

Registered No 4167734

## **PRUDENTIAL AUSTRALIA ONE LIMITED**

### **Report and Accounts for the year ended 24 September 2006**



## **PRUDENTIAL AUSTRALIA ONE LIMITED**

Incorporated and registered in England and Wales Registered no 4167734

Registered office Laurence Pountney Hill, London EC4R 0HH

### **Report and Accounts for the year ended 24 September 2006**

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**PRUDENTIAL AUSTRALIA ONE LIMITED**

**Directors**

M G Morbey  
D C Martin  
K M Page

**Secretary**

Prudential Group Secretarial Services Limited

**Auditor**

KPMG Audit Plc

## **PRUDENTIAL AUSTRALIA ONE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 24 SEPTEMBER 2006**

#### **Principal activity and business review**

The principal activity of the Company is to act as an investment holding company and this is expected to continue

On 14 November 2005 the loans from Prudential (Guernsey) Limited Partnership of A\$1,090,867,194 and A\$1,090,827,194 were converted to Sterling at the spot rate at that date. The interest rate on both these loans was altered to 12 month GBP libor plus 25 basis points and the loans are repayable on demand at the instigation of either party on not less than 14 days' written notice. At the same time the hedging agreements against foreign exchange fluctuations on these loans were terminated. On 15 November 2005 these loans were assigned to Park Avenue Investments (1965) Limited and on 16 May 2006 the loans were assigned to The Prudential (Guernsey) Trust

There are no key performance indicators because the Company is an intermediate investment holding company within the Prudential group

#### **Accounts and dividend**

The state of affairs of the Company at 24 September 2006 is shown in the balance sheet on page 5. The profit and loss account appears on page 4. No ordinary dividend is proposed for the year (2005 £nil). Interest of £25,859,199 has been accrued on the preference shares (2005 £31,183,643).

#### **Directors**

The present directors of the Company are shown on page 1. M G Morbey and J L Smitherman-Cairns were appointed as directors on 11 November 2005. On 28 July 2006 J L Smitherman-Cairns resigned as a director and D C Martin was appointed as a director. There were no other changes during the year. On 18 April 2007 A M Crossley resigned as a director. On 3 July 2007 K M Page was appointed as a director.

#### **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.

#### **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.

## **PRUDENTIAL AUSTRALIA ONE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 24 SEPTEMBER 2006 (continued)**

#### **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 directors and senior managers of 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), both of which were in force throughout the financial year and are currently in force.

#### **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.

#### **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.

On behalf of the Board of directors



On behalf of  
Prudential Group Secretarial Services Limited  
Secretary

23/07/2007

**PRUDENTIAL AUSTRALIA ONE LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 24 SEPTEMBER 2006**

		Year ended 24 September 2006 £000	Restated Year ended 24 September 2005 £000
	Note		
Income from shares in group undertaking*		16,690	46
Interest receivable from group undertakings	4	40,427	40,990
Interest payable*	5, 6	(73,172)	(87,623)
Profit (loss) on foreign currency exchange translation*		42,266	(38,770)
Profit (loss) on ordinary activities before tax*		26,211	(85,357)
Tax credit on profit (loss) on ordinary activities	2	1,654	3,413
Profit (loss) for the financial year*	8	27,865	(81,944)

All of the above items relate to continuing operations

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 24 SEPTEMBER 2006**

		Year ended 24 September 2006 £000	Restated Year ended 24 September 2005 £000
	Note		
Profit (loss) for the financial year (as above)*		27,865	(81,944)
Total recognised losses relating to the year		27,865	(81,944)
Prior year adjustment on adoption of FRS 21	1(g)	(16,690)	
Prior year adjustment on adoption of FRS 25	5, 6	(541,732)	
Total gains and losses recognised since last annual report		(530,557)	

**RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS FOR THE YEAR ENDED 24 SEPTEMBER 2006**

		Year ended 24 September 2006 £000	Restated Year ended 24 September 2005 £000
	Note		
Total recognised gains (losses) relating to the year (as above)*		27,865	(81,944)
Opening shareholder's funds (as originally reported)		734,413	734,382
Prior year adjustment on adoption of FRS 21	1(g)	(16,690)	(46)
Prior year adjustment on adoption of FRS 25	5, 6	(541,732)	(476,401)
Opening shareholder's funds (restated)*		175,991	257,935
Closing shareholder's funds*		203,856	175,991

\* The 2005 figures for these lines have been restated following the adoption of FRS 21 and FRS 25

**PRUDENTIAL AUSTRALIA ONE LIMITED**

**BALANCE SHEET AS AT 24 SEPTEMBER 2006**

		24 September 2006 £000	Restated 24 September 2005 £000
	Note		
<b>FIXED ASSETS</b>			
Shares in group undertakings	3	831,546	831,546
<b>CURRENT ASSETS</b>			
Amounts owed by group undertakings*	4	829,343	877,347
Deferred tax	2	-	2,040
Tax recoverable		4,600	-
Cash at bank and in hand		8,757	-
		842,700	879,387
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR*</b>	5	(1,039,403)	(635,575)
<b>NET CURRENT (LIABILITIES) ASSETS*</b>		(196,703)	243,812
<b>TOTAL ASSETS LESS CURRENT LIABILITIES*</b>		634,843	1,075,358
<b>CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR*</b>	6	(430,987)	(899,367)
<b>NET ASSETS*</b>		203,856	175,991
<b>CAPITAL AND RESERVES</b>			
Share capital*	7	373,550	373,550
Retained loss*	8	(169,694)	(197,559)
<b>TOTAL SHAREHOLDER'S FUNDS INCLUDING NON-EQUITY INTERESTS*</b>		203,856	175,991

The accounts on pages 4 to 10 were approved by the directors on

23 July 2007



M G Morbey

\* The 2005 figures for these lines have been restated following the adoption of FRS 21 and FRS 25

## **PRUDENTIAL AUSTRALIA ONE LIMITED**

### **NOTES TO 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 another company registered in England and Wales, group accounts are not prepared. Accordingly the accounts present information about the Company as an individual undertaking.
- (b) The Company has taken advantage of the exemption under FRS 1 (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) Shares in group undertakings are shown at cost, less impairment charges.
- (e) Foreign currency revenue transactions are translated at the rate ruling at the date of the transaction. Monetary foreign currency assets and liabilities are translated at the rate ruling at the balance sheet date or, in accordance with SSAP 20 where there are related or matching forward contracts, the rates of exchange specified in those contracts. Gains or losses arising on translation are taken to the profit and loss account.
- (f) The Company previously adopted the provisions of FRS 4, 'Capital instruments', under which dividends on the Company's preference shares were appropriated through the profit and loss account. However, as the Company did not have sufficient distributable reserves in order to declare such dividends, these amounts were credited back to retained profit. With effect from 1 January 2005, the presentation requirements of FRS 25 'Financial Instruments: Disclosure and Presentations' apply to the Company resulting in the recognition of the preference share capital and of the arrears of dividend as liabilities, and the dividend thereon as interest payable.
- (g) The Company previously recognised income from shares in group undertakings in the accounts to which the dividend related. Following the adoption of FRS 21, 'Events after the Balance Sheet Date', these dividends are now recognised when declared.

#### **2 Tax on loss on ordinary activities**

##### **(a) Analysis of tax credit for the year**

	Year ended 24 September 2006 £000	Year ended 24 September 2005 £000
Current tax		
UK corporation tax credit on profit (loss) for the year	3,711	5,041
Adjustments in respect of prior periods	(17)	(1,628)
Total current tax	3,694	3,413
Deferred tax		
Reversal of short-term timing differences	(2,040)	-
Total deferred tax	(2,040)	-
Tax credit on profit (loss) on ordinary activities	1,654	3,413

**PRUDENTIAL AUSTRALIA ONE LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

2 Tax on loss on ordinary activities (continued)

(b) Factors affecting tax credit for the year

Where the tax credit assessed in the year is different from the standard rate of Corporate Tax in the UK, 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 profits of the Company will be taxed.

	Year ended 24 September 2006 £000	Restated Year ended 24 September 2005 £000
Profit (loss) on ordinary activities before tax	26,211	(85,357)
Profit (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(7,863)	25,607
Effects of		
Adjustments in respect of prior periods	(17)	(1,628)
Non taxable income – UK source dividends	5,007	14
Non allowable foreign currency exchange profit (loss)	12,285	(11,225)
Reversal of short-term timing differences	2,040	-
Preference dividend	(7,758)	(9,355)
Current tax credit for the period	3,694	3,413

(c) Factors that may affect future tax charges

There are no factors that are expected to affect the future tax charges of the Company, other than those set out in paragraph (b) above.

(d) Deferred tax asset

The deferred tax asset at 24 September 2005 relates to short-term timing differences and arises from adjustments in respect of prior periods.

## **PRUDENTIAL AUSTRALIA ONE LIMITED**

### **NOTES TO THE ACCOUNTS (continued)**

#### **3 Shares in group undertakings**

<u>Name</u>	<u>Principal activity</u>	<u>Registered office</u>	<u>Class of shares held</u>	<u>Percentage held</u>
Prudential Corporation Limited	Finance company	England & Wales	Ordinary shares £1 each*	Nil
			Ordinary shares A\$1 each	100%
			Participating preference shares A\$1 each*	Nil
Prudential (Gibraltar) Limited	Investment holding company	Gibraltar	Ordinary shares £1 each	100%
			Redeemable preference shares £1 each*	Nil
Prudential (Gibraltar Two) Sarl	Finance company	Luxembourg	Ordinary shares US\$50 each	100%
Prudential (Gibraltar Three) Limited	Finance company	Gibraltar	Ordinary shares US\$1 each	100%

\*Held by another group company

#### **4 Amounts owed by group undertakings**

	24 September 2006 £000	Restated 24 September 2005 £000
Loans to group undertakings	796,304	796,304
Interest receivable	29,523	50,148
Dividends receivable	-	46
Other	3,516	30,849
	<u>829,343</u>	<u>877,347</u>

Loans to group undertakings comprise loans to the immediate parent company, Prudential Corporation Holdings Limited, of £420,090,767 and £376,212,993, both at an interest rate of 3 month GBP Libor plus 35 basis points

**PRUDENTIAL AUSTRALIA ONE LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**5 Creditors amounts falling due within one year**

	24 September 2006 £000	Restated 24 September 2005 £000
Loans from group undertakings	925,795	445,751
Dividends payable	-	70,533
Interest payable	113,608	114,749
Tax payable	-	3,712
Other	-	830
	<u>1,039,403</u>	<u>635,575</u>

On 14 November 2005 the loans from Prudential (Guernsey) Limited Partnership of A\$1,090,867,194 (£433,934,203 hedged value included above) and A\$1,090,827,194 (£433,918,292 hedged value included in note 6 below) were converted to Sterling at the spot rate at that date. The interest rate on both these loans was altered to 12 month GBP Libor plus 25 basis points and the loans are repayable on demand at the instigation of either party on not less than 14 days' written notice. At the same time the hedging agreements against foreign exchange fluctuations on these loans were terminated. On 15 November 2005 these loans were assigned to Park Avenue Investments (1965) Limited and on 16 May 2006 the loans were assigned to The Prudential (Guernsey) Trust.

With effect from 1 January 2005, the presentation requirements of FRS 25 apply to the Company resulting in the recognition of the arrears of preference share dividends of £96,493,777 at 24 September 2006 (£76,282,692 at 24 September 2005) as liabilities.

**6 Creditors amounts falling due after more than one year**

	24 September 2006 £000	Restated 24 September 2005 £000
Loan from group undertaking	-	433,918
6% cumulative preference share capital	430,987	465,449
	<u>430,987</u>	<u>899,367</u>

On 14 November 2005, the terms of the loan from group undertaking were changed and the related hedge agreement was terminated, as set out in note 5 above.

With effect from 1 January 2005, the presentation requirements of FRS 25 apply to the Company resulting in the recognition of the preference share capital as a liability, and the dividend thereon as interest payable.

The authorised preference share capital at both 24 September 2006 and 24 September 2005 was 2,000,000,000 preference shares of A\$1 each. The issued preference share capital at both dates was 1,090,827,194 preference shares of A\$1 each. These amounts have been translated into Sterling at the rates ruling at those dates of A\$2 5310 and A\$2 3436 to the pound respectively.

The preference shares carry the right to receive a cumulative preferential dividend at the rate of 6% per annum, payable as an interim dividend on 31 March following the financial year to which the dividend relates or on such other date as the directors of the Company shall in their absolute discretion determine. The preference shares are not redeemable, carry no voting rights except on a winding-up of the Company or on the variation of the rights attaching to the preference shares but carry preferential rights in priority to other shareholders to payment on a return of assets in the event of the winding-up of the Company.

## **PRUDENTIAL AUSTRALIA ONE LIMITED**

### **NOTES TO THE ACCOUNTS (continued)**

#### **7 Share capital**

	24 September 2006 £000	Restated 24 September 2005 £000
Authorised 1,000,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Issued and fully paid 373,550,379 ordinary shares of £1 each	373,550	373,550

With effect from 1 January 2005, the presentation requirements of FRS 25 apply to the Company resulting in the recognition of the preference share capital as a liability, as set out in note 6 above

#### **8 Retained loss**

	24 September 2006 £000	Restated 24 September 2005 £000
Balance at beginning of year (as restated)	(197,559)	(115,615)
Profit (loss) for the financial year	27,865	(81,944)
Balance at end of year	(169,694)	(197,559)

As a result of the implementation of FRS 21 and FRS 25, the balances at 25 September 2004 and at 24 September 2005 have decreased by £100,248,833 and £182,223,302 respectively

#### **9 Auditor's remuneration**

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

#### **10 Directors' emoluments**

The aggregate emoluments including pension contributions of the directors of the Company during the year were £nil (2005 £nil)

#### **11 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

#### **12 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 company that prepares group accounts, copies of which can be obtained from the Company Secretary, Laurence Pountney Hill, London EC4R 0HH

## **PRUDENTIAL AUSTRALIA ONE 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of the 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,
- 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. The directors 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



M G Morbey  
Director

23 July 2007

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL AUSTRALIA ONE LIMITED**

We have audited the financial statements of Prudential Australia One Limited for the year ended 24 September 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movement in Shareholder's Funds, the Balance Sheet and the related notes. 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 opinion we have formed.

### **Respective responsibilities of the directors and the auditor**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 11. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the 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.

In addition we 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 within 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 24 September 2006 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

**KPMG Audit Plc**

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

**24 July 2007**