Registered No. SC145322

SCOTTISH AMICABLE FINANCE PLC

Annual Report and Financial Statements for the year ended 31 December 2016

Restricted

SCOTTISH AMICABLE FINANCE PLC

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

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SCOTTISH AMICABLE FINANCE PLC

Directors

H A Hussain (resigned 14 July 2016)
M A Payne
J S Deeks (appointed 14 July 2016)

Secretary

Prudential Group Secretarial Services Limited

Auditor

KPMG LLP, London

SCOTTISH AMICABLE FINANCE PLC

Incorporated and registered in Scotland.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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. During the year the Company's principal liability continued to be £100,000,000 of undated subordinated bonds, the proceeds of which continued to be lent to the Scottish Amicable Insurance Fund of The Prudential Assurance Company Limited on terms commensurate with the terms of the bonds. This activity will continue in 2017.

Financial risk management objectives, policies and exposure

The Company's only activity is to lend external finance onto The Prudential Assurance Company Limited (PAC). The risk of default on this debt is considered to be low due to the financial strength of PAC.

R Banerjee
On behalf of Prudential Group Secretarial Services Limited
Company Secretary
5 May 2017

SCOTTISH AMICABLE FINANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Registered No. SC145322.

Introduction

None of the information required to be included in the Directors' Report under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) has been set out in the Company's Strategic Report.

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 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

There have been no significant events affecting the Company since the balance sheet.

Accounts and dividends

The state of affairs of the Company at 31 December 2016 is shown in the balance sheet on page 8. The statement of comprehensive income appears on page 7. No dividend is proposed for the year (2015: Nil).

Share capital

There were no changes in the Company's share capital during 2016.

Directors

The present directors are shown on page 1.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

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 he ought to have taken as a director to make himself 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

An ordinary resolution of the Company for the re-appointment of KPMG LLP as auditor of the Company will be proposed to the members of the Company in accordance with Section 485(4)(a) 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 protections 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 2016 and remain in force.

R Banerjee
On behalf of Prudential Group Secretarial Services Limited
Company Secretary
5 May 2017

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 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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH AMICABLE FINANCE PLC

We have audited the financial statements of Scottish Amicable Finance Plc for the year ended 31 December 2016 set out on pages 7 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Daniel Cazeaux

Daniel Cazeaux (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
Canary Wharf
London,
E14 5GL
5 May 2017

SCOTTISH AMICABLE FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
Interest receivable	2	**8,500**	8,500
Interest payable	3	**(8,500)**	(8,500)
Profit on ordinary activities before taxation		-	-
Taxation on profit on ordinary activities	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 2016

	Share Capital £'000	Profit & Loss Account £'000	Total £'000
Balance at 1 January 2015	50	-	50
Total comprehensive income for the year			
Total comprehensive income for the year	-	-	-
Balance at 31 December 2015	50	-	50
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**

The accounting policies and notes on pages 9 to 12 form an integral part of these financial statements.

SCOTTISH AMICABLE FINANCE PLC

BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
Current assets			
Loan to parent company		**100,000**	100,000
Interest on amount due from parent company		**4,300**	4,300
Creditors			
Amounts falling due within one year	8	**(4,250)**	(4,250)
Net current assets		**50**	50
Total assets less current liabilities		**100,050**	100,050
Creditors			
Amounts falling due after more than one year	7	**(100,000)**	(100,000)
Net assets		**50**	50
Capital and reserves			
Share capital	9	**50**	50
Profit and loss account		**-**	-
Shareholders' funds		**50**	50

The financial statements on pages 7 to 12 were approved by the board of directors on 5 May 2017. The accounting policies and notes on pages 9 to 12 form an integral part of these financial statements.

J S Deeks
Director
5 May 2017

NOTES ON THE FINANCIAL STATEMENTS

1. Accounting policies

A. Basis of presentation

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

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 and are available to the public. 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:

- A 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 IFRS's 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 has a healthy capital surplus, generates positive cashflows and has very low debt-financing.

B. 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)

C. 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.

D. Revenue recognition

Interest receivable and payable is recognised on an accruals basis.

E. 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. 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

	2016 £'000	2015 £'000
Interest from parent company	**8,500**	8,500

3. Interest payable

	2016 £'000	2015 £'000
Interest on bonds	**8,500**	8,500

4. Tax on profit on ordinary activities

	2016 £'000	2015 £'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 (2015: £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

No directors received any emoluments in connection with their work for Scottish Amicable Finance plc, (2015: £Nil).

6. Auditor's remuneration

Auditor's remuneration of £2,500 (2015: £2,500) is borne by the parent company, The Prudential Assurance Company Limited.

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Prudential plc.

7. Subordinated loan

The Company has in issue £100 million 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 interests of the holders of the bonds are subordinate to the entitlements of the policyholders of SAIF. Subject to certain conditions, on 30 June 2018 and on each fifth anniversary thereafter, the Company shall elect either to redeem the bonds in full or to exchange the bonds for new bonds with a new rate of interest determined at that date.

The fair value of the subordinated loan at 31 December 2016 is £107,457,000 (2015: £111,805,000). 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 £107,457,000 (2015: £111,805,000) as the terms of the loan are the same as those of the bonds.

8. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Interest payable on bonds	**4,250**	4,250

9. Share capital

	2016 £'000	2015 £'000
Issued and fully paid 50,000 ordinary shares (2015: 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.

NOTES ON THE FINANCIAL STATEMENTS (continued)

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 designated as loans and receivables and valued at amortised cost.

B. Market Risk

The Company has immaterial market risk because 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.