Registered No: SC212640

PRUDENTIAL DISTRIBUTION LIMITED

Annual Report and Financial Statements for the year ended 31 December 2013

PRUDENTIAL DISTRIBUTION LIMITED

Incorporated and registered in Scotland. Registered No: SC212640
Registered office: Craigforth, Stirling, Scotland, FK9 4UE

CONTENTS

PRUDENTIAL DISTRIBUTION LIMITED

Directors

The Directors in office during the year were as follows ;

F A O'Dwyer (Chairman) (Resigned as the Chairman of the Company 24 May 2013)
C Lewis
T R Naidu (Appointed as Chairman 11 December 2013)
J Warburton (Appointed 29 August 2013)

Secretary

Prudential Group Secretarial Services Limited

Independent Auditor

KPMG Audit Plc.

PRUDENTIAL DISTRIBUTION LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Principal activity

The principal activity of Prudential Distribution Limited ("the Company") is to act as the single service company for the UK Insurance Operations (UKIO) of the Prudential Group. It is one of the principal employers for UKIO. It also provides product distribution services to group companies whose products are distributed through non-intermediated channels. The Company is regulated by the Financial Conduct Authority (FCA) for its distribution activities.

Prudential Financial Planning was launched as a channel of the Company in December 2011, as a professional face to face restricted advice service. Formation of a new distribution company was approved in March 2012. An application for authorisation was filed with the Financial Conduct Authority (FCA) and the approval for the operation of Prudential Financial Planning Limited (PFPL) as a distribution company was obtained in February 2013. The new distribution company, PFPL, commenced operations on 9 September 2013 and the advisors and sales management team associated with financial planning channel were transferred from the Company to PFPL.

Business review

Key Performance Indicators	2013 £000	2012 £000
Turnover	514,981	521,350
Operating expenses	(513,618)	(516,971)
Profit before tax	1,634	4,628
Shareholders funds	66,480	60,085
Regulatory capital requirement (higher of IPRU INV and MIPRU requirements-see below)	3,450	39,823

The Company incurs distribution expenses on behalf of the statutory entities within the UKIO business unit, for which it provides service and recharge the expenses after charging a margin of 5%, with the exception of the With-profits funds of PAC and PAL on which no margin is charged. The Company earns commission from providing product distribution services to M&G Limited (M&G), another group company. During the year the Company earned advisor charges on the advice provided to customers for the period prior to the transfer of the advice channel to PFPL.

The Company generated a pre-tax profit of £1,634k during the year (2012: £4,628k). The Company derived a margin income of £7,730k (2012: £6,689k) earned on recharges. The loss on the contract for distribution services with M&G increased to £6,834k from £5,476k in 2012 on account of the higher acquisition costs associated with the new advice channel. PDL, being the service company provides for the expenses towards shared based compensation pertaining to other employing entities within the UKIO. The share based expenses for 2013 include £2,064k related to prior year on account of an adjustment passed to split the amounts across the employing entities.

The regulatory requirements in the Company are driven by Interim Prudential Sourcebook for Investment Business (IPRU (INV)) and Prudential Sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU). The Company has remained solvent throughout the period under review and has adequate capital resources to meet its regulatory capital requirements. The Company continues to hold Professional Indemnity Insurance (PII) for the collectives business to meet the requirement for PII as per IPRU (INV). For the other products, the Company relies on a Group Policy. Due to the excess held on the Group cover, the Company is required to set aside additional capital of £3.4m. Following the transfer of the advisors to PFPL, the Company is now treated as a B3 low resource firm for the purpose of the calculation of capital requirements under IPRU (INV) and thus the regulatory requirement for the year is lower than that for 2012.

Risks & uncertainties

The Company is a wholly owned subsidiary of the Prudential Group and is subject to the Group's internal control and risk management processes as detailed in the Group Governance Manual and Group Risk Framework. The control procedures and systems established within the Group are designed to manage, rather than eliminate, the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatement or loss, and focus on aligning the levels of risk-taking with the achievement of business objectives.

The Group's risk governance framework requires all businesses and functions within the Group, including the Company, to establish processes for identifying, evaluating and managing key risks. The risk governance framework is based on the concept of three lines of defence: risk management, risk oversight and independent assurance.

A number of factors (risk factors) have the potential to impact the Company's results and financial condition. The key risk factors of the Company are mentioned below.

Financial risk

Whilst the Company is exposed to financial risks these are largely mitigated as explained below :

a) Credit risk

Credit risk is the risk of loss for the Company or of adverse change in the financial position, resulting from fluctuations in the credit standing of counterparties and any debtors in the form of default or other significant credit event.

The debtors are predominantly intra group and therefore the risk of default is considered to be minimal.

b) Liquidity risk

Liquidity risk is the risk that the Company, although solvent on a balance sheet basis, does not have sufficient resources available to meet its obligations as they fall due, or can secure them only at excessive cost.

This risk is managed through careful management of bank balances and cash-flow forecasting. The Company being the single service company for UKIO is covered by the Risk Procedure Manual within the Group and has a defined liquidity appetite.

Non-financial risk

The Company has a limited exposure to business environment, strategic, operational and group risk.

a) Business environment risk

Business environment risk is the risk that can arise as a result of changing external factors in the business environment and the impact on the fundamentals that drive the Company's overall strategy.

Changes in government policy, legislation (including tax) or regulatory interpretation applying to companies in the financial services sector, which in some circumstances may be applied retrospectively, may adversely affect the Company's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements. Also, the regulator may change the level of capital required to be held by individual businesses thereby impacting the capital requirements of the Company.

Any further changes or modification to Financial Reporting Standards, or adoption of International Financial Reporting Standards (IFRS) may require a change in the reporting basis of future results, or a restatement of reported results.

b) Strategic risk

Strategic risk is the risk that can arise as a result of ineffective or inadequate business strategy decisions in relation to competitors, the market and consumers.

The Company has little exposure to this risk, however any changes in the regulatory and market environment, could play a role in forcing the senior management to take decisions which could affect the Company's performance.

c) Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

The Company outsources several operations, including a significant part of its back office and customer-facing functions as well as a number of IT functions. In turn, the Company is reliant upon the operational processing performance of its outsourcing partners, but their performance is monitored carefully.

The Company's systems and processes incorporate controls which are designed to manage and mitigate the operational risks associated with its activities as any weakness in the administration systems, finance systems and processes could have an impact on its results during the effective period.

The risk of non-performance is limited by contract and, along with mis-selling, is covered by a professional indemnity policy.

The Company is, and in the future may be, subject to legal and regulatory actions in the ordinary course of its business. These actions could involve a review of business sold in the past under acceptable market practices at the time, changes to the tax regime and regulatory reviews.

d) Group risk

Group risk is the risk of a direct or indirect loss arising from a connection with a related undertaking.

Group risk is present from the consequences of risks arising from other parts of the Group in addition to those risks arising from the Company's own activities. The independent capitalisation of the Company as well as the risk management processes and internal control mechanisms within the Company ensure Group risk is appropriately managed.

B Rais
On behalf of Prudential Group Secretarial Services Ltd.
Company Secretary

25 March 2014

PRUDENTIAL DISTRIBUTION LIMITED

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Registered office: Craigforth, Stirling, Scotland, FK9 4UE

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Introduction

None of the information required to be included in the Directors' Report under Schedule 1 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) has been set out in the Company's Strategic Report.

Corporate responsibility

The Company is a wholly owned subsidiary within the Prudential Group and Corporate Responsibility (CR) is integral to the way the Group does business.

The Group, of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures for example, the Group Code of Business Conduct. As a business that provides savings, income, investment and protection products and services, social value is created through the day-to-day operations. The Group provides customers with ways to help manage uncertainty and build a more secure future. In seeking to match the long-term liabilities the Group has towards its customers with similarly long-term financial assets, it provides capital that finances businesses, builds infrastructure and fosters growth in both developed and developing markets.

The Group's sustainable approach to business is reinforced by the Group-wide CR strategy. While the Group believes that CR is best managed on the ground by those closest to the customer and local stakeholders, the Group approach is underpinned by four global CR themes:

- Serving its customers: The Group aims to provide fair and transparent products that meets the customers' needs
- Valuing its people: The Group aspires to retain and develop highly engaged employees
- Supporting local communities: The Group seeks to make a positive contribution to its communities through long-term partnerships with charitable organisation that make a real difference
- Protecting the environment: The Group takes responsibility for the environment in which it operates

These themes provide clarity to the businesses as to how they should focus their CR efforts and resources in the context of their individual markets.

The Prudential plc Board discusses the Group's performance in the areas of social and environmental management at least once a year and also reviews and approves the Group's corporate responsibility report and strategy on an annual basis.

Accounts

The state of affairs of the Company at 31 December 2013 is shown in the balance sheet on page 12. The profit and loss account appears on page 11.

Post Balance sheet events

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

Share Capital

There have been no changes to the Company's share capital during the year.

Dividends

No dividend is proposed for the year (2012: Nil).

Directors

The directors holding office during the year are shown on page 1.

Mr F A O'Dwyer resigned as the Chairman of the Company on 24 May 2013.

Mr J Warburton was appointed as the Director of the Company on 29 August 2013.

Ms T Naidu was appointed as Chairman of the Company on 11 December 2013.

There were no other changes during the year and up to the date of the report being authorised for issue.

Employees

The following information is given in respect of the employees of the Company in the United Kingdom:

Equal opportunity

The Company's policy is to recruit, develop and employ staff on the basis of suitability of their qualifications and experience to the work to be performed, regardless of sex, marital status, creed, race, nationality or disability. Full consideration is given to continuing the employment of staff who become disabled and to providing training and career development opportunities to disabled employees. The requirements of the Disability Discrimination Act 1996 have been put into effect.

Employee involvement

It is the Company's policy to communicate with employees on issues that concern them and to provide information to them through employee reports and regular manager briefings. Views of employees are sought through a number of channels including consultation through the medium of a staff consultative group. Since March 2009 employees have been invited to participate in the Prudential Savings-Related Share Option Scheme and can also participate in the Prudential Share Incentive Plan.

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 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.

Disclosure of information to 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 or she ought to have taken as a director to make himself or herself 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 Companies 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.

On behalf of the Board of Directors

B Rais
On behalf of Prudential Group Secretarial Services Ltd.
Company Secretary

25 March 2014

PRUDENTIAL DISTRIBUTION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for preparing the Strategic Report and 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 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 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors on 25 March 2014 and signed on its behalf by

C Lewis

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Cathy Lewis

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL DISTRIBUTION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2013

We have audited the financial statements of Prudential Distribution Limited for the year ended 31 December 2013 set out on pages 11 to 24. 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 8, 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2013 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Director's 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.

M Williams

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

25 March 2014

PRUDENTIAL DISTRIBUTION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £000	2012 £000
Turnover		**514,981**	521,350
Staff costs	2	**(184,652)**	(172,072)
Other operating charges		**(328,966)**	(344,899)
Operating expenses		**(513,618)**	(516,971)
Operating Profit		**1,363**	4,379
Interest income	3	**971**	973
Interest expense	4	**(700)**	(724)
Net Interest Receivable		**271**	249
Profit on ordinary activities before tax		**1,634**	4,628
Tax credit /(charge) on profit on ordinary activities	7	**3,858**	(2,581)
Retained profit for the year		**5,492**	2,047

No statement of total recognised gains or losses has been included as there are no recognised gains or losses other than those reported in the profit and loss account.

A statement of historical cost profits and losses has not been prepared as the amounts are not materially different from the profit for the period.

Turnover and profit on ordinary activities before taxation for the year relate exclusively to continuing operations as defined under the terms of Financial Reporting Standard 3.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £000	2012 £000
Opening Shareholders' funds	**60,085**	25,359
Share capital injected during the year	**-**	30,000
Profit for the year	**5,492**	2,047
Capital contribution for the year	**903**	2,679
Closing Shareholders' funds	**66,480**	60,085

Capital contribution represents the capital reserve in respect of share-based payment created during the year in accordance with FRS 20 (Share-Based Payment).

PRUDENTIAL DISTRIBUTION LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2013

	Note	2013 £000	2012 £000
Fixed Assets			
Tangible Fixed Assets	8	**9,494**	9,175
Current assets			
Debtors and prepayments	9	**176,872**	151,269
Cash at bank and in hand	10	**54,044**	104,035
Total current assets		**230,916**	255,304
Creditors: amounts falling due within one year	11	**(162,214)**	(177,508)
Net current assets		**68,702**	77,796
Total Assets Less Current Liabilities		**78,196**	86,971
Provision for liabilities and charges	12	**(11,716)**	(26,886)
Net assets		**66,480**	60,085
Capital and reserves			
Called-up share capital	14	**43,030**	43,030
Retained Earnings	15	**12,270**	6,778
Capital Reserve	16	**11,180**	10,277
Shareholders' funds		**66,480**	60,085

The accounting policies and notes on pages 13 to 24 form an integral part of these financial statements.

The accounts on pages 11 to 24 were approved by the board of directors on 25 March 2014.

C Lewis

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Cathy Lewis

Director

1. Accounting Policies

a) Changes in Accounting Policies

In 2013 there have been no changes to accounting policies arising from changes to, or new Financial Reporting Standards.

b) Basis of preparation

The financial statements are prepared in accordance with Part 15 of the Companies Act 2006 and Schedule 1 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future 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 has a healthy capital adequacy, well in excess of the capital requirements stipulated by FCA. In addition consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Business Review on page 2.

c) Turnover

Turnover represents recharges including profit margin, commission and other income received from group companies and third parties. Turnover is accounted for on an accruals basis.

d) Fixed assets

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 lives as follows:

Leasehold improvements	Up to a maximum of 20 years
Fixtures and fittings	Up to a maximum of 10 years
Computer equipment	Up to a maximum of 5 years
Motor vehicles	Up to a maximum of 4 years
Plant and machinery	Up to a maximum of 4 years

e) Leased assets

Rents payable under operating leases are charged to the profit and loss account as incurred over the lease term. Tangible fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased asset at the inception of the lease. Finance charges are charged to the profit and loss account as they arise.

f) Taxation

Tax is charged on all profits in the 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.

g) Pension costs

The charge to revenue in respect of employer's contributions is calculated in accordance with applicable accounting standards.

h) Share-based Payments

The Company offers share award and option plans for certain key employees and a SAYE plan for all UK and certain overseas employees. The Company has both equity-settled plans and cash-settled plans.

Share options and awards of the parent company's equity instruments, for which the parent company (Prudential plc) has the obligation to settle, are valued using the share price at the date of grant and are accounted for as equity-settled i.e. recognised in equity as a capital contribution from Prudential plc. Share options and awards for which the Company has the obligation to settle are valued using the share price at the balance sheet date and are accounted for as cash-settled i.e. as an obligation to transfer the equity instruments of Prudential plc. The compensation costs for all awards and options are recognised in net income over the plans' respective vesting periods.

i) Cash flow statement

The Company has taken advantage of the exemption under paragraph 8(c) of Financial Reporting Standard 1 (Revised) from disclosing a cash flow statement on the basis that a consolidated statement including the cash flows of the Company is prepared by the ultimate parent company.

2. Staff costs

	2013 £000	2012 £000
Wages and salaries	**142,781**	135,357
Other pension costs	**15,787**	17,184
Social security costs	**18,126**	15,049
Share based payment expenses	**7,958**	4,482
Total	**184,652**	172,072

	No.	No.
Average number of employees during the period	**2,068**	1,950

The directors, who are employed by Prudential Distribution Limited, did not receive any remuneration in respect of their services on behalf of the Company.

Details of the pension schemes operated by the Company are disclosed in the accounts of The Prudential Assurance Company Limited.

3. Interest income

	2013 £000	2012 £000
Bank interest received	**325**	210
Policyholder interest recharged	**116**	152
Company car interest recharged	**265**	265
Other interest income	**265**	346
Total	**971**	973

4. Interest expense

	2013 £000	2012 £000
Bank interest recharged	**192**	173
Policyholder interest paid	**116**	152
Company car interest paid	**286**	282
Other interest recharges	**106**	117
Total	**700**	724

5. Auditors' remuneration

The audit of the Company's accounts and the Company's reporting pack for the parent's consolidated accounts amounted to £36k (2012: £36k)

6. Operating Leases

Included within the other operating charges for the year are amounts paid as rental on operating leases for property. Note 17 on page 24 forms an integral part of operating leases.

	2013 £000	2012 £000
Buildings	**2,361**	2,361

7. Taxation

a) Analysis of charge in the period

	2013 £000	2012 £000
Analysis of taxation during the period		
Current tax:		
Current period corporation tax at effective rate of 23.25% (2012: 24.5%)	**(198)**	(1,548)
Adjustments in respect of prior years	**2,129**	(220)
Total current tax credit/ (charge) on ordinary activities	**1,931**	(1,768)
Deferred tax :		
Origination and reversal of timing differences	**1,864**	(627)
Adjustment in respect of prior periods	**63**	(186)
Total Deferred tax credit/(charge)	**1,927**	(813)
Total tax credit/(charge) on ordinary activities	**3,858**	(2,581)

b) Factors affecting tax charge for the period

	2013 £000	2012 £000
Profit on ordinary activities before tax	**1,634**	4,628
Tax on Profit at effective rate of 23.25% (2012: 24.5%)	**(380)**	(1,134)
Depreciation on Non-Qualifying Asset	**-**	(159)
Permanent differences	**437**	228
Depreciation in excess of capital allowances	**116**	613
Adjustments to current tax in respect of previous years	**2,129**	(220)
Tax charge in relation to share based payments	**(371)**	(1,098)
Other timing difference	**-**	2
Current tax credit /(charge) for the year	**1,931**	(1,768)

c) Factors that may affect future tax charges

The reduction in the UK corporation tax rate to 21 per cent from 1 April 2014 and a further reduction to 20 per cent from 1 April 2015 was substantively enacted on 2 July 2013. As the 2013 Finance Act has been enacted at the balance sheet date, the effects of these changes are reflected in the financial statements for the year ended 31 December 2013. The effect of this change on the deferred tax assets at 31 December 2013 is £655k.
Other than the effects of permanent differences and adjustments in respect of previous periods, it is not expected that the tax charge will deviate from that calculated by applying the standard rate of corporation tax to the profit before tax of the Company. .

8. Fixed assets

	Fixtures and Fittings	Plant and Machinery	Motor Vehicles	Computer Equipment	Buildings and Improvements	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 Jan 2013	3,044	3,203	577	101,451	19,647	127,922
Additions	-	2,014	-	-	442	2,456
At 31 Dec 2013	3,044	5,217	577	101,451	20,089	130,378
Depreciation						
At 1 Jan 2013	(3,012)	(768)	(577)	(101,451)	(12,939)	(118,747)
Charge for year	(29)	(996)	-	-	(1,112)	(2,137)
At 31 Dec 2013	(3,041)	(1,764)	(577)	(101,451)	(14,051)	(120,884)
Net book value						
At 31 Dec 2013	3	3,453	-	-	6,038	9,494
At 31 Dec 2012	32	2,435	-	-	6,708	9,175

9. Debtors and prepayments

	2013	2012
	£000	£000
Amounts falling due within one year:		
Amounts owed by group undertakings	103,813	62,951
Other debtors and loan	55	13,433
Prepayments and accrued income	68,255	72,442
Deferred tax	4,370	2,443
Corporation tax recoverable	379	-
Total Debtors	176,872	151,269

	2013 £000	2012 £000
Deferred tax asset explained by:		
Accelerated capital allowances	**1,996**	2,332
Short term timing differences	**2,374**	111
Total	**4,370**	2,443
Deferred tax asset at start of period	**2,443**	3,256
Deferred tax for the period	**1,927**	(813)
Deferred tax asset at end of period	**4,370**	2,443

10. Cash at bank and in hand

Under the terms of the Company's arrangements with the Prudential Group's main UK banker, the bank has a right of set-off between credit balances (other than those of long - term business funds) and all overdrawn balances of those Group undertakings with similar arrangements.

11. Creditors

	2013 £000	2012 £000
Amounts falling due within one year:		
Amounts owed to group undertakings	**67,041**	68,806
Taxation and social security	**12,811**	11,502
Other creditors	**2,538**	16,421
Accruals and deferred income	**79,824**	80,012
Corporation tax payable	**-**	767
Total	**162,214**	177,508

The Company does not follow any code or standard on payment practice with its suppliers but it is the policy of the Company to agree terms of payment when orders for goods or services are placed and to pay in accordance with those terms.

12. Provisions for liabilities and charges

	Balance as at 1 January 2013 £000	Utilised in the year £000	Released in the year £000	Provided in the year £000	Balance as at 31 December 2013 £000
Restructure Cost	**26,886**	**(2,781)**	**(14,460)**	**2,071**	**11,716**

Restructure costs have been provided for in response to changes in the structure and strategic direction of Prudential's UK insurance operations. These costs include property liabilities resulting from the closure of regional sales centres and branches and other property rationalisation. Property liabilities will be utilised over the period of leases outstanding, which in some cases is in excess of 4 years.

13. Share-based payments

The Company maintains a number of main share award and share option plans relating to Prudential plc shares, which are described below :-

(i) Prudential Long term Incentive Plan (PLTIP)

The PLTIP is a new plan approved by Prudential shareholders in 2013. The PLTIP is a conditional share plan: the shares which are awarded will ordinarily be released to participants after three years to the extent that performance conditions have been met. If performance conditions are not achieved in full, the unvested portion of any award lapses and performance cannot be retested. The performance conditions attached to PLTIP awards are: Relative Total Shareholder Return (TSR) (50 per cent of award); and Group IFRS profit (50 per cent of award), or Business unit IFRS profit (50 per cent of award). The performance conditions attached to each award are dependent on the role of the participants. The Relative TSR is measured over three years. The TSR is measured against a peer group of international insurers (currently 18) which are similar to Prudential in size, geographic footprint and products. IFRS profit is the three year cumulative IFRS operating profit assessed at Group or business unit level. Threshold and maximum achievement levels will be set at the beginning of the performance periods in line with the three year business plan

(ii) Savings related options

The Company participates in share option schemes satisfied by the issue of new shares: UK-based executive directors and eligible employees are eligible to participate in the Prudential HM Revenue & Customs (HMRC)-approved UK savings related share option scheme (SAYE scheme) and the Asia-based executive directors and eligible employees can participate in the equivalent International SAYE scheme. These schemes allow all eligible employees to save towards the exercise of options over Prudential plc shares with the option price set at the beginning of the savings period at a discount of up to 20 per cent of the market price.

In 2013 participants could elect to enter into savings contracts of up to £250 per month for a period of three or five years. At the end of this term, participants may exercise their options within six months and purchase shares. If an option is not exercised within six months, participants are entitled to a refund of their cash savings plus interest if applicable under the rules. Shares are issued to satisfy those options which are exercised. No options may be granted under the schemes if the grant would cause the number of shares which have been issued, or which remain issuable pursuant to options granted in the preceding 10 years under the scheme and other share option schemes operated by the Company, or which have been issued under any other share incentive scheme of the Company, to exceed 10 per cent of the Company's ordinary share capital at the proposed date of grant.

(iii) Share Incentive Plan

UK-based executive directors and employees are also eligible to participate in the Company's HMRC-approved Share Incentive Plan (SIP). In 2013 all UK-based employees were able to purchase shares of Prudential plc up to a value of £125 per month from their gross salary (partnership shares) through the SIP. For every four partnership shares bought, an additional matching share is awarded, purchased by Prudential on the open market. Dividend shares accumulate while the employee participates in the plan. Partnership shares may be withdrawn from the scheme at any time. If the employee withdraws from the plan, or leaves the Group, matching shares are forfeit.

(iv) Other Share awards
In addition, there are other share awards, including the Prudential Corporation Deferred Bonus Plan and other arrangements. There are no performance conditions attached to deferred share awards made under these arrangements.

(v) Group Performance Share Plan (GPSP) and Business Unit Performance Plan (BUPP)
Prior to the approval of the PLTIP, the GPSP and the BUPP were the principal long-term incentive plans operated for executive directors and senior executives. The GPSP and BUPP are conditional share plans: the shares which were awarded will be released to participants to the extent that performance conditions have been met, over the three-year performance period. The performance measure for the awards is that Prudential's Total Shareholder Return (TSR) outperforms an index comprising of peer companies.

Movements in share options outstanding under the Company's share-based compensation plans relating to Prudential plc shares during 2013 and 2012 were as follows:

Options outstanding (including conditional options)	**Number of options**	**2013 Weighted average exercise price £**	Number of options	2012 Weighted average exercise price £
Beginning of year:	**1,488,670**	**4.42**	2,310,821	3.29
Granted	**176,137**	**9.01**	456,008	6.29
Exercised	**(140,391)**	**4.31**	(1,216,814)	3.01
Forfeited	**(15,601)**	**4.80**	(22,169)	3.53
Expired	**(28,148)**	**5.32**	(39,176)	4.18
Transfer in (out)	**(5,426)**	**2.88**	-	-
End of year	**1,475,241**	**4.96**	1,488,670	4.42
Options immediately exercisable, end of year	**20,510**	**4.52**	22,291	4.15

The weighted average share price of Prudential plc for the year ended 31 December 2013 was £11.14 compared to £7.69 for the year ended 31 December 2012.

Movements in share awards outstanding under the Group's share-based compensation plans relating to Prudential plc shares at 31 December 2013 were as follows:

Awards outstanding	**2013 Number of awards**	2012 Number of awards
Beginning of year:	**1,193,119**	1,104,017
Granted	**290,196**	396,927
Exercised	**(391,589)**	(296,685)
Forfeited	**(106,871)**	(6,983)
Expired/transferred during the year	-	(4,157)
End of year	**984,855**	1,193,119

The following table provides a summary of the range of exercise prices for Prudential plc options (including conditional options) outstanding at 31 December 2013:

	Outstanding			**Exercisable**	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise prices £**	**Number exercisable**	**Weighted average exercise prices £**
Between £0 and £1	**-**	**-**	**-**	**-**	**-**
Between £1 and £2	**-**	**-**	**-**	**-**	**-**
Between £2 and £3	**560,109**	**1.01**	**2.88**	**-**	**-**
Between £3 and £4	**-**	**-**	**-**	**-**	**-**
Between £4 and £5	**308,823**	**1.66**	**4.61**	**20,510**	**4.52**
Between £5 and £6	**2,412**	**1.50**	**5.55**	**-**	**-**
Between £6 and £7	**431,353**	**2.49**	**6.29**	**-**	**-**
Between £7 and £8	**-**	**-**	**-**	**-**	**-**
Between £8 and £9	**172,544**	**3.59**	**9.01**	**-**	**-**
Total	**1,475,241**	**1.88**	**4.96**	**20,510**	**4.52**

The following table provides a summary of the range of exercise prices for Prudential plc options (including conditional options) outstanding at 31 December 2012:

	Outstanding			Exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise prices £	Number exercisable	Weighted average exercise prices £
Between £0 and £1	-	-	-	-	-
Between £1 and £2	-	-	-	-	-
Between £2 and £3	602,383	1.99	2.88	2,537	2.88
Between £3 and £4	-	-	-	-	-
Between £4 and £5	427,186	2.25	4.59	18,295	4.21
Between £5 and £6	10,154	1.15	5.54	1,459	5.52
Between £6 and £7	448,947	2.50	6.29	-	-
Total	1,488,670	2.22	4.42	22,291	4.15

The years shown above for weighted average remaining contractual life include the time period from end of vesting period to expiration of contract.

The fair value amounts estimated on the date of grant relating to all options (including conditional nil cost options) and awards, were determined using the Black-Scholes and the Monte Carlo option-pricing models using the following assumptions:

	2013			2012		
	Prudential LTIP (TSR)/-GPSP	**SAYE Options**	**Other Awards**	GPSP	SAYE Options	Other Awards
Dividend yield (%)	**-**	**2.73**	**-**	-	3.63	-
Expected volatility (%)	**23.56**	**24.11**	**-**	23.70	34.34	-
Risk-free interest rate (%)	**0.68**	**1.01**	**-**	0.36	0.39	-
Expected option life (years)	**-**	**3.33**	**-**	-	3.25	-
Weighted average exercise price (£)	**-**	**9.01**	**-**	-	6.29	-
Weighted average share price (£)	**11.80**	**11.85**	**-**	6.64	8.26	-
Weighted average fair value (£)	**7.51**	**2.97**	**11.87**	5.00	2.28	5.80

Compensation costs for all share-based compensation plans are determined using the Black-Scholes model, Monte Carlo model or other market consistent valuation methods. Share options and awards granted by the parent company are valued using the share price at the date of grant. Share options and awards granted by the Company are valued using the share price at the balance sheet date. The compensation costs for all awards and options are recognised in net income over the plans' respective vesting periods. The Black-Scholes model is used to value all options and awards other than the Prudential LTIP (TSR), GPSP and UK BUPP, for which a Monte Carlo model is used in order to allow for the impact of the TSR performance conditions. These models are used to calculate fair values for share options and awards at the grant date based on the quoted market price of the stock at the measurement date, the amount, if any, that the employees are required to pay, the dividend yield, expected volatility, risk-free interest rates and exercise prices.

For the SAYE options, the expected volatility is based on the market implied volatilities for Prudential shares as quoted on Bloomberg. The Prudential specific at-the-money implied volatilities are adjusted to allow for the different term and discounted exercise price on SAYE options by using information on the volatility surface of the FTSE 100.

Risk-free interest rates are UK gilt rates with projections for three-year and five-year terms to match corresponding vesting periods. Dividend yield is determined as the average yield over a period of 12 months up to and including the date of grant. For the Prudential LIPT (TSR) and GPSP, volatility and correlation between Prudential and an index constructed from a simple average of the TSR growth of 18 companies is required. For grants in 2013,, an average index volatility and correlation of 26 per cent and 60 per cent respectively, were used. For the GPSP, market implied volatilities are used for both Prudential and the components of the index. Changes to the subjective input assumptions could materially affect the fair value estimate.

	2013	2012
	£000	£000
Share-based compensation expense	**7,958**	4,482
Amount accounted for as equity-settled	**903**	2,679
Amount accounted for as cash-settled	**7,055**	1,803

14. Called-up share capital

	2013 £000	2012 £000
Ordinary shares		
Issued and fully paid:		
5,820,001 ordinary shares of £1 each	**5,820**	5,820
30,000,000 ordinary shares of £1 each	**30,000**	30,000
	35,820	35,820
Preference Shares		
Issued and fully paid:		
7,210,000 ordinary shares of £1 each	**7,210**	7,210
Total Issued and Paid Share Capital	**43,030**	43,030

The Preference Shares issued carry the right to receive a non-cumulative preferential dividend which shall accrue from the date of issue of such Preference Share to the first Dividend Date and from one Dividend Date to the next Dividend Date, but shall be reset to zero immediately following each Dividend Date whether or not any Preference Dividend is paid on such Dividend. The Preference Shares may not be redeemed otherwise than at the option of the Company at any time after the second anniversary of the date of issue of such Preference Share. The Preference Shares carry no voting rights except if a resolution is proposed in relation to (i) the winding up of the Company, a voluntary arrangement with creditors of the Company or proposed receivership, administrative receivership or administration of the Company; or (ii) an alteration of the rights of the Preference Shares or in relation to any other matter which will have detrimental effect upon the rights of the Preference Shares.

15. Movement in Retained Earnings

	2013 £000	2012 £000
Balance as at 1 January	**6,778**	4,731
Profit for the year	**5,492**	2,047
Balance as at 31 December	**12,270**	6,778

16. Capital Contribution

	2013 £000	2012 £000
Balance as at 1 January	**10,277**	7,598
Contribution for the year	**903**	2,679
Balance as at 31 December	**11,180**	10,277

17. Operating lease commitments

Operating lease commitments payable within one year (solely represent leases on land and building) are as follows on leases expiring:

	2013 **£000**	2012 £000
Over five years	**2,361**	2,361

The Company is committed to the following expenditure as at 31 December 2013:

	2013 **£000**	2012 £000
General building refurbishment	**2,302**	1,846

18. Related party transactions

The Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 relating to the disclosure of transactions with other wholly owned subsidiary undertakings of the Prudential Group.

19. Ultimate and immediate parent company

The Immediate parent company is Prudential Financial Services Limited. The ultimate parent company is Prudential plc which is the only parent company which prepares group accounts. Copies of which can be obtained from the Company Secretary, Laurence Pountney Hill, London, EC4R 0HH.