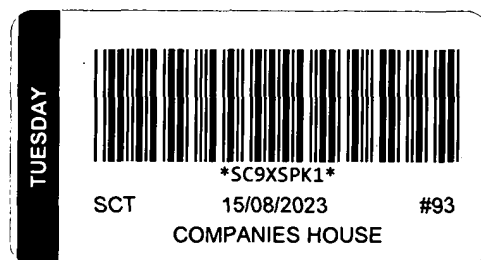


SCOTTISH MUTUAL ASSURANCE LIMITED

Company Registration Number: SC133846

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022



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 2022.

The Company is incorporated in Scotland as a private limited company. Its registration number is SC133846 and its Registered Office is Standard Life House, 30 Lothian Road, Edinburgh, Scotland, EH1 2DH. The Company is a member of the Phoenix Group (the "Group"), headed by Phoenix Group Holdings plc.

The financial statements of the Company have been prepared in accordance with UK adopted international accounting standards.

Business review**Principal activities**

The Company has not traded during the year under review.

Result and dividends

There was no profit or loss for the period ended 31 December 2022 (2021: £nil), and the Directors do not recommend the payment of a dividend (2021: £nil).

Position as at 31 December 2022

The net assets of the Company at 31 December 2022 were £1 (2021: £1).

Principal risks and uncertainties

The Group 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 key financial risk the Company is exposed to is credit risk. Financial risk management is discussed within note 6 of 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:

K Jones	Appointed 1 November 2022
A Macpherson	Appointed 16 August 2022
S Perowne	Resigned 30 March 2022
R Thakrar	Resigned 1 November 2022

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.

Small companies' exemption

The Company has taken advantage of the exemption in section 414 of the Companies Act 2006 relating to small companies not to prepare a Strategic report.

Energy and carbon report

Energy and carbon usage information is disclosed in the Group's annual report and accounts and accordingly the company have not reported on this in these individual financial statements.

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Audit exemption

The financial statements have not been audited as the Company is entitled to the exemption provided by section 480 of the Companies Act 2006 relating to dormant companies and no notice under section 476(1) has been deposited at the Company's registered office requiring the Company to obtain an audit of the financial statements.

On behalf of the Board

DocuSigned by:



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K McDermott

For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary

10 August 2023

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Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Company's financial statements ("the financial statements") in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with UK adopted international accounting standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they 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 International Financial Reporting Standards ("IFRS") requires the Directors to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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;
- state that the Company has complied with UK adopted international accounting standards, 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 are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Statement of financial position
 as at 31 December 2022


	Notes	2022 £	2021 £
Equity attributable to owners			
Share capital	4	1	1
Total equity		<u>1</u>	<u>1</u>
Total equity and liabilities		<u>1</u>	<u>1</u>
Current assets			
Amounts due from Group entities	5	1	1
Total current assets		<u>1</u>	<u>1</u>
Total assets		<u>1</u>	<u>1</u>

For the year ended 31 December 2022 the Company is entitled to exemption under section 480 of the Companies Act 2006 ('the Act') relating to dormant companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Act (which permits 10% of members to make such a request).

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

On behalf of the Board

DocuSigned by:

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K Jones
 Director

10 August 2023

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

The financial statements have been prepared on a historical cost basis.

The Directors do not consider the Company to be a going concern as there is an intention to liquidate. Consequently, the financial statements are prepared on a break-up basis. They are not materially different from those that would be prepared on a going concern basis.

The Company has taken advantage of the exemption in section 414 of the Companies Act 2006 relating to small companies not to prepare a Strategic report.

The financial statements are presented in sterling (£) rounded to the nearest £ except where otherwise stated.

Statement of compliance

The financial statements of the Company have been prepared in accordance with international accounting standards.

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) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. No significant judgements or estimates have been made in determining the financial position of the Company.

Impairment of financial assets

The impairment provisions for financial assets disclosed in note (d) 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 (d).

How Climate risk affects our accounting judgments and estimates

The Company's financial assets are receivables due from within the Group and are held at amortised cost. The Group has considered the impact of climate change across its business and based on the results of this assessment the Company does not consider any impairment to these assets is required.

(c) 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.

(d) Financial assets**Classification of Financial assets**

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 5.

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Impairment of financial assets

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 6 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.

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

(e) 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 2022, set out on pages 5 to 9, were authorised by the Board of Directors for issue on 10 August 2023.

There have been no transactions during the current or prior year and therefore no statement of comprehensive income and no statement of changes in equity have been prepared.

The Company held no cash balances during the current or prior year and accordingly no statement of cash flows has been prepared.

The financial statements have not been affected by any new standards, amendments or interpretations effective from 1 January 2022.

3. Directors' remuneration

The Directors are employed by another Group company. None of the Directors received any remuneration in respect of their services to the Company during the year (2021: £nil).

4. Share capital

	2022 £	2021 £
Issued and fully paid: 10 (2021: 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.

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5. Amounts due from Group entities

	2022 £	2021 £
Amounts due from Group entities	<u>1</u>	<u>1</u>

The amounts are interest free and are repayable on demand.

6. Capital and risk management

The Company's capital comprises share capital. At 31 December 2022 total capital was £1 (2021: £1).

There are no externally imposed capital requirements on the Company.

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:

2022 and 2021 Financial assets	Note	External credit rating	Internal credit rating	ECL recognition	Gross carrying amount £	Loss allowance £	Net carrying amount £
Amounts due from Group entities	5	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.

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.

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7. Related party transactions

The Company enters into transactions with related parties in its normal course of business. These are at arm's length on normal commercial terms.

Amounts due from related parties

	2022 £	2021 £
Amounts due from immediate parent	<u>1</u>	<u>1</u>

Key management compensation

The total compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 3.

Key management personnel and their close family members had no other transactions with the Company in either the current or prior year.

Parent and ultimate parent entity

Information on the Company's parent and ultimate parent is given in note 8.

8. 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 plc ('PGH plc'), a company incorporated in England and Wales. A copy of the financial statements of PGH plc can be obtained from their website, www.thephoenixgroup.com.