

SCOTTISH MUTUAL ASSURANCE LIMITED

Company Registration Number: SC133846

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2018



SCOTTISH MUTUAL ASSURANCE LIMITED

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Directors' report

The Directors present their report and the financial statements of Scottish Mutual Assurance Limited ('the Company') for the year ended 31 December 2018.

The Company is incorporated in the United Kingdom as a private limited company. Its registration number is SC133846 and its Registered Office is 301 St. Vincent Street, Glasgow, Strathclyde, G2 5HN.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS').

Going concern

The Strategic report and the Directors' report summarise the Company's activities, its financial performance and its financial position together with any factors likely to affect its future development. In addition, the Strategic report discusses the principal risks and uncertainties it faces. Note 11 to the financial statements summarises the Company's capital management and risk objectives and policies together with its financial risks.

The Directors have followed the UK Financial Reporting Council's 'Guidance on Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks' (issued April 2016) when performing their going concern assessment. As part of their comprehensive assessment of whether the Company is a going concern, the Directors have prepared cash flow and solvency forecasts for the Company for the foreseeable future.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors and their interests

The names of those individuals who served as Directors of the Company during the year or who held office as at the date of signature of this report are as follows:

J McConville
S Perowne
R Thakrar

Secretary

Pearl Group Secretariat Services Limited acted as Secretary throughout the year.

Disclosure of indemnity

Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

Disclosure of information to auditors

So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and each of the Directors have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Re-appointment of auditors

In accordance with section 487 of the Companies Act 2006, the Company's auditors, Ernst & Young LLP, will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements as no notice has been received from members pursuant to section 488 of the Companies Act 2006 prior to the end of the accounting reference period to which these financial statements relate.

On behalf of the Board



S Perowne
Director
23 September 2019

Strategic report

The Directors present their Strategic report of Scottish Mutual Assurance Limited ('the Company'), for the year ended 31 December 2018.

Business review

Principal activities

The Company has not undertaken any trading activities during the year under review. The Company's subsidiary, SMA (Jersey) Limited, was liquidated during the year.

Result and dividends

The results of the Company for the year are shown in the statement of comprehensive income on page 7. The profit before tax was £nil (2017: £nil).

Dividends of £nil were paid during the year (2017: £nil).

Position as at 31 December 2018

The net assets of the Company at 31 December 2018 were £1 (2017: £1).

Principal risks and uncertainties

As the Company no longer conducts business, there are deemed to be no material risks.

Key Performance Indicators ('KPIs')

Given the non-trading nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

On behalf of the Board



S Perowne
Director
23 September 2019

Statement of Directors' responsibilities

The Directors are required to prepare financial statements for each accounting period that comply with the relevant provisions of the Companies Act 2006 and International Financial Reporting Standards as adopted by the European Union ('IFRS'), and which present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with IFRS requires the Directors to:

- select suitable accounting policies and verify they are applied consistently in preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state that the Company has complied with applicable IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for maintaining proper accounting records which are intended to disclose with reasonable accuracy at any time the financial position of the Company. They are also ultimately responsible for the systems of internal control maintained for safeguarding the assets of the Company and for the prevention and detection of fraud and other irregularities.

Independent Auditor's report to the members of Scottish Mutual Assurance Limited

Opinion

We have audited the financial statements of Scottish Mutual Assurance Limited for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity, and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Stuart Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 September 2019

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Statement of comprehensive income
for the year ended 31 December 2018

	Notes	2018 £	2017 £
Revenue			
Investment income	3	1	-
Total income		<u>1</u>	<u>-</u>
Loss arising on liquidation of subsidiary	7	(1)	-
Total operating expenses		<u>(1)</u>	<u>-</u>
Profit for the year before tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to owners		<u><u>-</u></u>	<u><u>-</u></u>

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Statement of financial position
as at 31 December 2018

	Notes	As at 31 December 2018 £	As at 31 December 2017 £
Equity attributable to owners			
Share capital	6	1	1
Total equity		<u>1</u>	<u>1</u>
Total equity and liabilities		<u>1</u>	<u>1</u>
Non-current assets			
Investments in subsidiaries	7	-	1
Total non-current assets		<u>-</u>	<u>1</u>
Current assets			
Amounts due from Group entities	8	1	-
Total current assets		<u>1</u>	<u>-</u>
Total assets		<u>1</u>	<u>1</u>

On behalf of the Board



S Perowne
Director
23 September 2019

SCOTTISH MUTUAL ASSURANCE LIMITED

Statement of cash flows
as at 31 December 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Cash absorbed by operations	9	-	-
Net cash flows from operating activities		-	-
Net cash flows from investing activities		-	-
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

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Statement of changes in equity
as at 31 December 2018

	Share capital (note 6) £	Retained earnings £	Total £
At 1 January 2018	1	-	1
Total comprehensive income for the year	-	-	-
At 31 December 2018	<u>1</u>	<u>-</u>	<u>-</u>

	Share capital (note 6) £	Retained earnings £	Total £
At 1 January 2017	1	-	1
Total comprehensive income for the period	-	-	-
At 31 December 2017	<u>1</u>	<u>-</u>	<u>-</u>

Notes to the financial statements**1. Accounting policies****(a) Basis of preparation**

The financial statements have been prepared on a historical cost basis except for those financial assets that have been measured at fair value.

The financial statements are separate financial statements and the exemptions in paragraph 10 of IAS 27 *Consolidated and Separate Financial Statements* and section 401 of the Companies Act 2006 have been used not to present consolidated financial statements.

The Company's immediate parent is Pearl Life Holdings Limited whose Registered Office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG. The results of the Company are consolidated into the accounts of the Company's ultimate parent Phoenix Group Holdings Public Limited Company ('PGH plc'), a company incorporated in the United Kingdom. The registered address of PGH plc is Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') as they apply to the financial statements of the Company for the year ended 31 December 2018, and applied in accordance with the Companies Act 2006.

The financial statements are presented in sterling (£).

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by an international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(b) Changes to accounting policies

In the current year, the Company has applied IFRS 9 – *Financial Instruments* which replaces IAS39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. IFRS 9 introduces new requirements that are applicable to this Company for the classification, measurement and impairment of financial assets. The key change is the introduction of a new impairment model that is based on expected loss (rather than incurred loss as per IAS 39). The above changes have been incorporated in the financial assets accounting policy (see note (f) below).

In accordance with the transitional provisions in IFRS 9, the standard has been applied prospectively and comparative figures have not been restated. As a result, the comparative information continues to be accounted for in accordance with the Company's previous accounting policy under IAS 39. Any adjustments arising from the new impairment requirements are therefore not reflected in the comparative statement of financial position as at 31 December 2017, but would be recognised in opening retained earnings as at 1 January 2018.

Reclassifications of financial assets on adoption of IFRS 9 and reconciliation of impairment allowance balance from IAS 39 to IFRS 9

On the date of initial application, there have been no changes to the Company's classification, measurement and impairment of financial assets under both IAS 39 and IFRS 9. Accordingly, no adjustment is required to retained earnings at 1 January 2018.

(c) Critical accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The area that the directors consider particularly susceptible to changes in estimates and assumptions are detailed below:

Impairment of financial assets

The impairment provisions for financial assets disclosed in note (e) are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history and existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note (f).

(d) Investments in subsidiaries

Investments in shares in subsidiaries held for strategic purposes were carried in the statement of financial position at cost less impairment.

The Company assessed at each reporting date whether an investment in a subsidiary or group of investments in subsidiaries held at cost was impaired. The Company first assessed whether objective evidence of impairment existed. If objective evidence of impairment existed the Company calculated the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value and recognised the amount as an expense in the statement of comprehensive income.

(e) Share capital

The Company has issued ordinary shares which are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in the statement of changes in equity, net of tax.

(f) Financial assets***Classification of Financial assets******Policy applicable before 1 January 2018***

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method.

Policy applicable from 1 January 2018

Financial assets are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial asset. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset. Subsequent to initial recognition, these financial assets are carried at amortised cost, using the effective interest method.

Financial assets measured at amortised cost are included in note 8.

Impairment of financial assets***Policy applicable before 1 January 2018***

The Company assesses at each period end whether a financial asset or group of financial assets held at amortised cost is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

Policy applicable from 1 January 2018

The Company assesses expected credit losses associated with its other receivables carried at amortised cost. The impairment methodology depends upon whether there has been a significant increase in credit risk.

The Company measures loss allowances which have low credit risk using the 12-month Expected Credit Loss (ECL). A simplified approach is used to determine the loss allowances for other receivables as these are always measured at an amount equal to lifetime ECLs. See note 10 for detail of how the Company assesses whether the credit risk of a financial asset has increased since initial recognition and when estimating ECLs. The loss allowance reduces the carrying value of the financial asset and is reassessed at each reporting date. ECLs are recognised using a provision for doubtful debts account in profit and loss. For other receivables, the ECL rate is recalculated each reporting period taking into account which counterparties are included in the reporting period.

ECLs are derived from probability-weighted estimates of expected loss, and are measured as follows:

- 12-month ECLs – Total expected credit losses that result from default events that are possible within 12 months after the reporting date.
- Lifetime ECLs – Expected credit losses that result from all possible default events over the expected life of the financial asset.

(f) Financial assets (continued)***Impairment of financial assets (continued)***

No significant changes to estimation techniques or assumptions were made during the reporting period.

(g) Events after the reporting period

The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end. Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed.

2. Financial information

The financial statements for the year ended 31 December 2018, set out on pages 7 to 16, were authorised by the Board of Directors for issue on 23 September 2019. The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union ('IFRS').

In preparing the financial statements the Company has adopted the following standards, interpretations and amendments which have been issued by the International Accounting Standards Board ('IASB') and have been adopted for use by the EU. Apart from IFRS 9, none of the following have a material effect on the results of the Company.

- IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 establishes a single comprehensive framework for determining whether, how and when revenue is recognised. The standard does not apply to insurance contracts or financial instruments within the scope of IAS 39 Financial Instruments: Recognition and Measurement.
- IFRS 9 *Financial Instruments* (2018). Under IFRS 9, all financial assets will be measured either at amortised cost or fair value and the basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. In relation to the impairment of financial assets, IFRS 9 requires the use of an expected credit loss model, as opposed to the incurred credit loss model required under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Details of impacts of applying the new standard can be found in accounting policy 1(b). Additional disclosures are required by the standard and have been included in accounting policy 1(c) & (f) and note 10 to the financial statements.
- Annual Improvements Cycle 2014-2016: Amendments to IFRS 1 First-time adoption of IFRSs and Amendments to IAS 28 Investments in Associates and Joint Ventures. These are not applicable to the Company.

The IASB has issued the following new or amended standards and interpretations which apply from the dates shown. The Company has decided not to early adopt any of these standards, amendments or interpretations where this is permitted.

- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation* (2019). The proposed amendments would allow for a narrow exception to IFRS 9 that would permit particular financial instruments with prepayment features with negative compensation to be eligible for measurement at amortised cost or at fair value through other comprehensive income.
- IFRIC 23 *Uncertainty over Income Tax Treatments* (2019). This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.
- Amendments to References to the Conceptual Framework in IFRS Standards (2020).
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (2020). The amendments clarify the definition of material and how it should be applied and ensures that the definition of material is consistent across all IFRS Standards.
- Amendments to IFRS 3 *Business Combinations* (2020). The amendments have revised the definition of a business and aim to assist companies to determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

2. Financial information (continued)

Changes excluded from above list as potentially not applicable:

- IFRS 16 Leases (2019).
- Annual Improvements Cycle 2015-2017: Amendments to IAS 12 Income Taxes, IAS 23 Borrowing Costs and IFRS 3 Business combinations/IFRS 11 Joint Arrangements (2019).
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement (2019).
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures (2019).
- IFRS 17 Insurance contracts (2021).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Effective date deferred).

3. Investment income

	2018 £	2017 £
Dividends received on liquidation of subsidiary – see note 7	<u>1</u>	<u>-</u>

4. Employee information

The Company has no employees. If any services were required, they would be provided by Pearl Group Services Limited and Pearl Group Management Services Limited.

5. Directors' remuneration

The Directors receive no remuneration for their services as Directors of the Company (2017: £nil).

6. Share capital

	2018 £	2017 £
Issued and fully paid: 10 (2017: 10) ordinary shares of 10p each	<u>1</u>	<u>1</u>

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. The ordinary shareholders are entitled to any residual assets on the winding up of the Company.

The Company's Articles of Association contain a restriction on the number of shares that may be allotted.

7. Investments in subsidiaries

	2018 £	2017 £
Cost		
At 1 January	1	1
Liquidation of subsidiary	(1)	-
At 31 December	<u>-</u>	<u>1</u>
Carrying amount		
At 31 December	<u>-</u>	<u>1</u>

The Company owned 100% of the ordinary share capital of SMA (Jersey) Limited ('SMAJ'), a company which was incorporated and had its principal place of operation in Jersey. On 18 May 2018, SMAJ was liquidated.

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8. Amounts due from Group entities

	2018 £	2017 £
Amounts due from Group entities	<u>1</u>	<u>-</u>

9. Cash flows from operating activities

	2018 £	2017 £
Profit for the year before tax	-	-
Adjustments to reconcile profit for the year to net cash inflow from operating activities in respect of:		
Loss on liquidation of subsidiary	1	
Change in operating assets and liabilities	(1)	-
Cash generated by operations	<u>-</u>	<u>-</u>

10. Risk management

The Phoenix Group, of which the Company is a member, applies a consistent methodology for the identification, assessment, management and reporting of risk that includes a high level framework for the management of key risks within each business unit.

The principal risk and uncertainty facing the Company is credit risk. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. These obligations can relate to both recognised and unrecognised assets and liabilities.

Credit risk management practices

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL (not credit impaired)
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The table below details the credit risk quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

Financial assets	Note	External credit rating	Internal credit rating	ECL recognition	Gross carrying amount (£)	Loss Allowance (£)	Net carrying amount (£)
Amounts due from Group entities	8	N/A	Performing	12 month ECL	1	-	1

The Company considers reasonable and supportable information that is relevant and available without undue cost or effort to assess whether there has been a significant increase in risk since initial recognition. This includes quantitative and qualitative information and also, forward-looking analysis.

Amounts due from Group entities – The credit risk from activities undertaken in the normal course of business is considered to be extremely low risk. The Company assesses whether there has been a significant increase in credit risk since initial recognition by assessing past credit impairments, history of defaults and the long term stability of the Phoenix Group.

10. Risk management (continued)

The Company writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

11. Capital and risk management

The Company's capital comprises share capital. At 31 December 2018 total capital was £1 (2017: £1).

There are no externally imposed capital requirements on the Company. The Company's capital is monitored by the Directors and managed on an on-going basis via a monthly close process to ensure that it remains positive at all times.

As the Company no longer conducts business, there are deemed to be no material risks.

12. Related party transactions

The other receivable amounting to £1 (2017: £nil) is due from the Company's immediate parent. There were no transactions with key management personnel during the year.

Key management compensation

The total compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 5.

Parent and ultimate parent entity

Information on the Company's parent and ultimate parent is given in note 13.

13. Other information

The Company is registered in the United Kingdom. The Company's immediate parent is Pearl Life Holdings Limited and its ultimate parent Phoenix Group Holdings Public Limited Company ('PGH plc'), a company incorporated in the United Kingdom. A copy of the financial statements of PGH plc can be obtained from the Company Secretary, The Phoenix Group, Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU.