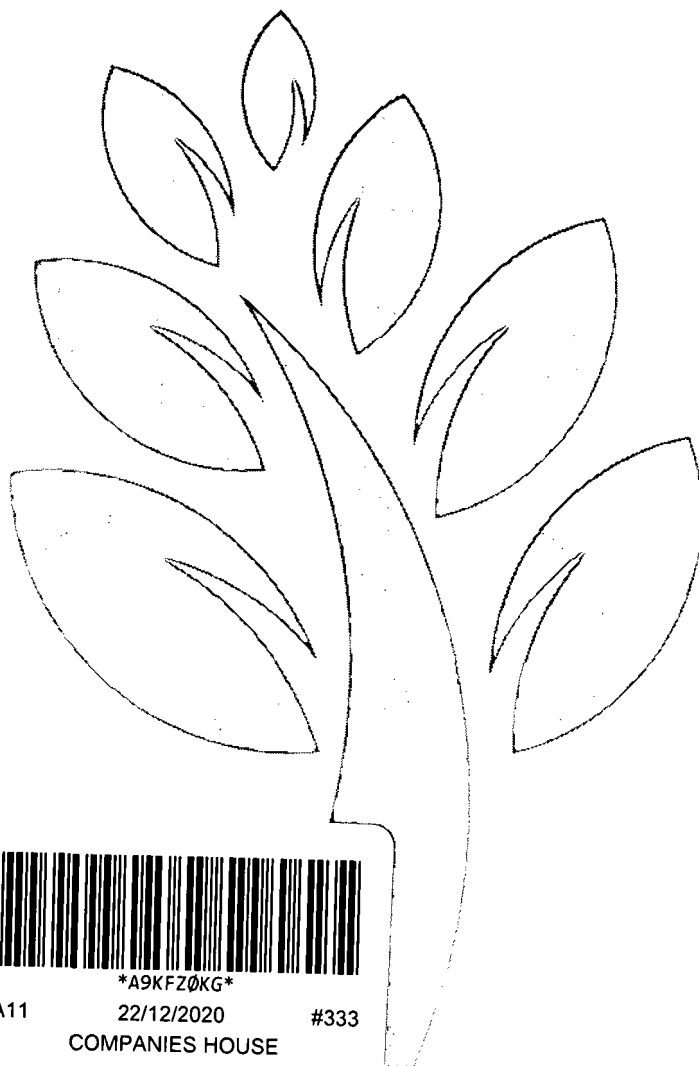




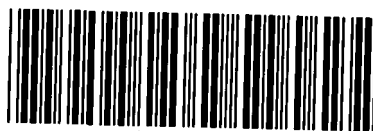
## SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED REPORT & ACCOUNTS

31 December 2019

Registered Number: SC113007



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## **SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

### **STRATEGIC REPORT**

#### **Review of the business**

Turnover for the year ended 31 December 2019 was £23k (2018: £1k). The profit after taxation for the year was £36k. (2018: £7k loss). The Directors consider these to be the key performance indicators of the Company.

As of November 2019, Scottish Friendly Insurance Services Limited carries out the administration services for a book of policies held by financial services provider Canada Life in Hong Kong. These administration services were agreed as part of the transfer of a book of policies from Canada Life to Scottish Friendly Assurance Society, which completed in November 2019.

The onboarding and administration of the book earned £21k of revenue in the year, of which a significant proportion is one-off onboarding income. This servicing of this book also contributed to an increase in expenses in the year.

Another key contributor to the increase in profit in 2019 was the release of a customer redress provision, which is no longer required.

#### **Future developments**

The outlook for the Company is the continued provision of administration services to Canada Life's Hong Kong book and profits are expected to stabilise in future periods now that onboarding fees have been earned and one-off expenses incurred. Management will continue to monitor the business and consider the outlook.

#### **Principal risks and uncertainties**

Liquidity, market and credit risk are managed by the capital management policies, the compliance regime, cash flow monitoring and financial governance processes. No further disclosure is required on credit risk as cash balances are held with banks with good credit ratings.

Quarterly management accounts are prepared. The management accounts are reviewed to evaluate the performance against plan and to ensure the on-going appropriateness of the capitalisation and liquidity of the Company.

By order of the Board



**M Pringle**

Finance Director & Company Secretary  
21 April 2020

## **SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

### **DIRECTORS' REPORT**

The Directors of Scottish Friendly Insurance Services Limited ('the Company') present their Directors' Report and financial statements for the year ended 31 December 2019.

#### **Principal activity**

The principal activity of the Company is the provision of administration services.

#### **Dividend**

No dividend was paid by the Company to Scottish Friendly Assurance Society in 2019 (2018: £0.1m (£0.17 per share)).

#### **Directors**

The Directors who held office during the year and to the date of this report were as follows:

M J Walker  
J Galbraith  
K Luscombe  
D Huntley (with effect from 1 January 2020)

#### **Disclosure of information to auditors**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor are unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

## **SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Going Concern**

The Board is satisfied that it is appropriate for the company to draw up financial statements on the going concern basis. The Board have considered the impact of COVID-19 on both the operational and financial resources of the business and believe that the company has the operational ability to respond to COVID-19 and adequate resources to continue in business for the foreseeable future.

#### **Post Balance Sheet Events**

The assessment of COVID-19 as a non adjusting post-balance sheet event is detailed in Note 10 to these financial statements.

#### **Auditors**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

By order of the Board



M Pringle  
Finance Director & Company Secretary

21 April 2020

Registered Number: SC187215

## **SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

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

The Directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Scottish Friendly Insurance Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of cashflows;
- the statement of changes in equity; 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED (continued)**

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of Directors**

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED (continued)**

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

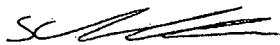
We have nothing to report in respect of these matters.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED (continued)**

### **Use of our report**

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.



Stephen Williams (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Glasgow, United Kingdom

21 April 2020

# SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Note	£'000	£'000
Turnover for continuing operations	2	23	1
Administrative expenses	3	21	(8)
Operating profit / (loss)		44	(7)
Bank interest received		-	-
Profit / (loss) on ordinary activities before taxation		44	(7)
Tax on profit on ordinary activities	4	(8)	-
Profit / (loss) for the financial year		36	(7)

The notes on pages 13 to 16 form part of the financial statements.

# SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

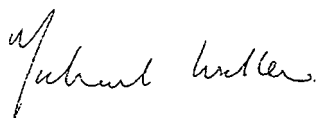
## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		2019	2018
	Note	£'000	£'000
<b>CURRENT ASSETS</b>			
Debtors: Falling due within one year	5	21	-
Cash at bank and in hand		1,526	813
<b>CREDITORS</b>			
Creditors: Falling due within one year	6	(858)	(160)
<b>NET CURRENT ASSETS</b>		<b>689</b>	<b>653</b>
<b>EQUITY</b>			
Called up share capital	7	600	600
Profit and loss account		89	53
<b>EQUITY ATTRIBUTABLE TO PARENT COMPANY</b>		<b>689</b>	<b>653</b>

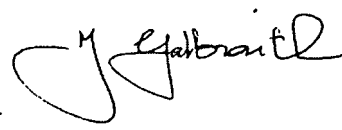
Registered Number: SC113007

The notes on pages 13 to 16 form part of the financial statements.

The Accounts were approved by the Board of Directors on 21 April 2020:

Director 

M J Walker

Director 

J Galbraith

# SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

## STATEMENT OF CASHFLOWS AS AT 31 DECEMBER 2019

		2019	2018
	Note	£'000	£'000
<b>Net cash generated from operating activities</b>	8	713	73
<b>Cash flows from investing activities</b>			
Interest received		-	-
<b>Net cash flows from investing activities</b>		-	-
<b>Cashflows from financing activities</b>			
Dividends paid		-	(100)
<b>Net cash generated by financing activities</b>		-	(100)
<b>Net increase / (decrease) in cash and cash equivalents</b>		713	(27)
Cash and cash equivalents at beginning of year		813	840
<b>Cash and cash equivalents at year end</b>		1,526	813

The notes on pages 13 to 16 form part of the financial statements.

## SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

### STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019

	Share Capital	Profit and Loss Account	Total Equity
	£'000	£'000	£'000
Balance as at 1 January 2019	600	53	653
Profit	-	36	36
Dividends	-	-	-
Balance as at 31 December 2019	600	89	689

	Share Capital	Profit and Loss Account	Total Equity
	£'000	£'000	£'000
Balance as at 1 January 2018	600	160	760
Profit / (Loss)	-	(7)	(7)
Dividends	-	(100)	(100)
Balance as at 31 December 2018	600	53	653

The notes on pages 13 to 16 form part of the financial statements

## **SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED**

### **NOTES ON ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1. General Information and Basis of Accounting**

Scottish Friendly Insurance Services is a private company limited by shares, incorporated in the UK. The address of the registered office is

Scottish Friendly House  
16 Blythswood Square  
Glasgow  
G2 4HJ

The Accounts have been prepared under Financial Reporting Standard 102. The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, which replaced the United Kingdom Generally Accepted Accounting Principles in 2015.

The functional currency is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The Directors have a reasonable expectation that the Company has adequate resources to continue its operations for at least the next twelve months from the approval of the financial statements. Thus, they continue to adopt a going concern basis of accounting in preparing the financial statements.

#### **2. Accounting Policies**

The Directors believe that there are no critical accounting judgements or key sources of estimation uncertainty which require disclosure.

##### **Related Parties**

The Company is exempt from the requirement to disclose transactions with fellow wholly owned group undertakings under section 33 of Financial Reporting Standard 102. There were no other related party transactions requiring disclosure.

##### **Turnover**

Turnover comprises fees earned in respect of the provision of administration services and commissions received in the United Kingdom. In November 2019 the company entered into an agreement to provide third party administration services for a selection of Canada Life policies regulated in Hong Kong. The fees for this (£22k) form the bulk of the turnover in the year.

This includes onboarding fees of £16k recognised in the year, for which the performance conditions were met upon the execution of certain take-on procedures.

## SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

### NOTES ON ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

#### Statement of Cashflow

A statement of cashflow has been prepared under section 7 of Financial Reporting Standard 102.

#### Taxation

Taxation is calculated based on the amount expected to be paid to, or recovered from, HM Revenue and Customs based on rates extant at the accounting reference date. Deferred taxation assets are recognised to the extent they are judged to be recoverable in future periods.

### 3. Administrative Expenses

	2019 £'000	2018 £'000
Administrative expenses include:		
General administration fees	7	6
Hong Kong onboarding expense	6	-
FCA fees	1	1
Audit of financial statements	1	1
Write back of PPI provision	(36)	-
	<u>(21)</u>	<u>8</u>

The company does not employ any staff but utilises the services of its parent undertaking, Scottish Friendly Assurance Society Limited. Director's emoluments are also paid by Scottish Friendly Assurance Society Limited.

### 4. Total Tax on Profit on Ordinary Activities

	2019 £'000	2018 £'000
Factors affecting taxation charge for the year:		
Profit / (Loss) on ordinary activities before taxation	44	(7)
UK corporation tax charge on profit for the year at 19% (2018: 19%)	<u>(8)</u>	<u>(1)</u>
Effects of:		
Losses carried forward	-	1
Taxation charge for the year	<u>(8)</u>	<u>-</u>

## SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

### NOTES ON ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

#### 5. Receivables due in less than one year

	2019 £'000	2018 £'000
Other debtors	21	-
	<u>21</u>	<u>-</u>

#### 6. Creditors due in less than one year

	2019 £'000	2018 £'000
Other creditors	15	41
Amounts due to parent company	843	119
	<u>858</u>	<u>160</u>

#### 7. Share Capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid:		
Ordinary shares of £1 each at 1 January and 31 December	<u>600</u>	<u>600</u>

The Company has one class of ordinary shares which carry no right to fixed income.



## SCOTTISH FRIENDLY INSURANCE SERVICES LIMITED

### NOTES ON ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019, (continued)

#### 8. Statement of Cashflow

##### *Reconciliation of operating loss to cash generated by operations*

	2019 £'000	2018 £'000
<b>Cashflows from operating activities</b>		
Profit / (Loss) for the financial year	36	(7)
Adjustments for:		
(Increase) in trade and other receivables	(21)	-
Increase in trade and other payables	698	80
<b>Net cash generated from operating activities</b>	<b>713</b>	<b>73</b>

The increase in net cash in 2019 represents cash received that is due to be paid over to the parent company

#### 9. Ultimate Parent Undertaking and Controlling Party

The Company is a wholly owned subsidiary of Scottish Friendly Assurance Society Limited. Copies of those accounts may be obtained from the Secretary, Scottish Friendly Assurance Society Limited, Scottish Friendly House, 16 Blythswood Square, Glasgow G2 4HJ.

#### 10. Non-Adjusting Post Balance Sheet Events

COVID-19 has caused disruption to businesses and economic activity, which has been reflected in recent fluctuations in global stock markets since the year end. In this environment, the Board have recognised that the business will need to adjust its client service and operational capability as events unfold in the period ahead, and are responding by upscaling its ability to deliver these.

The potential financial impact on the financial position of the company will be seen through any financial impact on the financial position of the Group. Although, the overall financial impact of COVID-19 cannot be reliably estimated at this time, at the date that these financial statements have been approved, the Directors do not