

Registered no 4167734

PRUDENTIAL AUSTRALIA ONE LIMITED

Annual Report and Accounts

For the year ended 31 December 2010

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PRUDENTIAL AUSTRALIA ONE LIMITED

Incorporated and registered in England and Wales Registered no 4167734

Registered office Laurence Pountney Hill, London EC4R 0HH

Annual Report and Accounts for the year ended 31 December 2010

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PRUDENTIAL AUSTRALIA ONE LIMITED

Directors

D C Martin
M G Morbey

Secretary

Prudential Group Secretarial Services Limited

Auditor

KPMG Audit Plc

PRUDENTIAL AUSTRALIA ONE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Incorporated and registered in England and Wales Registered no 4167734

Principal activity and business review

The principal activity of the Company is to act as an investment holding company This activity is expected to continue in 2011

During the year, the Company earned partnership return of £67,076,000 (2009 £41,133,000) and incurred interest of £70,894,000 (2009 £43,705,000) on loans due to Prudential Six LP

On 14 May 2010, the Company received an interest bearing loan of £8 billion from Prudential (Gibraltar) Limited On the same day, it lent the funds on the same terms to Prudential Capital plc On 7 June 2010, both loans, including accrued interest of £10,294,000, were repaid

During the year, the Company incurred a loss on foreign currency exchange translation of £116,761,000 (2009 £82,020,000) mainly as a result of the impact of the strengthening of the Australian dollar against Sterling on the Company's Australian dollar denominated preference share capital and arrears of preference share dividends

Apart from the financial risk management objectives, policies and exposure set out below, the Company has no risks or uncertainties because it is an intermediate holding company within the Prudential Group For the same reason, there are no key performance indicators

Accounts and dividend

The state of affairs of the Company at 31 December 2010 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 (2009 £nil) Interest of £39,914,000 accrued on the preference shares for the year (2009 £34,307,000)

Post balance sheet events

On 23 February 2011, the Company was a party to a signed agreement with HM Revenue & Customs that reached settlement on a number of outstanding tax issues for the Prudential Group The tax entries within the Company reflect the current best estimate of the agreed position although adjustments may be required to tax balances to reflect the impact of revised group tax relief claims as and when they are finalised and these will be reflected in next year's accounts

Directors

The present directors of the Company are shown on page 1 Mr P R Merrey resigned as a director on 31 August 2010 There were no other changes during the 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 provide for the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office

PRUDENTIAL AUSTRALIA ONE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Financial risk management objectives, policies and exposure

The Company's financial risks primarily relate to Prudential Group activities which are managed and monitored at a Group level. The directors consider that there is a minimal level of risk associated with the Company's assets, liabilities and financial risks due to the current financial strength of the Group.

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.

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 aware, there is no relevant audit information of which the Company's auditor is unaware, and that 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 Companies Act 2006, KPMG Audit Plc will be deemed to be re-appointed auditor of the Company for the current financial year.

Signed on behalf of the Board of directors

Colleen Sutcliffe
On behalf of
Prudential Group Secretarial Services Limited
Secretary

3 August 2011

PRUDENTIAL AUSTRALIA ONE LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £000	2009 £000
Partnership return	4	67,076	41,133
Interest receivable from Group undertakings	4,5	10,606	28,132
Interest payable	5,6,7	(122,681)	(94,877)
Loss on foreign currency exchange translation	6,7	(116,761)	(82,020)
Loss on ordinary activities before tax		<u>(161,760)</u>	<u>(107,632)</u>
Tax credit/(charge) on loss on ordinary activities	2	2,374	(2,214)
Loss for the financial year	9	<u>(159,386)</u>	<u>(109,846)</u>

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

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £000	2009 £000
Loss for the financial year (as above)	(159,386)	(109,846)
Opening shareholders' funds	<u>253,296</u>	<u>363,142</u>
Closing shareholders' funds	<u>93,910</u>	<u>253,296</u>

The notes on pages 6 to 10 form part of these financial statements

PRUDENTIAL AUSTRALIA ONE LIMITED

BALANCE SHEET AT 31 DECEMBER 2010

	Note	2010 £000	2009 £000
FIXED ASSETS			
Investments			
Shares in Group undertakings	3	1,021,000	1,021,000
CURRENT ASSETS			
Amounts owed by Group undertakings	5	73,463	21,599
Tax recoverable		9,074	4,255
Cash at bank and in hand		9,181	606
		<u>91,718</u>	<u>26,460</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	6	(319,278)	(157,927)
NET CURRENT LIABILITIES		<u>(227,560)</u>	<u>(131,467)</u>
DEBTORS AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR			
Partnership interest	4	860,000	860,000
Accrued investment income	4	95,068	36,138
		<u>955,068</u>	<u>896,138</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,748,508</u>	<u>1,785,671</u>
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	7	(1,628,930)	(1,522,257)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	2	(25,668)	(10,118)
NET ASSETS		<u>93,910</u>	<u>253,296</u>
CAPITAL AND RESERVES			
Called up share capital	8	373,550	373,550
Profit and loss account	9	(279,640)	(120,254)
		<u>93,910</u>	<u>253,296</u>

The accounts on pages 4 to 10 were approved by the Board of directors on 3 August 2011 and signed on its behalf by



M G Morbey

Director

The notes on pages 6 to 10 form part of these financial statements

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, as permitted by Section 400 of the Companies Act 2006. 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) Interest receivable from and payable to Group undertakings and partnership return are recognised on an accruals basis. Dividends from Group undertakings are recognised in the period in which they are declared.
- (d) 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.
- (e) Shares in Group undertakings are shown at cost, less impairment charges.
- (f) 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 applicable at the balance sheet date with gains or losses arising taken to the profit and loss account.
- (g) Notwithstanding net current liabilities, the directors have prepared the accounts on a going concern basis because the Company has received assurances from Group undertakings that they will not call for repayment of their loans if that would render the Company unable to pay its other liabilities.

2 Tax credit/(charge) on loss on ordinary activities

(a) Analysis of tax credit/(charge) for the year

	2010 £000	2009 £000
Current tax		
UK corporation tax credit on result for the year	17,924	7,904
Total current tax credit	17,924	7,904
Deferred tax		
Origination and reversal of timing differences	(15,550)	(10,118)
Total deferred tax charge	(15,550)	(10,118)
Tax credit/(charge) on loss on ordinary activities	2,374	(2,214)

(b) Factors affecting current tax credit for the year

The tax credit assessed in the year is different from the application of the standard rate of corporation tax in the UK, and the differences are explained below. The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the period for which the losses of the Company will be taxed.

PRUDENTIAL AUSTRALIA ONE LIMITED

NOTES TO THE ACCOUNTS (continued)

2 Tax credit/(charge) on loss on ordinary activities (continued)

	2010 £000	2009 £000
Loss on ordinary activities before tax	(161,760)	(107,632)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	45,293	30,137
Effects of		
Partnership return	16,500	10,118
Non-allowable foreign currency exchange movement	(32,693)	(22,745)
Preference dividend	(11,176)	(9,606)
Current tax credit for the year	17,924	7,904

(c) Factors that may affect future tax charges

The UK standard corporation tax rate of 28% was reduced to 26% with effect from 1 April 2011 and to 25% with effect from 1 April 2012. The Chancellor has also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted. Aside from this, the only factors expected to affect the future tax charges of the Company are those detailed in (b) above.

(d) Provision for deferred tax

	2010 £000	2009 £000
Short term timing differences	(25,668)	(10,118)
Undiscounted provision for deferred tax liability	(25,668)	(10,118)
Reconciliation of provision for deferred tax		
Deferred tax liability at beginning of year	(10,118)	-
Deferred tax charged to the profit and loss account	(15,550)	(10,118)
Deferred tax liability at end of year	(25,668)	(10,118)

On 22 June 2010, the Chancellor announced that the main rate of UK corporation tax would reduce from 28% to 27% with effect from 1 April 2011. This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances at 31 December 2010 has been included in the figures above.

On 23 March 2011, the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011. The Finance Bill 2011 included a further reduction in the main rate of UK corporation tax to 25% with effect from 1 April 2012. This change became substantively enacted on 5 July 2011. These changes have not been reflected in the figures above as they were not substantively enacted at the balance sheet date.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above.

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 (Gibraltar) Limited	Finance company	Gibraltar	Class B ordinary shares of £1 each and Class A redeemable preference shares of £1 each	100%

No dividends were received by the Company in 2010 (2009 £nil)

4 Partnership interest

On 21 May 2009, the Company formed a partnership called Prudential Six LP with other Prudential Group companies. On the same day, the terms of the two loans advanced by the Company to Prudential plc totalling £860,000,000 were varied (in particular from that day onwards interest was payable on the loans at 7.75% per annum and the loans were to be repaid in full on 20 May 2016), and the Company then assigned the benefit of the loans to Prudential Six LP. The principal amount of the loans comprises the Company's interest in the partnership.

The Company earned partnership return of £67,076,000 (2009 £41,133,000), based on the Company's interest in the partnership, and up to 21 May 2009, interest on the loans of £12,416,000. In accordance with the partnership agreement, £8,146,000 (2009 £4,995,000) of the partnership return was paid in 2011 and the balance of £95,068,000 (2009 £36,138,000) will be paid in 2013.

5 Amounts owed by Group undertakings

	2010 £000	2009 £000
Loans to Group undertakings	65,219	14,997
Interest receivable	98	8
Partnership income (see note 4)	8,146	4,995
Other amounts due from ultimate parent company	-	1,599
	<u>73,463</u>	<u>21,599</u>

On 19 November 2010, the Company granted a loan of £50,000,000 to Prudential (Gibraltar) Limited, on which interest is payable at a rate of 12 month GBP LIBOR. This loan is repayable on demand.

At 31 December 2010, loans to Group undertakings included £15,219,000 (2009 £14,997,000) relating to the deferral of an interest payment by Prudential plc in 2008. Interest is payable on this deferred amount at a rate of 12 month GBP LIBOR plus 25 basis points.

On 14 May 2010, the Company received an interest bearing loan of £8 billion from Prudential (Gibraltar) Limited. On the same day, it lent the funds on the same terms to Prudential Capital plc. On 7 June 2010, both loans, including accrued interest of £10,294,000, were repaid.

PRUDENTIAL AUSTRALIA ONE LIMITED

NOTES TO THE ACCOUNTS (continued)

6 Creditors amounts falling due within one year

	2010 £000	2009 £000
Loans from Group undertakings	220,000	109,000
Interest payable	99,278	48,927
	<u>319,278</u>	<u>157,927</u>

On 19 November 2010, the Company received a loan of £220,000,000 from Prudential Group Holdings Limited. Interest is payable on this loan at 12 month GBP LIBOR and the loan is repayable on demand. On the same day, the Company repaid a loan of £109,000,000, together with accrued interest, to Prudential plc.

Interest payable includes arrears of preference share dividends of £90,735,000 (2009 £40,732,000). The movement of £50,003,000 (2009 £37,003,000) comprises a charge for the year ended 31 December 2010 of £39,914,000 (2009 £34,307,000) (see note 7) and a loss on translation of £10,089,000 (2009 £2,696,000).

7 Creditors amounts falling due after more than one year

	2010 £000	2009 £000
6% cumulative preference share capital	714,173	607,500
Loans from Group undertakings	914,757	914,757
Total	<u>1,628,930</u>	<u>1,522,257</u>

The issued preference share capital at both 31 December 2010 and 31 December 2009 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\$1 5274 and A\$1 7956 to the pound respectively, resulting in a loss on translation of £106,673,000 (2009 £78,537,000).

On 21 May 2009, the terms of the loans totalling £914,757,000 advanced by Prudential Securities Limited ("PSL") to the Company were varied (in particular from that day onwards interest was payable on the loans at 7.75% per annum and the loans were to be repaid in full on 20 May 2016) and PSL assigned the benefit of the loans to Prudential Six LP. Interest payable on these loans to Prudential Six LP was £70,894,000 (2009 £43,705,000) and to PSL up to 21 May 2009 was £16,103,000. Accrued interest at the end of the year was £8,158,000 (2009 £8,158,000).

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 dividend accrued in respect of the year ended 31 December 2010 was £39,914,000 (2009 £34,307,000). 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)

8 Called up share capital

	2010 £000	2009 £000
Issued and fully paid 373,550,379 ordinary shares of £1 each	373,550	373,550

9 Profit and loss account

	2010 £000	2009 £000
Balance at beginning of year	(120,254)	(10,408)
Loss for the financial year	(159,386)	(109,846)
Balance at end of year	(279,640)	(120,254)

10 Auditor's remuneration

Auditor's remuneration of £4,000 (2009 £4,000) is borne by the ultimate parent company, Prudential plc. 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.

11 Directors' emoluments

The aggregate emoluments including pension contributions of the directors of the Company during the year were £nil (2009 £nil).

12 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.

13 Immediate and ultimate parent company

The immediate parent company is Prudential Group Holdings Limited. The ultimate parent company is Prudential plc, which is the only parent company that prepares consolidated accounts. Copies of these accounts can be obtained from the Company Secretary at Laurence Pountney Hill, London EC4R 0HH.

14 Post balance sheet events

On 23 February 2011, the Company was a party to a signed agreement with HM Revenue & Customs that reached settlement on a number of outstanding tax issues for the Prudential Group. The tax entries within the Company reflect the current best estimate of the agreed position although adjustments may be required to tax balances to reflect the impact of revised group tax relief claims as and when they are finalised and these will be reflected in next year's accounts.

PRUDENTIAL AUSTRALIA ONE LIMITED

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 its profit or loss 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

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 31 December 2010 set out on pages 4 to 10. 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 11, 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 (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/private.cfm

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 2010 and of its loss 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 (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15, Canada Square,
Canary Wharf,
London E14 5GL

3 August 2011