Registered Number: SC145322

SCOTTISH AMICABLE FINANCE PLC

Annual Report and Financial Statements

For the year ended 31 December 2011

SCOTTISH AMICABLE FINANCE PLC

Incorporated and registered in Scotland. Registered Number: SC145322.

Registered office: Craigforth, Stirling, FK9 4UE.

Contents

SCOTTISH AMICABLE FINANCE PLC

Directors

A M Crossley
D J Belsham
K Nunn

Secretary

Prudential Group Secretarial Services Limited

Auditors

KPMG Audit Plc, London

SCOTTISH AMICABLE FINANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

Incorporated and registered in Scotland. Registered Number: SC145322.

Principal activity and business review

The Company is a finance company and its principal activity is the raising of external finance and making loans to its parent company. During the year the Company's principal liability continued to be £100,000,000 of undated subordinated bonds, the proceeds of which continued to be lent to the Scottish Amicable Insurance Fund of The Prudential Assurance Company Ltd on terms commensurate with the terms of the bonds. This activity is expected to continue in 2012.

Results and dividends

The state of affairs of the Company at 31 December 2011 is shown in the balance sheet on page 4. The profit and loss account appears on page 3.

No dividend is proposed for the year (2010: £nil).

Post balance sheet events

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

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.

Directors

The present directors of the Company are shown on page 1. There were no changes in the year.

Financial risk management objectives, policies and exposure

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

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.

Auditor

In accordance with Section 487(2) of the Company Act 2006, KPMG Audit Plc will be deemed to be re-appointed auditor of the Company for the current financial year.

Directors' and officers' protection

Prudential plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. In addition, the Articles of Association of the Company permit the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office. Prudential plc also provides protections for directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined by the relevant Companies Act) for the benefit of directors of Prudential plc including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities were in force during 2011 and remain in force.

A M Crossley
On behalf of the Board of directors

P Howe
On behalf of Prudential Group Secretarial Services Limited
Company Secretary

23 March 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2010 £
Interest receivable	2	8,500,000	8,500,000
Interest payable	3	(8,500,000)	(8,500,000)
Profit on ordinary activities before taxation		-	-
Taxation	4	-	-
Retained profit for the financial year		-	-

All amounts shown above are in respect of 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

	2011 £	2010 £
Retained profit for the financial year	-	-
Shareholders' capital and reserves at beginning of year	50,000	50,000
Shareholders' capital and reserves at end of year	50,000	50,000

The notes on pages 5 and 6 form an integral part of these financial statements.

SCOTTISH AMICABLE FINANCE PLC

BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Investments – loan to parent company	5	100,000,000	100,000,000
CURRENT ASSETS			
Amount due from parent company		4,300,000	4,300,000
CREDITORS			
Amounts falling due within one year	6	(4,250,000)	(4,250,000)
NET CURRENT ASSETS		50,000	50,000
TOTAL ASSETS LESS CURRENT LIABILITIES		100,050,000	100,050,000
CREDITORS			
Amounts falling due after more than one year	5	(100,000,000)	(100,000,000)
NET ASSETS		50,000	50,000
CAPITAL AND RESERVES			
Share capital	7	50,000	50,000
Profit and loss account		-	-
SHAREHOLDERS' FUNDS		50,000	50,000

The financial statements on pages 3 to 6 were approved by the board of directors on 03 March 2012.

A M Crossley
Director

The notes on pages 5 and 6 form an integral part of these financial statements.

SCOTTISH AMICABLE FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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.

(b) The directors have a reasonable expectation that the Company will be able to continue in operational existence for a period greater than twelve months from the balance sheet date and thus continue to adopt the going concern basis of accounting in preparing the financial statements. This conclusion has been based upon the following: the Company is a subsidiary within the Prudential Group and it, its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation. The Company's main asset is a loan to its parent Company, which has a healthy solvency margin, well in excess of the Minimum Capital Requirement (MCR) and Enhanced Capital Requirement (ECR) and is supported by its inherited estate, generates positive cashflows and has very low debt-financing.

(c) The Company has taken advantage of the exemption under FRS1 "Cash flow statements" (revised) from preparing a cash flow statement as it is a wholly owned subsidiary of its parent undertaking.

(d) Interest receivable and payable is recognised on an accruals basis.

(e) 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.

(f) The loan to parent company is shown at cost.

(g) In accordance with FRS26 "Financial instruments: measurement", the loan to the parent company and the associated subordinated loans are designated as "loans and receivables" and are carried at amortised cost, subject to impairment reviews.

2. Interest receivable

	2011	2010
	£	£
Interest from parent company	8,500,000	8,500,000

3. Interest payable

	2011	2010
	£	£
Interest on bonds	8,500,000	8,500,000

4. Tax on profit on ordinary activities

	2011	2010
	£	£
a) Analysis of charge in the period		
Current tax		
UK corporation tax on profits of the period	-	-
Tax charge on profit on ordinary activities	-	-

(b) Factors affecting tax charge for the period

The tax assessed in the period is £nil (2010: £nil). The standard rate of tax is determined by using the rate of UK corporation tax enacted for the period for which the profits of the Company will be taxed.

(c) Factors that may affect future tax charges

There are no factors expected to affect future tax charges of the Company.

5. Subordinated loan

The Company has in issue £100 million 8.5% undated subordinated bonds guaranteed by the immediate parent company. The proceeds of the issue were lent to the Scottish Amicable Insurance Fund (SAIF), a sub-fund of the immediate parent company, as consideration for the guarantee and on terms commensurate with the terms of the bonds. The interests of the holders of the bonds are subordinate to the entitlements of the policyholders of SAIF. Subject to certain conditions, on 30 June 2018 and on each fifth anniversary thereafter, the Company shall elect either to redeem the bonds in full or to exchange the bonds for new bonds with a new rate of interest determined at that date.

The fair value of the subordinated loan at 31 December 2011 is £101,750,000 (2010: £101,900,000). This value is based on the quoted market price of the bonds. The estimated fair value of the loan to parent company is also £101,750,000 (2010: £101,900,000) as the terms of the loan are the same as those of the bonds.

6. Creditors: amounts falling due within one year

	2011 £	2010 £
Interest payable on bonds	4,250,000	4,250,000

7. Share capital

The total number of issued and fully paid ordinary shares at the year end was 50,000

8. Directors' emoluments

No directors received any emoluments in connection with their work for Scottish Amicable Finance PLC, (2010: £nil)

9. Auditor's remuneration

Auditor's remuneration of £2,500 (2010: £2,500) is borne by the parent company, The Prudential Assurance Company Limited. Amounts receivable by the Company's auditor in respect of services rendered to the Prudential group other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of Prudential plc.

10. 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. There were no other transactions with related parties.

11. Immediate and ultimate parent company

The immediate parent company is The Prudential Assurance Company Limited. The ultimate parent company is Prudential plc, which is the only parent company which prepares consolidated accounts, copies of which can be obtained from the Company Secretary, Laurence Pountney Hill, London EC4R 0HH.

12. Financial assets and liabilities

A. Financial instruments – designation and fair values

The £100m loan to parent company and the subordinated loans are designated as loans and receivables and valued at amortised cost.

B. Market Risk

The company has immaterial market risk because the company has no exposure to market prices, market interest rates, currency risk or liquidity risk.

C. Credit risk

The loan to parent company is made to PAC, which has a AA rating with Standard and Poor.

D. Risk Management

The Company has managed its risk by lending onto PAC on the same terms on which it has borrowed. The risk of default on this debt is low due to the financial strength of PAC.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors of Scottish Amicable Finance plc confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that it faces.

A M Crossley
Director

23 March 2012

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

We have audited the financial statements of Scottish Amicable Finance Plc for the year ended 31 December 2011 set out on pages 3 to 6. 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 auditors' 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 the auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP

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 2011 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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.

Robert Lewis

Robert Lewis (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Registered Auditor
15 Canada Square
Canary Wharf
London
E14 5GL

23 March 2012