

Registered No. 3355038

PRUDENTIAL LOGISTICS LIMITED

Annual Report and Financial Statements 2002



PRUDENTIAL LOGISTICS LIMITED

Incorporated and registered in England and Wales. Registered no. 3355038.

Registered office: Laurence Pountney Hill, London EC4R 0HH.

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PRUDENTIAL LOGISTICS LIMITED

Directors

R C Everett
J W Jack

Secretary

Prudential Group Secretarial Services Limited

Auditors

KPMG Audit Plc

PRUDENTIAL LOGISTICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

Principal activity and business review

The principal activity of the Company is to supply printed material to Prudential Group companies.

Accounts and dividend

The state of affairs of the Company as at 31 December 2002 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 (2001: £nil). A loss of £292,595 has been transferred to profit and loss reserves. In 2001 a loss of £182,527 was transferred to profit and loss reserves.

Directors

The directors of the Company are Mr R C Everett and Mr J W Jack, both of whom were appointed on 30 July 2003. Mr N A Berkett was appointed on 1 July 2002 and resigned on 20 June 2003. Mr T J W Tookey was appointed on 2 September 2002 and resigned on 30 July 2003. Mr A R Cook and Mr M J Moores resigned as directors of the Company on 28 June 2002 and 2 September 2002 respectively.

Directors' interests

Directors in office at the end of the year had interests in shares of 5p each in Prudential plc as follows:

- (a) in shares, under the Prudential Restricted Share Plan, in which the shares are held in trust and represent the maximum award that can be allocated if the performance requirements of the Plan are met:

	<u>01.01.02</u> <u>or later date of appointment</u>	<u>31.12.02</u>
N A Berkett	0	10,873
T J W Tookey	4,959	4,959

- (b) in options to subscribe for shares:

		<u>01.01.02</u> <u>or later date of</u> <u>Appointment</u>	<u>During the year:</u>		<u>31.12.02</u>
			<u>Granted</u>	<u>Exercised</u>	
N A Berkett	(1)	0	2,731	0	2,731
T J W Tookey	(1)	0	4,747	0	4,747

Notes: (1) Prudential Savings - Related Share Option Scheme

PRUDENTIAL LOGISTICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

Except as stated above, none of the directors in office at the end of the year, or their immediate families:

- (a) had any interest in shares in, or debentures of, any Group company either at their date of appointment, at the beginning of the year, 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.

Auditors

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 auditors annually. Accordingly, KPMG Audit Plc will be deemed to be re-appointed auditors of the Company for the current financial year.

On behalf of the board of directors

A. Newman

Prudential Group Secretarial Services Limited
Company Secretary

22 October 2003

PRUDENTIAL LOGISTICS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002**

	Notes 17	2002 £	2001 (restated) £
Turnover	4	3,760,013	7,168,358
Cost of sales	4	(3,682,925)	(7,019,522)
Gross Profit		<u>77,008</u>	<u>148,836</u>
Administration expenses		(128,464)	(62,597)
Interest receivable	2	153,212	295,348
Interest payable	3	(59,960)	(636,875)
Profit/(loss) on ordinary activities before tax	5	<u>41,876</u>	<u>(255,288)</u>
Tax on profit/(loss) on ordinary activities	7	(334,471)	72,761
Retained loss for the financial year		<u>(292,595)</u>	<u>(182,527)</u>
Retained profit brought forward		<u>395,339</u>	<u>577,866</u>
Retained profit carried forward		<u>102,744</u>	<u>395,339</u>

The Company has no recognised gains or losses other than the loss for the year as disclosed above, all of which is derived from continuing activities.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 £	2001 £
Loss for the financial year	(292,595)	(182,527)
Shareholders' capital and reserves at beginning of year	<u>395,439</u>	<u>577,966</u>
Shareholders' capital and reserves at end of year	<u>102,844</u>	<u>395,439</u>

PRUDENTIAL LOGISTICS LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2002**

	Notes	2002	2001
		£	£
CURRENT ASSETS			
Debtors – amounts falling due within one year	8	4,624,283	9,970,611
Debtors – amounts falling due after more than one year	9	21,450,876	24,060,659
Tax recoverable		408,465	1,795,446
Cash at bank	12	215,459	-
		<u>26,699,083</u>	<u>35,826,716</u>
CREDITORS			
Amount falling due within one year	10	(3,824,791)	(9,722,228)
NET CURRENT ASSETS		<u>22,874,292</u>	<u>26,104,488</u>
CREDITORS			
Amount falling due after one year	11	(20,236,182)	(23,949,440)
PROVISION FOR OTHER RISKS AND CHARGES			
Provision for Deferred Tax	7	(2,535,266)	(1,759,609)
NET ASSETS		<u>102,844</u>	<u>395,439</u>
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account		102,744	395,339
TOTAL SHAREHOLDERS' FUNDS		<u>102,844</u>	<u>395,439</u>

The financial statements on pages 4 to 9 were approved by the board of directors on 22 October 2003.



R C Everett
Director

PRUDENTIAL LOGISTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES

- a) The accounts are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards in the United Kingdom.
- b) 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. Tax is charged on all taxable profits arising in the accounting period.
- c) The profit and loss account is credited with income from finance leases, using the actuarial method to give a constant rate of return on the net cash investment.
- d) The company, which is a wholly owned subsidiary, has elected to take advantage of the dispensation provided in Financial Reporting Standard 1 and does not produce a cashflow statement.

2. INTEREST RECEIVABLE

Interest receivable is all interest received from other group companies in respect of finance leases.

3. INTEREST PAYABLE

	2002	2001
	£	£
Interest to group undertakings	59,960	636,875
	<u>59,960</u>	<u>636,875</u>

4. TURNOVER AND COST OF SALES

Printed material is supplied to other group companies, the cost of which is included within cost of sales, proceeds are included in turnover. See note 17 for an explanation of the restatement of the 2001 comparatives.

5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX

	2002	2001
	£	£
Profit/(loss) on ordinary activities before tax is stated after charging:		
Auditors' remuneration	4,000	2,000
	<u>4,000</u>	<u>2,000</u>

6. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of services to the Company during the year (2001: £nil). The Company has no employees (2001: nil).

PRUDENTIAL LOGISTICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002
(continued)****7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

a) Analysis of charge in the period	2002 £	2001 £
Current Tax		
UK Corporation Tax on profit/(loss) of the period	(769,974)	(1,836,195)
Adjustments in respect of previous periods	328,788	3,825
Total Current Tax	<u>(441,186)</u>	<u>(1,832,370)</u>
Deferred Tax		
Origination and reversal of timing differences	782,537	1,759,609
Adjustments in respect of previous periods	(6,880)	-
Tax charge/(credit) on profit/(loss) on ordinary activities	<u>334,471</u>	<u>(72,761)</u>
b) Factors affecting tax charge for period		
Profit/(loss) on ordinary activities before tax	41,876	(255,288)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	12,563	(76,586)
Effects Of:		
Accelerated capital allowances	(782,537)	(1,759,609)
Adjustments to current year tax in respect of previous periods	328,788	3,825
	<u>(441,186)</u>	<u>(1,832,370)</u>
c) Factors that may affect future tax		
There are no factors that are expected to affect future tax charges of the company.		
d) Provision for deferred tax	2002 £	2001 £
Accelerated Capital Allowances	2,535,266	1,759,609
Undiscounted provision for deferred tax liability	<u>2,535,266</u>	<u>1,759,609</u>
Deferred tax liability at start of period	1,759,609	-
Deferred tax charged in Profit & Loss account	775,657	1,759,609
Deferred tax liability at end of period	<u>2,535,266</u>	<u>1,759,609</u>

PRUDENTIAL LOGISTICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002
(continued)****8. DEBTORS - AMOUNTS DUE WITHIN ONE YEAR**

	2002 £	2001 £
VAT recoverable	-	931,547
Due from group undertakings	4,624,283	9,039,064
	<u>4,624,283</u>	<u>9,970,611</u>

Included in "Due from group undertakings" is an amount of £2.8 million in respect of amounts due under finance lease (2001: £2.8 million).

9. DEBTORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Amounts due from group undertakings under finance leases	21,450,876	24,060,659

The cost of assets acquired for the purpose of letting under finance leases during the period was nil (2001: £6.5 million).

10. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank overdrafts	-	6,909,342
Amounts owed to group undertakings	3,710,168	2,812,886
Other creditors including taxation	114,623	-
	<u>3,824,791</u>	<u>9,722,228</u>

11. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Amounts owed to group undertakings due within 1-2 years	3,231,909	3,713,258
Amounts owed to group undertakings due within 2-5 years	9,695,726	9,695,726
Amounts owed to group undertakings due within 5 + years	7,308,547	10,540,456
	<u>20,236,182</u>	<u>23,949,440</u>

PRUDENTIAL LOGISTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 **(continued)**

12. BANK CURRENT ACCOUNT

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 and all overdrawn balances of those group undertakings with similar arrangements.

13. CALLED UP SHARE CAPITAL

The authorised, allotted, called up and fully paid share capital of the Company is 100 Ordinary shares of £1 each.

14. IMMEDIATE AND ULTIMATE PARENT COMPANY

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

15. CAPITAL COMMITMENTS

The Company has no capital commitments at the year end (2001: £nil).

16. 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.

17. RESTATING THE 2001 COMPARATIVES

The 2001 comparative figures in the profit and loss account for turnover and cost of sales have been restated to reflect the supply of printed materials to group companies, which had previously been netted against one another. The restatement has no impact on the loss on ordinary activities before tax.

PRUDENTIAL LOGISTICS LIMITED

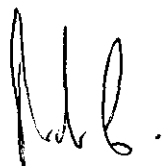
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those 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 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

After making appropriate enquiries, the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to use the going concern basis in preparing the financial statements.



R C Everett
Director

22 October 2003

PRUDENTIAL LOGISTICS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRUDENTIAL LOGISTICS LIMITED

We have audited the financial statements on pages 4 to 9.

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 directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 10, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 of the Company's affairs as at 31 December 2002 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc

Chartered Accountants

Registered Auditor

8 Salisbury Square

London

EC4Y 8BB

27 October 2003