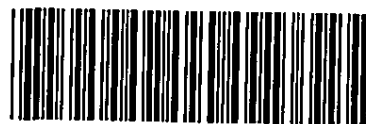


PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2012**

Registered Number SC149193

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PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
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**PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
DIRECTORS AND OTHER INFORMATION**

FOR YEAR ENDED 31 DECEMBER 2012

Directors	Mr M Leahy (Chairman)
Executive	Ms V Lawlor
Secretary	Ms N Duddy, resigned 31 December 2012 Ms S Windridge appointed 31 December 2012
Registered Office	Craigforth Stirling FK9 4UE Scotland
Bankers	HSBC Bank Plc City of London Corporate Office PO Box 125 27-32 Poultry London EC2P 2BX
Solicitors	A & L Goodbody IFSC North Wall Quay Dublin 1
Independent Auditor	KPMG Chartered Accountants 1 Harbourmaster Place IFSC Dublin 1

PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
DIRECTOR'S REPORT (continued)

FOR YEAR ENDED 31 DECEMBER 2012

The directors present their report and audited financial statements for the year ended 31 December 2012

Principal activities, business review and future developments

The principle activity of the Company is a financial services holding company. This activity will continue in 2013.

The Company's subsidiary undertakings are engaged in international life assurance and pension business and the provision of management services throughout the world. Particulars of the Company's subsidiaries at 31 December 2012 are shown in Note 5 to the financial statements.

Post balance sheet events

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

Accounts

The state of affairs of the Company at 31 December 2012 is shown in the balance sheet on page 10. The profit and loss account appears on page 9.

Amounts due from other UK group undertakings include an intercompany loan agreement for £9.5m entered into during the year with PAC. The loan is repayable at any time without penalty at the request of either party. It is intended that a company restructure be completed in 2013 in order to create a distributable reserve, so that these funds can be released to PAC.

Dividends

The directors do not recommend the payment of a dividend.

Payment policy and practice on payment of creditors

The Company does not have any trade creditors and therefore codes or standards on payment practice or disclosure of trade creditor days are not applicable.

Share Capital

There have been no changes in the Company's share capital during 2012.

Directors and secretary

The current directors are shown on page 3.

Niamh Duddy resigned as company secretary on the 31 December 2012, Sue Windridge was appointed as company secretary 31 December 2012.

The interests of the directors are set out in Note 11 to the financial statements.

**PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
DIRECTOR'S REPORT (continued)**

FOR YEAR ENDED 31 DECEMBER 2012

Financial risk management objectives, policies and exposure

The Company's objectives and policy in relation to the management of financial risk resulting from its financial assets and liabilities is to minimise any risk. The Company's exposure to financial risk through its financial assets and liabilities is not considered material to the assessment of the Company's assets, liabilities, financial position and the profit and loss of the Company.

Political and charitable donations

The Company made no political or charitable donations or incurred any political expenditure during the year.

Disclosure of Information to the 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.

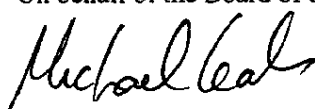
Independent Auditor

A resolution for the re-appointment of KPMG chartered Accountants as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

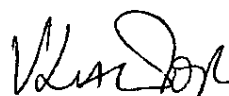
Directors' and officers' protection

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 provide for the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office.

On behalf of the Board of directors



**M. Leahy
Director**



**V. Lawlor
Director**

Date: 7 March 2013

**PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES**

FOR YEAR ENDED 31 DECEMBER 2012

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law

On behalf of the Board of directors



M. Leahy
Director



V. Lawlor
Director

Date: 7 March 2013



KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC

We have audited the financial statements of Prudential Europe Assurance Holdings plc for the year ended 31 December 2012 set out on pages 9 to 17 which comprise the profit and loss account, balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 6, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL EUROPE
ASSURANCE HOLDINGS PLC (CONTINUED)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Hubert Crehan (Senior Statutory Auditor)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1

7 March 2013

PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
PROFIT AND LOSS ACCOUNT

FOR YEAR ENDING 31 DECEMBER 2012

	Notes	2012 GBP£	2011 GBP£
Administrative expenses		(17,290)	(7,601)
Income from shares in group companies		-	7,500,000
Other interest receivable and similar income		135,741	23,827
Net exchange (losses)		<u>(2,299)</u>	<u>(1,180)</u>
Profit on ordinary activities before taxation	2	<u>116,152</u>	<u>7,515,046</u>
Tax on profit on ordinary activities	3	(34,525)	(5,467)
Profit for the financial year		<u>81,627</u>	<u>7,509,579</u>

There are no recognised gains or losses other than those dealt with in the profit and loss account All of the amounts above are in respect of continuing activities

The notes on pages 11 to 17 are an integral part of these financial statements

On behalf of the Board of directors



M. Leahy
Director



V. Lawlor
Director

Date: 7 March 2013

**PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
BALANCE SHEET**

FOR YEAR ENDED 31 DECEMBER 2012

	Notes	2012 GBP£	2011 GBP£
Fixed Assets			
Investments	5	36,004,002	36,004,002
Current assets			
Debtors	6	9,662,268	455,973
Cash at bank		488,897	9,582,916
		<u>10,151,165</u>	<u>10,038,889</u>
Creditors			
Amounts falling due within one year	7	(4,803)	(3,033)
Net current assets		<u>10,146,362</u>	<u>10,035,856</u>
Total assets less current liabilities		<u>46,150,364</u>	<u>46,039,858</u>
Creditors			
Amount falling due after more than one year	8	(28,879)	-
Net Assets		<u>46,121,485</u>	<u>46,039,858</u>
Capital and reserves			
Called up share capital	9	51,260,625	51,260,625
Profit and loss account	10	(5,139,140)	(5,220,767)
Shareholders' funds		<u>46,121,485</u>	<u>46,039,858</u>

The notes on pages 11 to 17 are an integral part of these financial statements

On behalf of the Board of directors.



**M. Leahy
Director**



**V. Lawlor
Director**

Date: 7 March 2013

PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2012

1. Accounting policies

Basis of disclosure and presentation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The Company is exempt by virtue of Section 400 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 not about its group

As described in Note 12 the Company's ultimate parent is Prudential plc, a company registered in England. The financial statements are stated in Sterling (GBP£).

Cash flow Statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Related party transactions

As the Company is a wholly owned subsidiary of Prudential plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account

Revenue, costs and non-monetary assets in foreign currencies are translated at the rates of exchange ruling at the dates of transactions, or at the forward exchange rates where appropriate

Interest

Interest receivable and payable are recognised during the year on an accruals basis

Fixed asset investments

Investments in subsidiary companies are stated at cost less provision for any impairment in value at the balance sheet date.

PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR YEAR ENDED 31 DECEMBER 2012

Taxation

Current tax, including corporation tax and foreign tax, is provided on the Company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2. Profit on ordinary activities before taxation

The profit for the year is stated after deduction of	2012	2011
	GBP£	GBP£
Auditors remuneration (excluding VAT):		
Statutory audit	4,803	4,473
Other assurance services	-	-
Tax advisory services	-	-
Other non-audit services	-	-
 Directors' emoluments		
Paid by fellow subsidiary company	<u>607,203</u>	<u>682,629</u>

Directors' emoluments are borne by Prudential International Management Services Limited and are recharged to relevant companies.

PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR YEAR ENDED 31 DECEMBER 2012

3. Taxation

	2012	2011
	GBP£	GBP£
Corporation Tax for the year	5,646	5,559
Deferred Tax	28,879	(92)
Charge for the period	<u>34,525</u>	<u>5,467</u>

The current tax charge for the period is higher than the current tax charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The differences are explained below

	2012	2011
	GBP£	GBP£
Profit on ordinary activities for the period	116,152	7,515,046
Tax on profit on ordinary activities multiplied by the average rate of Irish corporation tax for the period of 25% (2011 25%)	29,038	1,878,762
Timing differences	(28,278)	92
Foreign exchange gain (loss) on tax payments	(6)	115
Permanent differences	4,897	2,195
Over provision from prior periods	(5)	(605)
Non taxable dividend Income	-	(1,875,000)
Current tax charge for period	<u>5,646</u>	<u>5,559</u>

4. Employees

The Company did not have any employees during the year.

5. Fixed asset investments

	GBP£
At 1 January 2012 (at cost)	36,004,002
Additions during the year	-
Disposals during the year	-
At 31 December 2012	<u>36,004,002</u>

PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR YEAR ENDED 31 DECEMBER 2012

5. Fixed asset investments(continued)

The Company holds 100% of the share capital of the following companies at 31 December 2012:

Incorporated in the Republic of Ireland

<u>Company</u>	<u>Business</u>	<u>Registered office</u>	<u>Cost of investment</u> <u>subsidiary</u> <u>undertaking</u> <u>GBP£</u>
Prudential International Assurance plc	Life and pensions business	Ireland	36,004,000
Prudential International Management Services Limited	Management services	Ireland	2

6. Debtors

	2012 GBP£	2011 GBP£
Amounts owed by group companies PIMS	41,348	63,858
Amounts owed by group companies PIA	5,341	-
Amounts owed by other UK group companies	9,615,517	383,584
Prepayments and accrued income	62	8,531
	<u>9,662,268</u>	<u>455,973</u>

Amounts due from other UK group undertakings include an intercompany loan agreement for £9.5m entered into during the year with PAC. The loan is repayable at any time without penalty at the request of either party. It is intended that a company restructure be completed in 2013 in order to create a distributable reserve, so that these funds can be released to PAC.

7. Creditors – Amounts falling due within one year

	2012 GBP£	2011 GBP£
Other creditors due within one year	4,803	3,033
	<u>4,803</u>	<u>3,033</u>

8. Creditors – Amounts falling due after more than one year

	2012 GBP£	2011 GBP£
Deferred tax	28,879	-
	<u>28,879</u>	<u>-</u>

PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR YEAR ENDED 31 DECEMBER 2012

9. Called up Share Capital

Authorised		2012 GBP£	2011 GBP£
72,000,000 (2011 72,000,000)	'A' Ordinary shares of 1p each	720,000	720,000
9,000,000 (2011 9,000,000)	'B' Ordinary shares of 1p each	90,000	90,000
9,000,000 (2011 9,000,000)	'C' Ordinary shares of 1p each	90,000	90,000
54,100,000 (2011 54,100,000)	Preference shares of £1 each	54,100,000	54,100,000
4,000,000 (2011 4,000,000)	Deferred shares of £1 each	4,000,000	4,000,000
		<u>59,000,000</u>	<u>59,000,000</u>

Equity Interests

		2012 GBP£	2011 GBP£
Allotted, called up and fully paid			
72,000,000 (2011 72,000,000)	'A' Ordinary shares of 1p each	720,000	720,000
9,000,000 (2011 9,000,000)	'B' Ordinary shares of 1p each	90,000	90,000
6,850,000 (2011 6,850,000)	'C' Ordinary shares of 1p each	<u>68,500</u>	<u>68,500</u>
		<u>878,500</u>	<u>878,500</u>

The above total less the retained losses for the year of GBP£5,139,140 represents total equity interests for the year. Equity interests as at 31 December 2012 amount to GBP£4,260,640 (2011 GBP£4,342,267)

The ordinary shares have all rights to dividends, are entitled to the surplus on a winding up and have full voting rights

Non-equity interests		2012 GBP£	2011 GBP£
47,126,500 (2011 47,126,500)	Preference shares of £1 each	47,126,500	47,126,500
3,255,625 (2011 3,255,625)	Deferred shares of £1 each	<u>3,255,625</u>	<u>3,255,625</u>
Non-equity interests		<u>50,382,125</u>	<u>50,382,125</u>
Total equity and non-equity interest		<u>51,260,625</u>	<u>51,260,625</u>

PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR YEAR ENDED 31 DECEMBER 2012

9. Called up Share Capital (continued)

Preference Shares

The shares issued do not carry any right to payment of dividends, however the shares carry preferential rights to priority to other shareholders to payment on return of capital on the winding up of the Company. The shares carry the right of redemption on 31 December 2012. The shares do not carry voting rights.

10. Reconciliation of movement on shareholders' funds	2012 GBP£	2011 GBP£
Balance at 1 January	(5,220,767)	(12,730,346)
Profit for the financial year	81,627	7,509,579
Balance at 31 December	<u>(5,139,140)</u>	<u>(5,220,767)</u>

11. Directors' and secretary's interests

The beneficial interests of the directors and secretary of the Company, in office at 31 December 2012 including spouses and minor children, in the shares of group companies at 31 December 2012 and 1 January 2012 were as follows

(a) in options to subscribe for shares under appropriate Prudential Group employee sharesave schemes

	1 January 2012	Granted	Exercised	Cancelled or lapsed	31 December 2012 or on date of resignation
Ms V Lawlor	2,378	-	(2,378)	-	-
Ms S Windridge	2,953	-	-	-	2,953
Ms N Duddy	579	-	-	(579)	-

(b) in conditional awards that have been made under the Prudential Share Plan, in which shares are held in trust and represent the maximum awards for which rights may be granted, at the end of the relevant performance period, if the performance requirements of the Plan are met

	1 January 2012	31 December 2012
Ms V Lawlor	2,889	3,773
Mr M Leahy	1,239	2,642

PRUDENTIAL EUROPE ASSURANCE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR YEAR ENDED 31 DECEMBER 2012

11. Directors' and secretary's interests (continued)

- (c) in shares in conditional awards that have been made under the Prudential Group Performance Share Plan and Business Unit Performance Plan, in which shares are held in trust and represent the maximum awards for which rights may be granted, at the end of the relevant performance period, if the performance requirements of the Plan are met

	1 January 2012	31 December 2012
Mr M Leahy	22,708	29,780

Except as stated above, none of the directors or secretary in office at the end of the year

- (a) had any beneficial interest in shares in, or debentures of, any group Company either at the beginning of the year or at their later date of appointment or at the end of the year, or
(b) was granted or exercised any right to subscribe for shares in, or debentures of, any group Company during the year or, if appointed during the year, since the date of their appointment up to the end of the year

12. Group membership

The Company's immediate parent company is MM&S (2375) Limited (MM&S), a company registered in Scotland. MM&S has a 92.7% interest in the equity capital of Prudential Europe Assurance Holdings plc (PEAH), at 31 December 2012. MM&S is exempt from the requirement to prepare consolidated financial statements as it is a subsidiary of Prudential plc, a company incorporated in England. The latter is the only parent company that prepares consolidated financial statements. Prudential plc has a 100% indirect interest in the equity capital of MM&S and is the ultimate parent company of PEAH. Copies of Prudential plc consolidated financial statements may be obtained from the company secretary at Laurence Pountney Hill, London EC4R 0IH.

13. Post balance sheet events

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

14. Approval of financial statements

The financial statements were approved by the Board of directors on 7 March 2013.