

Registered No. 4167734

PRUDENTIAL AUSTRALIA ONE LIMITED

ANNUAL REPORT AND ACCOUNTS 2003



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 2003

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PRUDENTIAL AUSTRALIA ONE LIMITED

Director

A M Crossley

Secretary

Prudential Group Secretarial Services Limited

Auditors

KPMG Audit Plc

PRUDENTIAL AUSTRALIA ONE LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

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 in 2004.

Post balance sheet events

On 28 June 2004, the Company made a capital contribution of the entire issued share capital of Prudential Corporation Australasia Holdings Pty Limited to Prudential (Gibraltar) Limited, a group undertaking. On the same date, the Company acquired from Prudential Holdings Australia LLP, another group undertaking, the entire issued share capital of Prudential Corporation Limited for consideration with a value of A\$1,090,827,194 (£411,741,665).

Accounts and dividend

The state of affairs of the Company at 31 December 2003 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 (2002: £11,888,390). No preference dividend is proposed for the year (2002: £22,892,491) but the Company has appropriated a preference dividend of £27,546,141 (2002: £nil) as explained on page 7.

Director

The present sole director of the Company is shown on page 1. There were no changes during the year.

Director's interests

- (i) The sole director in office at the end of the year had interests in shares of 5p each in Prudential plc as follows:

In shares allocated under the Prudential Restricted Share Plan, in which shares are held in trust and represent the maximum award that can be made if the performance requirements of the Plan are met.

	<u>01.01.2003</u>	<u>31.12.2003</u>
A M Crossley	33,018	56,728

- (ii) Except as stated above, the sole director in office at the end of the year:

- (a) had no interest in shares in, or debentures of, any Group company either at the beginning of the year or at the end of the year; and
- (b) was not granted or exercised any right to subscribe for shares in, or debentures of, any Group company during the year.

PRUDENTIAL AUSTRALIA ONE LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

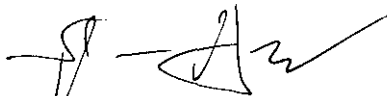
Creditor payment policy

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.

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 as auditors of the Company for the current financial year.

On behalf of the sole director.

A handwritten signature in black ink, appearing to be 'J. A. W.', is written over the text 'On behalf of'.

On behalf of
Prudential Group Secretarial Services Limited
Secretary

19 October 2004

PRUDENTIAL AUSTRALIA ONE LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	2003 £000	2002 £000
Income from shares in group undertaking	2	(69)	16,472
Interest receivable from group undertaking	6	32,514	35,749
(Loss) profit on foreign currency exchange translation		(737)	3,746
Interest payable	7	(36,473)	(31,353)
(Loss) profit on ordinary activities before tax		(4,765)	24,614
Tax credit on (loss) profit on ordinary activities	3	1,529	10,167
(Loss) profit on ordinary activities after tax		(3,236)	34,781
Dividends	4	(27,546)	(34,781)
Retained (loss) profit for the financial year	9	(30,782)	-

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 2003

		2003 £000	2002 £000
Retained (loss) profit for the financial year (as above)		(30,782)	-
Preference share appropriation	9	27,546	-
Movement in shareholders' capital and reserves		(3,236)	-
Shareholders' funds at beginning of year		757,279	757,279
Shareholders' funds at end of year		754,043	757,279

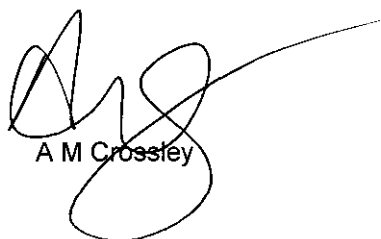
PRUDENTIAL AUSTRALIA ONE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Note	2003 £000	2002 £000
FIXED ASSETS			
Shares in group undertaking	5	455,870	378,855
CURRENT ASSETS			
Amounts owed by group undertaking	6	836,349	828,348
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(538,176)	(449,924)
NET CURRENT ASSETS		298,173	378,424
TOTAL ASSETS LESS CURRENT LIABILITIES		754,043	757,279
CAPITAL AND RESERVES			
Share capital	8	749,749	749,749
Retained profit	9	4,294	7,530
TOTAL SHAREHOLDERS' FUNDS INCLUDING NON-EQUITY INTERESTS		754,043	757,279

Shareholders' funds at 31 December 2003 comprise equity interests of £350,298,000 (2002: £381,080,000) and non-equity interests of £403,745,000 (2002: £376,199,000).

The accounts on pages 4 to 10 were approved by the director on 19 October 2004.



A M Crossley

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 cashflow 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 undertaking are shown at cost, subject to impairment.
- (e) Foreign currency revenue transactions are translated at the rate ruling at the date of the transaction. Foreign currency assets and liabilities, including the cost of the overseas subsidiary undertaking, are translated at period end exchange rates. Exchange differences relating to the investment in subsidiary undertaking and to the foreign currency borrowings used to hedge the investment are taken to reserves in accordance with SSAP 20. Other exchange differences are taken to the profit and loss account.
- (f) The Company has adopted the provisions of FRS 4, 'Capital instruments', which requires the amount of shareholders' funds attributable to equity and non-equity interests to be separately disclosed. Dividends for the year on the Company's cumulative preference shares have been appropriated through the profit and loss account. However, as the Company does not have sufficient distributable reserves in order to pay such preference share dividends, these dividends have been credited back within the profit and loss account reserves.

2. Income from shares in group undertaking

The negative income receivable in 2003 relates to a reduction in a prior year dividend declared by the Company's subsidiary, Prudential Corporation Australasia Holdings Pty Limited.

3. Tax on (loss) profit on ordinary activities

(a) Analysis of tax credit for the period

	2003 £000	2002 £000
UK Corporation tax credit on (loss) profit for the year	1,409	9,978
Adjustments in respect of prior periods	120	189
Tax credit on (loss) profit on ordinary activities	<u>1,529</u>	<u>10,167</u>

PRUDENTIAL AUSTRALIA ONE LIMITED

NOTES TO THE ACCOUNTS (continued)

3. Tax on (loss) profit on ordinary activities (continued)

(b) Factors affecting tax charge for the period

The tax credit assessed in the period is higher than the standard rate of Corporate 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 profits of the Company will be taxed.

	2003 £000	2002 £000
(Loss) profit on ordinary activities before tax	(4,765)	24,614
(Loss) profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	1,430	(7,384)
Effects of:		
Adjustments in respect of prior periods	120	189
Non taxable income – UK source dividends	(21)	4,942
Tax relief on foreign exchange losses in reserves	-	12,420
Current tax credit for the period	1,529	10,167

(c) Factors that may affect future tax charges

The only factors that are expected to affect the future tax charges of the Company are those detailed in (b) above.

3. Dividends

	2003 £000	2002 £000
<u>Dividends:</u>		
On preference shares:		
Fixed dividends at 6%	-	22,893
On ordinary shares:		
Interim dividend	-	11,888
Total	-	34,781
<u>Appropriations:</u>		
On preference shares:		
Fixed dividends at 6%	27,546	-
Total	27,546	34,781

In accordance with the provisions of FRS 4, the Company has appropriated through the profit and loss account the preference share dividend for the year on the 6% cumulative preference shares. However, as the Company does not have sufficient distributable reserves to pay this dividend, the dividend has been credited back to retained profit.

The arrears of dividend amount to £27,546,141 at 31 December 2003 and, in the analysis of shareholders' funds shown on page 5, have been added to non-equity interests and deducted from equity interests.

PRUDENTIAL AUSTRALIA ONE LIMITED

NOTES TO THE ACCOUNTS (continued)

5. Shares in group undertaking

Name	Principal activity	Registered office	% of ordinary shares held
Prudential Corporation Australasia Holdings Pty Limited	Investment holding company	Australia	100%

The cost of shares in group undertaking was A\$1,083,146,676. The exchange rate at 31 December 2003 was £1 to A\$ 2.3760 (2002: 2.8590).

On 28 June 2004, the Company made a capital contribution of the entire issued share capital of Prudential Corporation Australasia Holdings Pty Limited to Prudential (Gibraltar) Limited, a group undertaking. On the same date, the Company acquired from Prudential Australia Holdings LLP, another group undertaking, the entire issued share capital of Prudential Corporation Limited for consideration with a value of A\$1,090,827,194 (£411,741,665).

6. Amounts owed by group undertaking

	2003 £000	2002 £000
Loans to group undertaking	796,304	796,304
Interest receivable	40,045	31,975
Dividend receivable	-	69
	<u>836,349</u>	<u>828,348</u>

Loans to group undertaking 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 GBP three month LIBOR plus 35bp.

7. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Amounts due to group undertakings	536,336	449,659
Tax payable	1,840	265
	<u>538,176</u>	<u>449,924</u>

Amounts due to group undertakings include a foreign currency loan of A\$1,090,867,194, on which interest was payable at 8.1% per annum.

PRUDENTIAL AUSTRALIA ONE LIMITED**NOTES TO THE ACCOUNTS (continued)****8. Share capital**

	2003 £000	2002 £000
Authorised		
1,000,000,000 ordinary shares of £1 each	1,000,000	1,000,000
2,000,000,000 6% cumulative preference shares of A\$1 each	689,750	689,750
	<u>1,689,750</u>	<u>1,689,750</u>
Issued and fully paid		
373,550,379 ordinary shares of £1 each	373,550	373,550
1,090,827,194 6% cumulative preference shares of A\$1 each	376,199	376,199
	<u>749,749</u>	<u>749,749</u>

The Australian Dollar (A\$) share capital has been translated to Pounds Sterling (£) at the historic exchange rate of £1 to A\$2.8996.

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 director of the Company shall in his absolute discretion determine. The preference shares 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.

9. Retained profit

	2003 £000	2002 £000
Balance at beginning of year	7,530	7,530
Retained (loss) profit for the financial year	(30,782)	-
Preference share appropriation	27,546	-
Balance at end of year	<u>4,294</u>	<u>7,530</u>

10. Auditors' remuneration

Auditors' remuneration is borne by the ultimate parent company.

11. Director's emoluments

The aggregate emoluments including pension contributions of the director of the Company during the year were £nil (2002: £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.

PRUDENTIAL AUSTRALIA ONE LIMITED

NOTES TO THE ACCOUNTS (continued)

13. 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.

14. Post balance sheet events

On 28 June 2004, the Company made a capital contribution of the entire issued share capital of Prudential Corporation Australasia Holdings Pty Limited to Prudential (Gibraltar) Limited, a group undertaking. On the same date, the Company acquired from Prudential Holdings Australia LLP, another group undertaking, the entire issued share capital of Prudential Corporation Limited for consideration with a value of A\$1,090,827,194 (£411,741,665).

PRUDENTIAL AUSTRALIA ONE LIMITED

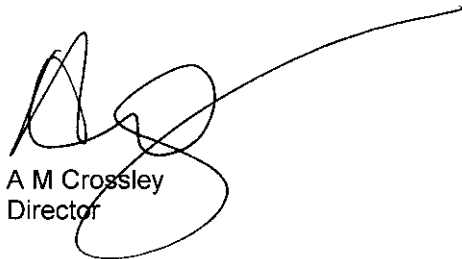
STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director 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 for that period.

In preparing those financial statements, the director is 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to help ensure that the financial statements comply with the Companies Act 1985. The director has general responsibility for taking such steps as are reasonably available to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



A M Crossley
Director

19. 10. 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRUDENTIAL AUSTRALIA ONE LIMITED

We have audited the financial statements on pages 4 to 10.

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 the director and auditors

The director is responsible for preparing the director's report and, as described on page 11, 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 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 director's 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 director's 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 director 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 state of the Company's affairs as at 31 December 2003 and of its 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
London

20 October

2004