Registered No. SC145322

SCOTTISH AMICABLE FINANCE PLC

Annual Report and Financial Statements for the year ended 31 December 2017

SCOTTISH AMICABLE FINANCE PLC

Incorporated and registered in Scotland. Registered No. SC145322.
Registered office: Prudential, Craigforth, Stirling, Scotland, FK9 4UE.

CONTENTS

SCOTTISH AMICABLE FINANCE PLC

Directors

Mr M A Payne
Mr J S Deeks (resigned 31 October 2017)
Ms C Bousfield (appointed 31 October 2017)

Secretary

Prudential Group Secretarial Services Limited

Auditor

KPMG LLP, London

SCOTTISH AMICABLE FINANCE PLC

Incorporated in the United Kingdom and registered in Scotland.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Principal activity and business review

The Company is a finance company and its principal activity is the raising of external finance and making loans to its parent company.

The Company has in issue £100,000,000 of undated subordinated bonds. The terms of the bonds first permit redemption on 30 June 2018 and on each fifth anniversary thereafter.

The proceeds from the bond issue were lent to the Scottish Amicable Insurance Fund of The Prudential Assurance Company Limited (PAC) on terms commensurate with those of the bonds.

This debt is expected to be repaid by PAC on or before 30 June 2018 enabling the Company to redeem the bonds on 30 June 2018.

Financial risk management objectives, policies and exposure

The Company's principal activity is to lend external finance on to PAC. The risk of default on this debt is considered to be low due to the financial strength of PAC.

Signed for and on behalf of the Board of Directors of the Company

Ms H Staples
On behalf of Prudential Group Secretarial Services Limited
Company Secretary
17 April 2018

SCOTTISH AMICABLE FINANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Likely developments, business strategies and prospects

Likely future developments in the business of the Company are discussed in the strategic report in accordance with section 414C(11) of the Companies Act 2006 (the Act).

Corporate responsibility

The Company is a wholly owned subsidiary within the Prudential Group and Corporate Responsibility (CR) is integral to the way the Group does business.

The Group, of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures for example, the Group Code of Business Conduct.

As a business that provides savings, income, investment and protection products and services, social value is created through the day-to-day operations. The Group provides customers with ways to help manage uncertainty and build a more secure future. In seeking to match the long-term liabilities the Group has towards its customers with similarly long-term financial assets, it provides capital that finances businesses, builds infrastructure and fosters growth in both developed and developing markets.

The Group's sustainable approach to business is reinforced by the Group-wide CR strategy. While the Group believes that CR is best managed on the ground by those closest to the customer and local stakeholders, the Group approach is underpinned by four global CR themes:

- Serving its customers: The Group aims to provide fair and transparent products that meet the customers' needs;
- Valuing its people: The Group aspires to retain and develop highly engaged employees;
- Supporting local communities: The Group seeks to make a positive contribution to its communities through long-term partnerships with charitable organisations that make a real difference;
- Protecting the environment: The Group takes responsibility for the environment in which it operates.

These themes demonstrate the Group's CR commitments and principles to its stakeholders and provide clarity to its businesses, including the Company, on where they should focus their CR efforts and resources in the context of their individual markets.

The Prudential plc Board discusses the Group's performance in the areas of social and environmental management at least once a year and also reviews and approves the Group's corporate responsibility report and strategy on an annual basis.

Post Balance Sheet events

In March 2018, Prudential plc announced its intention to demerge its UK & Europe business ('M&G Prudential') from Prudential plc, resulting in two separately-listed companies. The Company forms a part of M&G Prudential.

Financial performance and dividends

The state of affairs of the Company at 31 December 2017 is shown in the statement of financial position on page 8. The statement of comprehensive income appears on page 7. No dividend is proposed for the year (2016: Nil).

Political Donations

The Company did not make any political donations during the year (2016: £nil).

Share capital

There were no changes in the Company's share capital during 2017.

Directors

The present directors are shown on page 1.
Mr J S Deeks resigned as a director on 31 October 2017
Ms C Bousfield was appointed as a director on 31 October 2017

Disclosure to auditor

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 is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

KPMG LLP is deemed to be reappointed as auditor of the Company in accordance with the provisions of S487(2)of the Companies Act 2006.

Directors' and officers' protection

Prudential plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. In addition, the Articles of Association of the Company permit the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office. Prudential plc also provides protection for directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity as such. These indemnities were in force during 2017 and remain in force.

Signed for and on behalf of the Board of Directors

Ms H Staples
On behalf of Prudential Group Secretarial Services Limited
Company Secretary
17 April 2018

SCOTTISH AMICABLE FINANCE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101, *Reduced Disclosure Framework*.

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 its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- 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 its 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG

Independent auditor's report

to the members of Scottish Amicable Finance plc

1. Our opinion is unmodified

We have audited the financial statements of Scottish Amicable Finance plc ("the Company") for the year ended 31 December 2017 which comprise the statement of comprehensive income, statement of changes in equity and balance sheet and the related notes, including the accounting policies in note 1.

In our opinion:

— the financial statements give a true and fair view of the state of Company's affairs as at 31 December 2017 and of its result for the year then ended;

— have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and

— have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Board.

We were appointed as auditor by the directors in October 1999. The period of total uninterrupted engagement is for the 19 financial years ended 31 December 2017.

We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole	£1.0m (2016: £1.0m) 1.0% (2016: 1.0%) of total assets	
Risks of material misstatement		**vs 2016**
Recurring risks	Recoverability of the Company's debt due from parent company	◄►

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2016) in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

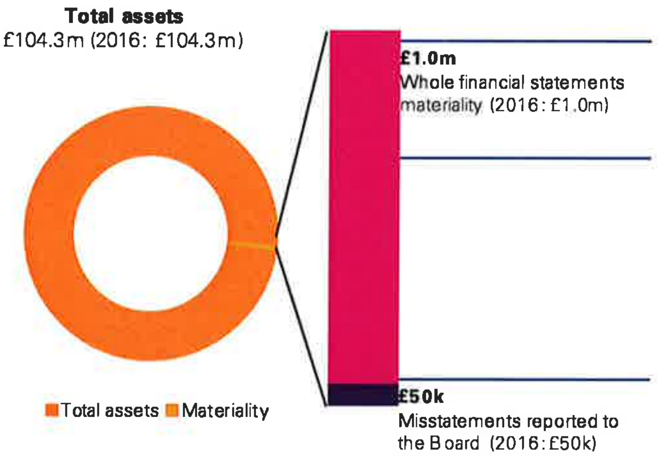
	The risk	Our response
Recoverability of the Company's debt due from parent company (£104.3 million; 2016: £104.3 million) The risk compared to the prior year is unchanged *Refer to page 10 (accounting policy) and pages 12 and 13 (financial disclosures).*	**Low risk, high value** The carrying amount of the intra-group debtor balance owed by The Prudential Assurance Company Limited ('PAC') represents 100% of the company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the company financial statements, this is considered to be the area that had the greatest effect on our audit.	Our procedures included: — **Tests of detail:** Assessing whether PAC has sufficient liquid resources to be able to settle the intra-group debtor balance. **Our results** — We found the company's assessment of the recoverability of the Company's debt due from the parent company to be acceptable (2016 result: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1.0m (2016: £1.0m), determined with reference to a benchmark of total assets, of which it represents 1% (2016: 1%).

We agreed to report to the Board any corrected or uncorrected identified misstatements exceeding £50,000 (2016: £50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at the Company's offices in Reading.



4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Company, 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 these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for the preparation of the financial statements including being satisfied that they give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and from inspection of the company's legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Daniel Cazeaux (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
17 April 2018

SCOTTISH AMICABLE FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £'000	2016 £'000	Note
Interest receivable	**8,500**	8,500	2
Interest payable	**(8,500)**	(8,500)	3
Profit before taxation	-	-	
Taxation on profit	-	-	4
Profit and comprehensive income for the financial year	-	-	

All amounts shown above are in respect of continuing operations.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital £'000	Profit & Loss Account £'000	Total £'000
Balance at 1 January 2016	50	-	50
Total comprehensive income for the year			
Total comprehensive income for the year	-	-	-
Balance at 31 December 2016	50	-	50
Balance at 1 January 2017	**50**	**-**	**50**
Total comprehensive income for the year			
Total comprehensive income for the year	-	-	-
Balance at 31 December 2017	**50**	**-**	**50**

The accounting policies on pages11 to 12 along with the accompanying notes on pages 12 to 14 form an integral part of these financial statements.

SCOTTISH AMICABLE FINANCE PLC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	2017 £'000	2016 £'000	Note
Assets			
Current assets			
Loan to parent company	**100,000**	100,000	
Interest on amount due from parent company	**4,300**	4,300	
Total assets	**104,300**	104,300	
Equity and liabilities			
Capital and reserves			
Share capital	**50**	50	9
Profit and loss account	**-**	-	
Total shareholder's fund attributable to equity interests	**50**	50	
Creditors			
Amounts falling due within one year	**104,250**	4,250	7
Creditors			
Amounts falling due after more than one year	**-**	100,000	8
Total equity and liabilities	**104,300**	104,300	

The financial statements on pages 7 to 14 were approved by the board of directors on 17 April 2018.

The accounting policies on pages 11 to 12 along with the accompanying notes on pages 12 to 14 form an integral part of these financial statements.

Mr M A Payne
Director
17 April 2018

SCOTTISH AMICABLE FINANCE PLC

NOTES ON THE FINANCIAL STATEMENTS

1. Accounting Policies

A. Company Information

Scottish Amicable Finance plc is a company incorporated and domiciled in the UK.

B. Basis of Preparation

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and are not consolidated.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101), Part 15 of the Companies Act 2006 and Schedule 1 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS's"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The immediate parent company is The Prudential Assurance Company Limited. The Company's ultimate parent undertaking, Prudential plc includes the Company in its consolidated financial statements. The consolidated financial statements of Prudential plc are prepared in accordance with IFRS. Copies of these accounts can be obtained from the Company Secretary, Laurence Pountney Hill, London EC4R 0HH.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions between wholly owned subsidiaries within the Prudential Group;
- The effects of new but not yet effective accounting standards and;
- Disclosures in respect of the compensation of Key Management Personnel.

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

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements. This conclusion has been based upon the following: the Company is a subsidiary within the Prudential Group and it, its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation. The Company's main asset is a loan to its parent company which it plans to redeem within the next financial year to settle an equivalent liability to external bond holders, this will leave the Company in a positive net asset position.

C. Classification of instruments issued by the Company

Having adopted FRS 101, IAS 32 is being applied to financial instruments issued by the Company and are treated as equity only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

NOTES ON THE FINANCIAL STATEMENTS (continued)

D. Financial instruments

Financial assets and liabilities

In accordance with IAS 39, the loan to the parent company and the associated subordinated loans are designated as "loans and receivables" and are carried at amortised cost, subject to impairment reviews.

E. Revenue recognition

Interest receivable and payable is recognised on an accruals basis.

F. Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2. Interest receivable

	2017	2016
	£'000	£'000
Interest from parent company	**8,500**	8,500

3. Interest payable

	2017	2016
	£'000	£'000
Interest on bonds	**8,500**	8,500

4. Tax on profit on ordinary activities

	2017	2016
	£'000	£'000
(a) Analysis of charge in the period		
Current tax		
UK corporation tax on profits of the period	-	-
Tax charge on profit on ordinary activities	-	-

(b) Factors affecting tax charge for the period

The tax assessed in the period is £nil (2016: £Nil). The standard rate of tax is determined by using the rate of UK corporation tax enacted for the period for which the profits of the Company will be taxed.

(c) Factors that may affect future tax charges

There are no factors expected to affect future tax charges of the Company.

NOTES ON THE FINANCIAL STATEMENTS (continued)

5. Director's emoluments and staff costs

No directors received any emoluments in connection with their work for Scottish Amicable Finance plc, (2016: £Nil).

The Company has no employees (2016: Nil).

6. Auditor's remuneration

Auditor's remuneration of £5,500 (2016: £2,500) in respect of the audit of the Company's financial statements is borne by the parent company, The Prudential Assurance Company Limited. No non-audit services were provided by the auditor in 2017 or 2016.

7. Creditors: amounts falling due within one year

	2017 **£'000**	2016 £'000
Interest payable on bonds	**4,250**	4,250
Subordinated bonds	**100,000**	-
	104,250	4,250

The Company has in issue £100,000,000 8.5% undated subordinated bonds guaranteed by the immediate parent company. The proceeds of the issue were lent to the Scottish Amicable Insurance Fund (SAIF), a sub-fund of the immediate parent company, as consideration for the guarantee and on terms commensurate with the terms of the bonds. The terms of the bonds first permit redemption on 30 June 2018 and on each fifth anniversary thereafter. The bonds are expected to be redeemed within one year, on 30 June 2018.

The fair value of the subordinated loan at 31 December 2017 is £103,990,000 (2016: £107,457,000). This value is based on the quoted market price of the bonds. The estimated fair value of the loan to the parent company is also £103,990,000 (2016: £107,457,000) as the terms of the loan are the same as those of the bonds.

8. Creditors: amounts falling due after more than one year

	2017 **£'000**	2016 £'000
Subordinated bonds	**-**	100,000

9. Share capital

	2017 **£'000**	2016 £'000
Issued and fully paid		
50,000 ordinary shares (2016: 50,000) of £1 each	**50**	50

10. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 from disclosing transactions with other subsidiary undertakings of the Prudential group. There were no other transactions with related parties.

11. Immediate and ultimate parent companies

The immediate parent company is The Prudential Assurance Company Limited. The ultimate parent company is Prudential plc, which is the only parent company which prepares consolidated accounts, copies of which can be obtained from the Company Secretary, Laurence Pountney Hill, London EC4R 0HH.

12. Assets and liabilities

A. Assets and liabilities – classification and measurement

The £100m loan to the parent company, the subordinated loans, current assets and current liabilities are presented as loans and receivables and valued at amortised cost.

B. Market Risk

The Company has no exposure to market prices, currency risk or liquidity risk. Interest rates on the loan to the parent company and the subordinated loan are fixed so the Company is not exposed to market interest rates.

C. Credit risk

The loan is to the parent company, The Prudential Assurance Company Limited. At the last reporting date The Prudential Assurance Company Limited had an AA rating with Standard and Poor's.

13. Financial risk management

The Company has managed its risk by lending onto The Prudential Assurance Company Limited on the same terms on which it has borrowed. The risk of default on this debt is considered to be low due to the financial strength of The Prudential Assurance Company Limited.

14. Post balance sheet event

In March 2018, Prudential plc announced its intention to demerge its UK & Europe business ('M&G Prudential') from Prudential plc, resulting in two separately-listed companies. The Company forms a part of M&G Prudential.