

Registered No SC210546

PRUDENTIAL HOLDINGS LIMITED

Report and Accounts for the year ended 31 December 2005



PRUDENTIAL HOLDINGS LIMITED

Incorporated and registered in Scotland
Registered no SC210546
Registered office Craigforth, PO Box 25, Stirling, FK9 4UE, Scotland

Report and Accounts for the year ended 31 December 2005

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PRUDENTIAL HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

Principal activities and business review

The principal activities of the Company are to act as the holding company of Prudential Corporation Holdings Limited, the holding company of most of the Prudential group's Asian business operations and, with effect from 1 September 2004, to administer Prudential group's Asian regional head office business. These activities are expected to continue in 2006.

Accounts and dividends

The state of affairs of the Company at 31 December 2005 is shown in the balance sheet on page 5. The profit and loss account appears on page 4. No dividend is proposed for the year (2004: £nil).

Directors

The present directors of the Company are shown on page 1. There were no changes during the year. Mr G P J Shaughnessy was appointed a director on 15 June 2006 and resigned as a director on 24 October 2006.

Directors' interests

Of the directors in office at the end of the year, Mr P A J Broadley and Mr M Norbom were also directors of Prudential plc, the ultimate parent company, and their interests are shown in the annual report and accounts of that company.

The other director in office at the end of the year had interests in ordinary shares of 5p each in Prudential plc as follows:

(i) In shares

	<u>01.01.2005</u>	<u>31.12.2005</u>
Mr A M Crossley		214

(ii) In conditional awards that have been made under the Prudential Restricted Share Plan, under 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:

	<u>01.01.2005</u>	<u>31.12.2005</u>
Mr A M Crossley	106,166	138,725

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

(a) had any interest in shares in or debentures of any group company either at the beginning 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.

PRUDENTIAL HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

Creditor payment policy

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

Financial risk management objectives, policies and exposure

The Company's objectives and policies in relation to the management of financial risk resulting from its financial assets and liabilities are 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


Qualifying third party indemnities

The Articles of Association of the Company provide for the directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office. Prudential plc also provides certain protections for its directors and senior managers, who may be directors of its associated companies within the Prudential Group, against personal financial exposure that they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined under Section 309B of the Companies Act 1985) in force for the benefit of the directors of Prudential plc and of certain directors of associated companies (as defined under Section 309A of the Companies Act 1985) at the time this annual directors' report was approved under Section 234A of the Companies Act 1985 and during 2005

Auditor

In accordance with Section 386 of the Companies Act 1985, an elective resolution has been passed by the Company dispensing with the need to appoint an auditor annually. Accordingly, KPMG Audit Plc will be deemed to be re-appointed as auditor of the Company for the current financial year

On behalf of the board of directors


On behalf of
Prudential Group Secretarial Services Limited
Secretary

30/10 / 2006

PRUDENTIAL HOLDINGS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £000	2004 £000
Turnover	2	1,396	1,387
Administrative expenses			
Staff costs	3	(17,831)	(4,273)
Depreciation	8	(652)	(132)
Other operating charges		(16,114)	(11,961)
Other operating income			
(Loss)/gain on foreign currency exchange translation		(4)	586
Interest receivable and similar income	4	159	1
Interest payable and similar charges		(1,742)	(156)
Loss on ordinary activities before tax	5	(34,788)	(14,548)
Tax credit on loss on ordinary activities	6	7,806	2,185
Loss on ordinary activities after tax	12	(26,982)	(12,363)

All of the above items relate to continuing operations. The Company has no recognised gains or losses other than the result for the year disclosed above.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 £000	2004 £000
Loss on ordinary activities after tax (as above)	(26,982)	(12,363)
Issue of new share capital		795,744
Movement in shareholders' funds	(26,982)	783,381
Shareholders' funds at beginning of year	783,381	
Shareholders' funds at end of year	756,399	783,381

PRUDENTIAL HOLDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £000	2004 £000
FIXED ASSETS			
Shares in group undertaking	7	795,744	795,744
Tangible assets	8	2,089	706
		<hr/> 797,833	<hr/> 796,450
CURRENT ASSETS			
Debtors	9	25,940	18,789
Cash at bank and in hand		13,359	6,753
		<hr/> 39,299	<hr/> 25,542
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(80,733)	(38,611)
NET CURRENT LIABILITIES		<hr/> (41,434)	<hr/> (13,069)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 756,399	<hr/> 783,381
CAPITAL AND RESERVES			
Share capital	11	622,789	622,789
Share premium		172,955	172,955
Profit and loss account	12	(39,345)	(12,363)
		<hr/> 756,399	<hr/> 783,381

The accounts on pages 4 to 11 were approved by the directors on **30 October** 2006


P A J Broadley

PRUDENTIAL HOLDINGS LIMITED

NOTES ON THE ACCOUNTS

1 Accounting policies

- (a) The accounts have been prepared under the historical cost basis of accounting and in accordance with accounting standards applicable in the United Kingdom. As the Company is a wholly owned subsidiary undertaking of a company registered in England and Wales, group accounts have not been prepared.
- (b) The Company has taken advantage of the exemption under FRS1 (Revised) from preparing a cash flow statement, as it is a wholly owned subsidiary of its parent undertaking.
- (c) Tax is charged on all taxable profits arising in the accounting period. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.
- (d) Foreign currency revenue transactions are translated at the average exchange rate for the year. Foreign currency monetary assets and monetary liabilities are translated at rates of exchange ruling at the end of the year. Exchange differences are taken to the profit and loss account.
- (e) Shares in group undertaking are shown at cost less impairment charges.
- (f) Depreciation is provided at a rate calculated to write off the cost or value of the assets less their estimated residual value over their estimated useful life as follows:
- | | |
|--------------------|-------------------------|
| Computer equipment | 33 33% per annum |
| Other fixed assets | 20% to 33 33% per annum |

2 Turnover

Turnover represents the value of services charged to Prudential group companies.

3 Staff information

The Company has no employees (2004: None). The staff costs shown below represent amounts charged by other Prudential group companies which employ staff who work on behalf of the Company.

	2005 £000	2004 £000
Wages and salaries	16,693	3,951
Other pension costs	1,138	322
	<u>17,831</u>	<u>4,273</u>

	Number	Number
Average number of staff working on behalf of the Company during the year (2004: Period from 1 September to 31 December 2004)	<u>129</u>	<u>113</u>

PRUDENTIAL HOLDINGS LIMITED

NOTES ON THE ACCOUNTS (continued)

4 Interest receivable and similar income

This relates to bank interest receivable

5 Loss on ordinary activities before tax

The loss on ordinary activities before tax is stated after charging

	2005 £000	2004 £000
Depreciation (note 8)	(652)	(132)
Profit on sale of fixed assets		7
Operating lease rentals	(486)	(193)

6 Tax

(a) Analysis of tax credit for the period

	2005 £000	2004 £000
Current Tax		
UK Corporation tax on loss for the period	9,212	1,644
Adjustments in respect of previous periods	(952)	
Total current tax	8,260	1,644
Deferred Tax		
Origination and reversal of timing differences	(979)	365
Adjustments in respect of previous periods	525	
Adjustments in respect of transfer of fixed assets from another Prudential group entity		176
Total deferred tax	(454)	541
Tax credit on loss on ordinary activities	7,806	2,185

PRUDENTIAL HOLDINGS LIMITED

NOTES ON THE ACCOUNTS (continued)

6 Tax (continued)

(b) Factors affecting tax credit for the period

The tax credit assessed in the period is lower than the standard rate of Corporate Tax in the UK and the differences are explained below. The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the period for which the loss of the Company will be taxed.

	2005 £000	2004 £000
Loss on ordinary activities before tax	(34,788)	(14,548)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 30%)	10,436	4,364
Effects of Permanent differences	(1,303)	(2,355)
Adjustments in respect of previous periods	(952)	
Short term timing differences	79	(365)
Current tax credit for the period	8,260	1,644

(c) Factors that may affect future tax charges

The only factors expected to affect the future tax charges of the Company are those detailed in (b) above.

(d) Deferred tax asset

	2005 £000	2004 £000
Short term timing differences		299
Timing differences arising in the period on fixed assets	87	66
Timing differences arising on transfer of fixed assets from another Prudential group entity		176
Undiscounted provision for deferred tax asset	87	541
Deferred tax asset at beginning of year	541	
Deferred tax credited to the profit and loss account	(454)	541
Total (note 9)	87	541

PRUDENTIAL HOLDINGS LIMITED

NOTES ON THE ACCOUNTS (continued)

7 Shares in group undertaking

The principal subsidiary undertaking of the Company as at 31 December 2005 was Prudential Corporation Holdings Limited, an investment holding company, which was a wholly owned subsidiary of the Company and whose registered office is in England

8 Tangible assets

	Computer equipment £000	Other £000	Total £000
Cost			
At 1 January 2005	1,186	1,066	2,252
Additions	127	1,745	1,872
Exchange adjustment	131	130	261
Disposals	(327)	(64)	(391)
At 31 December 2005	1,117	2,877	3,994
Depreciation			
At 1 January 2005	(582)	(964)	(1,546)
Charged to profit and loss account during the year	(313)	(339)	(652)
Exchange adjustment	(46)	(52)	(98)
Eliminated on disposal	327	64	391
At 31 December 2005	(614)	(1,291)	(1,905)
Net book value			
At 31 December 2005	503	1,586	2,089
At 31 December 2004	604	102	706

9 Debtors

	2005 £000	2004 £000
Amounts owed by group undertakings	13,119	9,970
Tax recoverable	6,558	1,644
Deferred tax asset	87	541
Other debtors	2,215	1,906
Prepayments and accrued income	3,961	4,728
Balance at end of year	25,940	18,789

PRUDENTIAL HOLDINGS LIMITED

NOTES ON THE ACCOUNTS (continued)

10 Creditors amounts falling due within one year

	2005 £000	2004 £000
Amount owed to parent company	59,015	21,945
Amount owed to other group undertakings	4,178	4,699
Accruals and deferred income	17,540	11,967
Balance at end of year	<u>80,733</u>	<u>38,611</u>

The amount owed to parent company comprises borrowings of £58,451,087 (2004 £21,789,241) and accrued interest thereon of £564,401 (2004 £155,655)

11 Share capital

	2005 £000	2004 £000
Authorised		
800,000,000 ordinary shares of £1 each	<u>800,000</u>	<u>800,000</u>
Issued and fully paid		
622,789,335 ordinary shares of £1 each	<u>622,789</u>	<u>622,789</u>

12 Profit and loss account

	2005 £000	2004 £000
Balance at beginning of year	(12,363)	
Loss on ordinary activities after tax	<u>(26,982)</u>	<u>(12,363)</u>
Balance at end of year	<u>(39,345)</u>	<u>(12,363)</u>

13 Auditor's remuneration

The auditor's remuneration is borne by the ultimate parent company

14 Directors' emoluments

The aggregate emoluments including pension contributions of the directors of the Company during the year were £Nil (2004 £Nil)

PRUDENTIAL HOLDINGS LIMITED

NOTES ON THE ACCOUNTS (continued)

15 **Related party transactions**

The Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the Prudential group

16 **Immediate and ultimate parent company**

The immediate and ultimate parent company is Prudential plc, which is the parent company that prepares group accounts, copies of which can be obtained from the Company Secretary, Laurence Pountney Hill, London EC4R 0HH

PRUDENTIAL HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

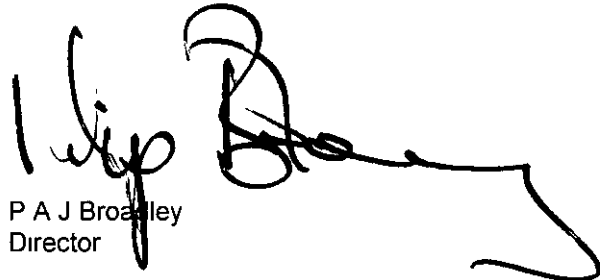
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 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 proper 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 1985. 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.

A large, stylized handwritten signature in black ink, appearing to read 'P A J Broadley', is written over the printed name and title.

P A J Broadley
Director

30 October 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL HOLDINGS LIMITED

We have audited the financial statements of Prudential Holdings Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movement in shareholders' funds, the balance sheet and the related notes on pages 4 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the directors and auditor

As described in the Statement of Directors' Responsibilities on page 12, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements in it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its loss for the year then ended, and
- The financial statements have been properly prepared in accordance with the Companies Act 1985
- The information given in the Directors' report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

30 | 10 | 2006