cash equivalents

Cash and cash equivalents of £1,585,972 (2012: £1,314,573) comprised cash held at bank. Interest at a variable rate is applied to cash and cash equivalents.

Notes to the financial statements *continued***12. Share capital****(a) Authorised share capital**

The authorised share capital of the Company at the year end was

| | 2013 Number | 2013 £ | 2012 Number | 2012 £ |
|------------------------------------|-------------------|------------|-------------------|------------|
| Ordinary share of £0 00005 each | 10,252,856 | 513 | 8,960,000 | 448 |
| Ordinary A shares of £0 00005 each | - | - | 1,292,856 | 65 |
| Total | 10,252,856 | 513 | 10,252,856 | 513 |

(b) Issued share capital

The allotted, issued and paid up share capital of the Company at the year end was

| | 2013 Number | 2013 £ | 2012 Number | 2012 £ |
|------------------------------------|------------------|------------|------------------|------------|
| Ordinary share of £0 00005 each | 4,213,229 | 211 | 2,920,373 | 146 |
| Ordinary A shares of £0 00005 each | - | - | 1,292,856 | 65 |
| Total | 4,213,229 | 211 | 4,213,229 | 211 |

13. Other financial liabilities

| | Notes | 2013 £ | 2012 £ |
|--|-------|-----------|---------------|
| Trade payables | | - | 12,144 |
| Total other financial liabilities | | - | 12,144 |

At 31 December 2013 the Company held no financial liabilities at fair value (2012 £Nil)

All other financial liabilities are expected to be settled within 12 months

14. Other liabilities

| | Notes | 2013 £ | 2012 £ |
|--------------------------------|-------|----------------|----------------|
| Deferred income | | 20,051 | 35,866 |
| Due to related parties | 18 | 288,936 | 141,567 |
| Taxation and social security | | 28,051 | 18,448 |
| Total other liabilities | | 337,038 | 195,881 |

All other liabilities are expected to be settled within 12 months

The carrying amounts disclosed above reasonable approximate the fair values as at the year end

15. Net decrease in operating assets and liabilities

| | 2013 £ | 2012 £ |
|---|----------------|---------------|
| Decrease in operating assets | | |
| Other assets | 12,225 | 8,889 |
| | 12,225 | 8,889 |
| Increase in operating liabilities | | |
| Other liabilities | 129,014 | 28,335 |
| | 129,014 | 28,335 |
| Net decrease in operating assets and liabilities | 141,239 | 37,224 |

Notes to the financial statements *continued*

16. Risk management

(a) Overview

From the perspective of the Company, risk management is carried out within the Group's Enterprise Risk Management (ERM) framework. This is discussed in the risk management sections of the Business review and the Financial statements in the Group's Annual Report which does not form part of this report.

The Group Enterprise Risk Management Committee (ERMC) is supported by business unit ERMCs. In the case of the Company, the relevant business unit is the UK and Europe. Within each business unit, the ERMC consists of members of its Executive Team as well as its Chief Risk Officer.

The Chief Risk Officer of each business unit heads up the unit's risk function which is responsible for providing assurance that the financial and non-financial risks inherent in business activities are identified and managed in accordance with the appetite and limits approved by the Group Board and relevant subsidiary boards. The risk function is also responsible for producing risk management information for use within the business unit and for aggregation across the Group.

(b) Market risk

The Company defines market risk as the risk that arises from the Company's exposure to market movements, which could result in income, the value of financial assets and liabilities, or the cash flows relating to these, fluctuating by differing amounts. The Company's assets and liabilities are denominated in sterling.

(b)(i) Interest rate risk

The Company has exposure to interest rate risk from its investment in cash and cash equivalents, which is not considered significant.

The Company has no liabilities that expose the Company to interest rate risk.

(c) Credit risk

The Company defines credit risk as the risk of exposure to loss if a counterparty fails to perform its financial obligations, including failure to perform those obligations in a timely manner.

(c)(i) Concentrations of credit risk

Concentrations of credit risk are managed by setting maximum exposure limits to types of financial instruments and counterparties. The limits are established using the following controls:

| Financial instrument with credit risk exposure | Control |
|--|---|
| <i>Cash and cash equivalents</i> | Maximum counterparty exposure limits are set with reference to internal credit assessments. |
| <i>Other financial instruments</i> | Appropriate limits are set for other financial instruments to which the Company may have exposure at certain times. |

(c)(ii) Credit exposure of financial assets that are neither past due nor impaired

The financial assets of the Company that are neither past due nor impaired at the Statement of financial position date are classified according to external rating agencies' credit ratings of the counterparties. The Company's assets which are placed with external counterparties are its holdings in cash and cash equivalents, which have a credit rating of A.

Notes to the financial statements *continued*

(c)(iii) Credit exposure to financial assets that are past due or impaired

Assets are deemed to be past due when a counterparty has failed to make a payment when contractually due. At 31 December 2013 the Company had receivables and other financial assets of £22,803 (2012 £31,881) which were deemed to be past due but not impaired.

For receivables considered to be impaired, the following objective evidence is taken into account:

- Reasonable doubt as to collectability of full amount due
- Amounts due that are contractually 90 days in arrears with uncertainty as to collectability

At 31 December 2013 assets considered to be impaired amounted to £11,628 (2012 £32,041). The carrying amount of an asset subject to any impairment charge is directly reduced by the amount of the impairment.

(d) Liquidity risk

The Company defines liquidity risk as the risk that the Company is unable to realise investments and other assets in order to settle their financial obligations when they fall due, or can do so only at excessive cost.

The Company benefits from membership of a larger Group to the extent that, centrally, the Group:

- Coordinates strategic planning and funding requirements,
- Monitors, assesses and oversees the investment of assets within the Group,
- Monitors and manages risk, capital requirements, and available capital on a Group-wide basis, and
- Maintains a portfolio (currently undrawn) of committed bank facilities.

Liquidity risk is managed in consultation with the Group Capital Management function which incorporates treasury management.

At 31 December 2013 there were no contractual undiscounted cashflows payable by the Company in respect of financial liabilities and are due within one year (2012 £Nil).

(e) Operational risk

Operational risk is the risk of loss, or adverse consequences for the Company's business, resulting from inadequate or failed internal processes, people or systems, or from external events.

The assessment of operational risk exposure is performed on an ongoing basis taking into account a combination of impact and likelihood on the Company's performance. The management team review on a regular basis the new business pipeline, competitors' changes in legislation, security policy and changes in technological landscape. Appropriate action is taken to ensure exposure is limited based on specific events or actions.

17. Contingencies

The Company is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on the results and financial position of the Company.

Notes to the financial statements *continued*

18. Related party transactions

Transactions with and balances from/to related parties

In the normal course of business, the Company enters into transactions with related parties that relate to the provision of staff, physical infrastructure and support services to other companies within the Group

The year end balances arising from transactions carried out by the Company with related parties are as follows

| | Notes | 2013 £ | 2012 £ |
|-------------------------------------|-----------|----------------|----------------|
| Due to related parties | | | |
| Due to parent | | 288,936 | 141,567 |
| Total due to related parties | 14 | 288,936 | 141,567 |

19. Events after the reporting period

There are no significant events after the reporting period

20. Ultimate parent and controlling party

The Company's parent company is Vebnet (Holdings) Limited which owns 100% of the shares. The ultimate parent and controlling party of the Company is Standard Life plc.

Copies of Standard Life plc consolidated financial statements can be obtained from the Company Secretary, Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH.