

PRU LIFE U.K. 

PruLink Bond Fund

PruLink US Dollar Bond Fund

PruLink Managed Fund

PruLink Proactive Fund

PruLink Growth Fund

PruLink Equity Fund

2011
Annual Report

PRU LIFE U.K. 

2011 Annual Report

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Report from the CFO

"...Our life insurance business in Asia is now the biggest contributor to Group IFRS operating profit, making it our largest business..."

"...In the more emerging markets we continue to make good operational progress, and over time expect to see a steadily increasing contribution to growth and profits from our businesses in these territories. The PHILIPPINES had excellent APE sales growth of 30 percent, helping it leapfrog from 3rd place to become this rapidly developing country's largest life insurance provider in terms of new business, a very creditable achievement in this highly competitive market..."

- Tidjane Thiam, Prudential plc Group Chief Executive

Here in Pru Life UK, the word “stop” just does not exist.

We don't stop growing. Our “Road to Number One” strategy was thoroughly embraced by the entire company. Last year, we reported a stellar company performance and the prospects of sustainable growth continue to be strong. In 2011, our contribution to the Group's business has been recognized by our

Group CEO Tidjane Thiam and we are poised to continue this as we gain a deeper understanding of the market we are in year by year.

Philippine economic indicators are also very encouraging. Amid external shocks - economic difficulties in Europe, the US, the Middle East and North Africa (MENA), indigenization programs in major OFW destinations, worries in China's

excessive policy and even the devastating earthquake in Japan - the Philippine economic fundamentals remain strong.

We don't stop improving. We have revamped some of our bestselling products and continue to find ways to better serve our clients. We launched the PruLink Exact Protector, an improved version of PruLink Exact Plus, one of Pru Life UK's bestselling investment-linked products, and the response has been very good. The adage 'if it ain't broke, don't fix it' pales in the feat this upgrade has accomplished. We didn't fix it – we made it brand new. And based on our 2011 performance, we made our customers happy.

Our total gross premiums posted a 33% increase to P10.4 billion from P7.8 billion in 2010. As a result, our linked funds' net asset value increased to P22.3 billion as of December 2011 or a 48% increase from the previous year. We were able to recruit more than 1,500 new financial advisers while our bank partners

continued to deliver remarkable sales. This has indeed become a milestone in the Philippine insurance industry, placing us in the same level with our much older counterparts who used to dominate the market.

We don't stop giving new options for our clientele. We are proud to be able to offer the PruLink Asian Local Bond Fund, an investment fund that is the first of its kind in the country that allows Filipino consumers to invest in high growth Asian economies. All signs point to the fact that Asia is driving global growth and we are giving our customers a way to fully take advantage of this. The PruLink Asian Local Bond Fund is also invested in Eastspring Investments Singapore Limited's existing US\$ 730 million Asian Fund, giving it the enormity, strength and prestige other companies' funds could only hope to have.

In 2011, the Philippine Equity Market was one of the best performing in Asia and sovereign debt rating currently awaits investment grade mark. OFW

remittances reached an all time high at USD20 billion and governance reforms have increased investors' confidence in the Philippine market. Our fund manager, now renamed as Eastspring Investments (formerly Prudential Asset Management) based in Singapore, is mindful of all of these developments and contributed in steering toward a solid performance in 2011.

The past year was all about going full speed ahead - stop was just not in our vocabulary. And it won't be for the years to come.

If we read the signs right, Pru Life UK is poised to breakaway in 2012.

Cheers,

Lee Longa

Executive Vice President and Chief Financial Officer
Pru Life UK

Fund objectives

PruLink Bond Fund

The fund seeks to achieve an optimal level of income in the medium-term together with long-term capital growth through investments in fixed income securities and money market instruments.

PruLink US Dollar Bond Fund

The fund seeks to achieve an optimal level of income in the medium-term together with long-term capital growth through investments in fixed income securities denominated in USD.

PruLink Managed Fund

The fund seeks to optimize medium- to long-term capital and income growth through investment in fixed income securities, money market instruments and shares of stocks listed in the Philippine Stock Exchange.

PruLink ProActive Fund

The fund seeks to optimize medium- to long-term capital and income growth with emphasis on dynamic asset allocation by fund managers through investment in fixed income securities, money market instruments and shares of stocks listed in the Philippines.

PruLink Growth Fund

The fund seeks to optimize medium- to long-term capital and income growth, with an emphasis on strong capital growth, through a greater focus of investment in shares of stocks listed in the Philippines. The fund also invests in fixed income securities, and money market instruments.

PruLink Equity Fund

The fund seeks to optimize medium- to long-term capital growth through investments in shares of stocks listed in the Philippines.

Market review

Markets started 2011 on a positive note backed by optimism that the global economy was on a recovery path. Then a series of events- rising oil prices, political unrest in North Africa and Middle East, and a devastating earthquake in Japan- quickly undermined confidence. As the year progressed, investors had to grapple with concerns over US' growth and fiscal problems, Europe's escalating debt crisis, higher inflation and rising interest rate expectations in Asia. Worries that China might suffer a hard landing due to excessive policy tightening also affected sentiment.

But equity valuations in many markets suggest that much of the bad news was discounted in the September 2011 quarter market sell-offs. All in, value does seem increasingly apparent but this is not without its risks; the factors that undermined confidence over the past few years could still inflict another sell-off.

As December drew to a close, most equity markets

in the Asia region ex-Japan managed to eke out some gains, recovering in part the hefty across-the-board losses the previous month. China's move to cut its reserve requirement for banks for the first time since 2008 and the coordinated action by six of the world's central banks to cut funding costs for European lenders helped boost the market. A series of favorable US economic data boosted optimism and temporarily eased worries that Europe's debt crisis would erode global growth. The equity markets of Southeast Asian countries such as Malaysia, the Philippines and Indonesia, with inflation rates under their central bank's target zone, emerged the big outperformers in December.

Nonetheless the year was marked by heightened market volatility as investors swung between a "risk on" and "risk off" mode. Developed markets such as the US and Europe outperformed their Asian counterparts. The MSCI AC World Index (Total

Return Net) posted a decline of 7.35% in USD terms. Against such backdrop, Asia ex-Japan stock markets fell in 2011 as numerous issues troubled investors.

The Philippine equity market was one of the best-performing in Asia as benign inflation, resilient overseas Filipino workers remittances, improved credit standing and the country's low export dependence offset worries over the impact of the Euro zone sovereign debt crisis. The unveiling of a PhP72-billion (US\$1.7 billion) stimulus plan which would focus on public works and poverty alleviation projects as well as a credit rating outlook upgrade by Standard & Poor's and Moody's Investor Service cheered the equity market.

Elsewhere, low interest rates, positive economic data and elevated investor risk appetites boosted the performance of corporate, high yield, and

emerging market bonds in the first half of the year. The latter half, however, saw concerns over the Eurozone debt crisis and growth fears dominating sentiment. Sovereign bonds, especially developed market government bonds, rallied as investors sought safety.

Credit spreads widened in line with the heightened risk aversion but the effects were mitigated by the backdrop of declining US interest rates. Asian local bonds were beneficiaries of the lower domestic interest rates in the region. However the gains were partly negated by losses in Asian currencies, which fared poorly against the US Dollar on the back of flows into "safe-haven" currencies. All in all credit markets posted positive returns in 2011, with higher-quality credits outperforming lower quality ones.

Fund performance review

PruLink Bond Fund

The Philippine local currency bond market performed strongly in 2011 and was one of the key outperforming markets in the region. The strong performance of the market was attributed to significant declines in domestic government bond yields with the 10-year government bond yields falling by 69 bps over the year to 5.41%¹.

The declines in yields were in line with lower interest rates globally as concerns over the slowing global growth and the Eurozone sovereign debt crisis drove flight-to-quality flows into government bond

markets. Additionally, the Philippine local currency bond market was helped by a more dovish stance of the central bank as it kept policy rates on hold in second half 2011 following two policy rate hikes over the Mar-May period. The improving fiscal profile and sovereign credit rating upgrades by Moody's and Fitch also supported demand onshore.

Overall, the Fund rose by 9.97% over the year, underperforming the benchmark return of 12.82%. Whilst the fund maintained a generally neutral to slight duration overweight position during the year, the Fund's underweight at the long end of the yield

curve (maturity segment of more than 15 years) detracted from performance.

PruLink Managed Fund

The PruLink Managed Fund rose 8.11% over the review period, underperforming its composite benchmark by 3.94%. The underperformance over the review period is attributed mainly to the negative securities selection of both the fixed income and equity sub-funds. In terms of asset allocation, the Fund was neutral between equities and bonds for most part of the year but moved to an underweight position in equities since August. This has resulted

in asset allocation detracting slight value for the review period.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into bonds and cash. The Philippines remains one of the most unattractive equity markets within Asia, on both Price-to-Book and Price-to-Earning valuation measures. The fund manager is concerned that given such elevated valuations, equities are unlikely to outperform cash or bonds over the medium term. Significant underperformance in equities could occur in the event of extreme external risk aversion, similar periods such as the 1997 Asian financial crisis, the tech bubble in 2000, and the US sub-prime crisis in 2008. While the European Central Bank's long-term refinancing operation (LTRO) programme has eased European bank funding pressures, reducing the risk of a chaotic unwinding in the near term, the fund manager believes the risk of significant fiscal tightening in 2012 is likely to result in renewed fears of growth slowdown globally. Given Europe's sovereign debt overhang, fiscal tightening in developed economies and worries of

cyclical over-investment in China, the risk of a global downturn remains. In such a scenario, local equities at current valuation are unlikely to outperform local bonds, until the former trades at much attractive levels. As inflation moderates with slower economic growth, the need for further rate hikes is reduced. This will be supportive of local government bond prices. However, the fund manager is also wary of the potential capital outflows from emerging market bonds during periods of risk aversion, which might be slightly negative for bonds.

PruLink Growth Fund

The PruLink Growth Fund rose 4.33% over the review period, underperforming its composite benchmark by 4.60%. The underperformance over the review period is attributed mainly to the negative securities selection of both the fixed income and equity sub-funds. In terms of asset allocation, the Fund was neutral between equities and bonds for most part of the year but moved to an underweight position in equities since August. This has resulted in asset allocation detracting slight value for the review period.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into bonds and cash. The Philippines remains one of the most expensive equity markets within Asia, on both Price-to-Book and Price-to-Earning valuation measures. The fund manager is concerned that given such elevated valuations, equities are unlikely to outperform cash or bonds over the medium term. Significant underperformance in equities could occur in the event of extreme external risk aversion, similar periods such as the 1997 Asian financial crisis, the tech bubble in 2000, and the US sub-prime crisis in 2008. While the European Central Bank's long-term refinancing operation (LTRO) programme has eased European bank funding pressures, reducing the risk of a chaotic unwinding in the near term, the fund manager believes the risk of significant fiscal tightening in 2012 is likely to result in renewed fears of growth slowdown globally. Given Europe's sovereign debt overhang, fiscal tightening in developed economies and worries of cyclical over-investment in China, the risk of a global downturn remains. In such a scenario, local equities at current valuation are unlikely to outperform local

bonds, until the former trades at much attractive levels. As inflation moderates with slower economic growth, the need for further rate hikes is reduced. This will be supportive of local government bond prices. However, the fund manager is also wary of the potential capital outflows from emerging market bonds during periods of risk aversion, which might be slightly negative for bonds.

PruLink ProActive Fund

The PruLink ProActive Fund rose 5.11% over the review period, underperforming its composite benchmark by 5.52%. The underperformance over the review period is attributed mainly to the negative securities selection of both the fixed income and equity sub-funds. In terms of asset allocation, the Fund was neutral between equities and bonds for most part of the year but moved to an underweight position in equities since August. This has resulted in asset allocation detracting slight value for the review period.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into

bonds and cash. The Philippines remains one of the most unattractive equity markets within Asia, on both Price-to-Book and Price-to-Earning valuation measures. The fund manager is concerned that given such elevated valuations, equities are unlikely to outperform cash or bonds over the medium term. Significant underperformance in equities could occur in the event of extreme external risk aversion, similar periods such as the 1997 Asian financial crisis, the tech bubble in 2000, and the US sub-prime crisis in 2008. While the European Central Bank's long-term refinancing operation (LTRO) programme has eased European bank funding pressures, reducing the risk of a chaotic unwinding in the near term, the fund manager believes the risk of significant fiscal tightening in 2012 is likely to result in renewed fears of growth slowdown globally. Given Europe's sovereign debt overhang, fiscal tightening in developed economies and worries of cyclical over-investment in China, the risk of a global downturn remains. In such a scenario, local equities at current valuation are unlikely to outperform local bonds, until the former trades at much attractive levels. As inflation moderates with slower economic

growth, the need for further rate hikes is reduced. This will be supportive of local government bond prices. However, the fund manager is also wary of the potential capital outflows from emerging market bonds during periods of risk aversion, which might be slightly negative for bonds.

PruLink Equity Fund

The Fund posted a return of 3.48% in 2011, underperforming its total return benchmark by 4.16%. The Fund's lack of exposure to Lepanto Consolidated Mining Company weakened its performance last year as favourable gold prices lifted mining stocks. The overweight in Filinvest Land, Inc. also detracted from performance as its share price corrected due to weak third-quarter results and difficulty in securing mortgages from the Home Development Mutual Fund on the account of the institution's more stringent requirements. Cebu Air, Inc was the worst performing among the Philippines Composite Index (PSE Index) component stocks last year due to higher jet fuel costs, hurting the Fund, which had an overweight position.

The Fund's off-benchmark position in Puregold Price Club, Inc. bolstered its performance as shares of the hypermarket operator rose on expectations of resilient consumer spending and its plans to double its store numbers in five years. The Fund's overweight position in Security Bank Corporation also helped performance as the stock rose 36% in the year due to its inclusion in the PSE Index, and on expectations of strong loans and earnings growth. Not owning ABS-CBN Corporation proved beneficial to the Fund as shares of the broadcaster underperformed on heightened competition and its removal from the PSE Index.

PruLink US Dollar Bond Fund

Despite a relatively positive start, volatility rose as the year progressed on the back of a series of negative events which impacted investor sentiment. Investors were unnerved by the deteriorating

Eurozone sovereign debt crisis, as the impact of the crisis spilled over to more Eurozone nations and the banking system, creating widespread fear that the crisis would spiral out of control. The political uprisings in the Middle East and North Africa region, impact from the severe Japan earthquake, as well as political discord in the US over debt reduction also added to the list of worries.

Amidst the heightened risk aversion globally, credit spreads of the USD-denominated Philippine sovereign bonds widened over the year. This was despite some positive news flow on the domestic front, including the improving fiscal position, sovereign credit upgrades by external agencies as well as relatively resilient remittances from overseas foreign workers. However, the negative impact of credit spread widening was offset by the sharp decline in US interest rates, resulting in an overall

gain of 11.5%¹ in the Philippine USD sovereign bond market (as represented by JPMorgan EMBI Global Philippines index). US interest rates have declined significantly as the jittery market backdrop drove flight-to-quality flows into government bonds.

Over the year, the Fund posted a gain of 9.36%, underperforming the benchmark by 2.13%. The Fund's underweight in short-dated government bond issues detracted from performance against the benchmark, as prices of these issues were well supported due in part to the government bond's debt exchange program (which involved the exchange of shorter-tenor bonds to longer-tenor ones) which basically created a shortage of short dated bonds which onshore banks still seek after.

All fund performance figures are net of management fees.

¹Bloomberg, 31 December 2011

Fund Performance

PruLink Funds	Actual Year-on-year Jan. 3, 2011 - Jan. 2, 2012	Since Inception (per annum)	Unit Price as of Jan.2, 2012
PruLink Peso Bond Fund	9.98%	8.83%	2.19030
PruLink USD Bond Fund	9.36%	8.48%	2.01060
PruLink Managed Fund	8.11%	10.72%	2.57050
PruLink ProActive Fund	5.11%	21.44%	1.74560
PruLink Growth Fund	4.33%	15.41%	2.52082
PruLink Equity Fund	3.48%	6.00%	1.27660

Fund returns are Net of Annual Management Charge; based on unit price as of Jan.2, 2012; PhP Bond and Managed Funds are 112 months from inception; USD Bond Fund is 103 months from inception; Growth Fund is 78 months from inception; Equity Fund is 50 months from inception, ProActive Fund is 34 months from inception. (Launch dates: PhP Bond and Managed Funds - September 2002, USD Bond Fund - June 2004, Growth Fund - July 2005, Equity Fund - October 2007, ProActive Fund - February 2009). Past performance is not necessarily indicative of the future or likely performance of the fund.



United Kingdom
Holborn Bars, London

PRU LIFE U.K.



United Arab Emirates



China

Korea

Japan

A legacy of financial strength

The trusted name for generations of families from Victorian Britain, to families of victims of the Titanic and veterans of World War II, Prudential plc of United Kingdom has been providing financial security since 1848.

Expanding across the globe to the United States and Asia, Prudential plc reached the Philippine shores in 1998 through Pru Life UK.

The sole British life insurance company in the Philippines, Pru Life UK is an advocate of listening and understanding the needs of the Filipino. The pioneer in unit-linked life insurance in the country, Pru Life UK has emerged as one of the leading life insurance companies, providing financial protection and wealth management options for Filipinos.

Now, Pru Life UK offers policyholders* a unique insurance-investment opportunity through the PruLink Asian Local Bond Fund, a dollar-denominated fund that is invested in offshore bonds issued by Asian economies.

A deeply-rooted foundation. A solid track record. A secure future.

The legacy of financial strength and stability continues.

Pru Life UK. Always Listening. Always Understanding.

*Initially available to existing and new dollar-denominated Pru/Allstate policyholders

PRU LINK Asian
Local Bond Fund



Pru Life UK is an indirect subsidiary of Prudential plc, a United Kingdom-registered company. Pru Life UK and Prudential plc are **not affiliated** with Prudential Financial, Inc. (a US-registered company), Philippine Prudential Life Insurance Company or Prudential Life Plans, Inc. (both Philippine-registered companies).

Pru Life UK is a life insurance company which never sold pre-need plans in its 15-year history in the Philippines.

Investment outlook

2012 has started with some encouraging market performances, sparked by better than anticipated US and Chinese economic data. But it is probably too early to say they represent a trend. The factors fuelling 2011's volatility, that is, Europe's sovereign and banking issues and growth concerns, remain in place - to varying degrees.

On the domestic front, the Philippines' third quarter GDP grew 3.7% in 2011, slower than the 7.6% expansion a year earlier and the government's target of at least 4.5%². The economic growth was pulled down by slower construction activity and farm output growth, although the negative impact was

mitigated by resilient consumer spending and higher government consumption over the quarter.

Meanwhile, inflation for the whole year of 2011 averaged 4.4% and 4.8% using the 2000-based and 2006-based Consumer Price Index (CPI) series, respectively, well within the government's announced target range of 3-5% for the year³.

During 2011, the Monetary Board increased the key policy interest rate in the months of March and May, against the backdrop of stronger inflation pressures. More recently, in Asia, monetary policies in several countries were eased amid ongoing uncertainties in

the macroeconomic environment. This included the Philippines, where the Bangko Sentral ng Pilipinas decided to cut its policy rates by 25 bps to 4.25% (reverse repo)⁴ after keeping its policy rates steady for the past eight months. The central bank cited the slowdown in the global economy, as well as its expectations that the average annual inflation rates would fall within the lower half of its inflation target, as the key reasons for the rate cut.

Elsewhere, remittances from overseas Filipinos coursed through banks for 2011 expanded by 7.2%, to US\$20.1 billion, relative to the year-ago level. The growth in cumulative remittances through December

slightly surpassed the government's projection of a 7% expansion in 2011⁵.

Going forward, the fund manager remains positive on the long-term outlook of the Philippines in view of its economic resilience and improvement in macro fundamentals. The country's macro fundamentals remain intact, underpinned by improving fiscal position, strong OFW remittances and low reliance on exports. However, the Philippines has been one of the best-performing equity markets in Asia in 2010 and 2011 and may be susceptible to profit-taking in the near term. Longer-term, the market is expected to be driven by corporate earnings growth.

The fund manager is mindful of the risks of potential market correction due to a spike in risk aversion and uncertain external environment, and will continue to monitor the macro situation while maintaining our bottom-up, valuation-driven investment approach. The fund manager views any sharp market correction as an opportunity to accumulate fundamentally strong companies at more attractive valuations

¹Bloomberg, 31 December 2011

²Bloomberg, 30 January 2012

³Bangko ng Pilipinas, 5 January 2012

⁴Bangko ng Pilipinas, 19 January 2012

⁵Bangko ng Pilipinas, 15 Feb 2012

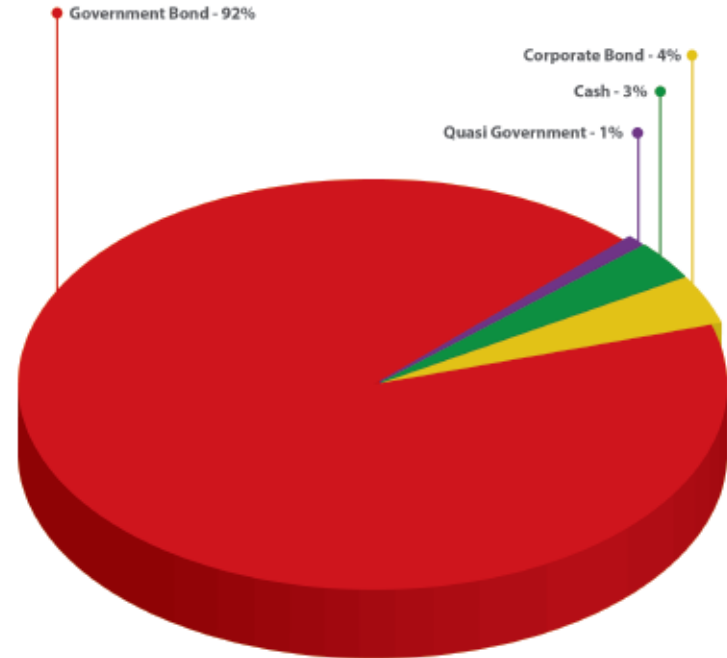
PruLink Bond Fund

Fund CCY: PhP

AS AT 31 Dec 2011

ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY	ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY6972EEZ26	PHILIPPINE GOVERNMENT 11.875% 25/08/2015	PHP	9,000,000.00	PHY6972FQJ21	PHILIPPINE GOVERNMENT 7.625% 29/09/2036	PHP	64,350,000.00
PHY6972FFR65	PHILIPPINE GOVERNMENT 10.125% 15/12/2015	PHP	10,000,000.00	PHY6972FKF62	PHILIPPINE GOVERNMENT 9.25% 05/11/2034	PHP	67,898,000.00
SPTB1012A021	PHILIPPINE GOVERNMENT 14% 31/01/2012	PHP	11,000,000.00	PHY6972FCC24	PHILIPPINE GOVERNMENT 7.125% 02/11/2013	PHP	71,000,000.00
PHY6972FAY61	PHILIPPINE GOVERNMENT 9.25% 12/01/2016	PHP	15,000,000.00	00MERUSN2021	MANILA ELECTRIC COMPANY 6.89% 29/06/2021	PHP	90,000,000.00
PHY6972FEW69	PHILIPPINE GOVERNMENT 8.5% 29/11/2032	PHP	15,000,000.00	PHY6972FNJ57	PHILIPPINE GOVERNMENT 7.25% 19/08/2020	PHP	100,000,000.00
	ROBINSONS LAND CORP 8.25 27/08/2014	PHP	20,000,000.00	PHY6972FMR82	PHILIPPINE GOVERNMENT 5.375% 28/10/2017	PHP	100,000,000.00
	JG SUMMIT HOLDINGS INC 8.25% 20/11/2014	PHP	20,000,000.00	PHY6972FMZ09	PHILIPPINE GOVERNMENT 5.875% 16/12/2020	PHP	100,000,000.00
	AYALA CORPORATION 7.2% 30/04/2017	PHP	29,000,000.00	PHY6972FMH01	PHILIPPINE GOVERNMENT 6.125% 16/09/2020	PHP	100,000,000.00
	ROBINSONS LAND CORP 8.5% 14/07/2014	PHP	30,000,000.00		PHILIPPINE GOVERNMENT 5.75% 24/11/2021	PHP	100,000,000.00
PHY6972FJY70	PHILIPPINE GOVERNMENT 7% 24/09/2016	PHP	35,000,000.00	PHY6972FEM87	PHILIPPINE GOVT RPGB 6.5% 04/10/2014	PHP	106,000,000.00
PHY6972FCN88	PHILIPPINE GOVERNMENT 8% 07/12/2026	PHP	40,000,000.00	PHY6972FLC23	PHILIPPINE GOVERNMENT 7% 31/03/2017	PHP	110,000,000.00
	SAN MIGUEL BREWERY INC 8.25% 03/04/2012	PHP	40,000,000.00	PHY6972FNG19	PHILIPPINE GOVERNMENT 5.875% 19/08/2015	PHP	120,000,000.00
PHY6972FHF00	PHILIPPINE GOVERNMENT 9.5% 04/12/2028	PHP	40,000,000.00	PHY6244VAN74	NATIONAL POWER CORP 5.875% 19/12/2016	PHP	130,000,000.00
PHY6972FKN96	PHILIPPINE GOVERNMENT 5.25% 07/01/2013	PHP	50,000,000.00	PHY6972FDZ00	PHILIPPINE GOVERNMENT 7.75% 23/08/2017	PHP	135,000,000.00
	POWER SECTOR ASSETS&LI 6.875% 22/04/2015	PHP	50,000,000.00	NPCZ0712K017	NATIONAL POWER CORP 0% 29/11/2012	PHP	140,000,000.00
PHY6972FNK21	PHILIPPINE GOVERNMENT 4.625% 25/11/2015	PHP	50,000,000.00	PHY6972FNC05	PHILIPPINE GOVERNMENT 6.625% 19/08/2017	PHP	144,250,000.00
PHY6972FBV14	PHILIPPINE GOVERNMENT 9.375% 05/10/2031	PHP	55,000,000.00	PHY6972FKV13	PHILIPPINE GOVERNMENT 7.75% 18/02/2020	PHP	150,000,000.00
PHY6972FBF63	PHILIPPINE GOVERNMENT 7% 27/04/2016	PHP	60,000,000.00		PHILIPPINE GOVERNMENT 7.375% 03/03/2021	PHP	150,000,000.00
PHY6972FML13	PHILIPPINE GOVERNMENT 8% 30/09/2035	PHP	60,000,000.00		SM INVESTMENTS CORP 6.625% 26/09/2021	PHP	150,000,000.00
PHY6972FGN43	PHILIPPINE GOVERNMENT 8.375% 22/05/2015	PHP	61,000,000.00	PHY6972FLS74	PHILIPPINE GOVERNMENT 8.75% 27/05/2030	PHP	160,000,000.00

ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY6972FBS84	PHILIPPINE GOVERNMENT 10.25% 19/01/2026	PHP	167,000,000.00
PHY6972FJX97	PHILIPPINE GOVERNMENT 6.25% 24/09/2014	PHP	170,000,000.00
PHY6972FLN87	PHILIPPINE GOVERNMENT 6.375% 13/05/2015	PHP	200,000,000.00
PHY6972FHT04	PHILIPPINE GOVERNMENT 7.875% 19/02/2019	PHP	211,000,000.00
PHY6972FFF28	PHILIPPINE GOVERNMENT 5.875% 31/01/2018	PHP	228,000,000.00
PHY6972FAZ37	PHILIPPINE GOVERNMENT 8.75% 03/03/2013	PHP	249,577,343.00
	PHILIPPINE GOVERNMENT 6.5% 28/04/2021	PHP	282,680,000.00
US718286BJ59	REPUBLIC OF PHILIPPINES 4.95% 15/01/2021	PHP	299,000,000.00
US718286BM88	REPUBLIC OF PHILIPPINES 6.25% 14/01/2036	PHP	306,000,000.00
PHY6972FBK58	PHILIPPINE GOVERNMENT 9.125% 04/09/2016	PHP	331,000,000.00
	PHILIPPINE GOVERNMENT 6.375% 19/01/2022	PHP	400,000,000.00
PHY6972FJC50	PHILIPPINE GOVERNMENT 6.25% 27/01/2014	PHP	466,580,187.00
PHY6972FHQ64	PHILIPPINE GOVERNMENT 7% 27/01/2016	PHP	535,358,552.00
PHY6972FNA49	PHILIPPINE GOVERNMENT 8.125% 16/12/2035	PHP	702,866,695.00
	PHILIPPINE GOVERNMENT 8% 19/07/2031	PHP	1,190,945,185.00
Total			8,728,505,962.00



PruLink Bond Fund

PruLink US Dollar Bond Fund

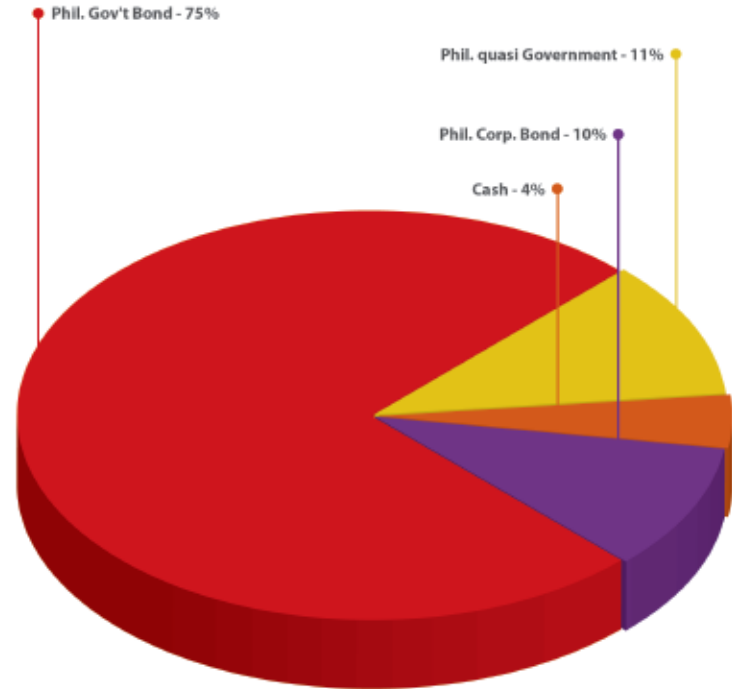
Fund CCY: USD

AS AT 31 Dec 2011

ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
XS0615133880	MEGAWORLD CORP 6.75% 15/04/2018	USD	300,000.00
XS0592233729	DEV BANK PHILIPPINES 5.5% 25/03/2021	USD	400,000.00
USY77488AB35	SHINHAN BANK 4.125% 04/10/2016	USD	500,000.00
XS0575947642	ENERGY DEVELOPMENT CORP 6.50% 20/01/2021	USD	1,118,000.00
XS0484494843	RCBC 6.25 09/02/2015	USD	1,400,000.00
US71825PAD06	PHILIPPINE LONG DIST TEL8.35% 06/03/2017	USD	1,500,000.00
USY6244HAE81	NATIONAL POWER CORP 6.875% 02/11/2016	USD	1,530,000.00
US718286BC07	REPUBLIC OF PHILIPPINES 7.5% 25/09/2024	USD	1,900,000.00
XS0550961477	BANCO DE ORO UNIBANK 3.875% 22/04/2016	USD	1,900,000.00
XS0493501125	ICTPM 7.375% 17/03/2020	USD	2,000,000.00

ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
US718286BA41	PHILIPPINE GOVT BOND 8% 15/01/2016	USD	2,000,000.00
XS0543421100	SM INVESTMENTS CORP 5.5 % 13/10/2017	USD	2,523,000.00
US718286AQ02	PHILIPPINE GOVT BOND 9.375% 18/01/2017	USD	2,700,000.00
US718286AK32	PHILIPPINE GOVT BOND 9.875% 15/01/2019	USD	2,800,000.00
USY7083VAB54	POWER SECTOR ASSETS&LI 7.25% 27/05/2019	USD	3,900,000.00
US718286BE62	REPUBLIC OF PHILIPPINES 8.375% 17/6/2019	USD	4,290,000.00
US718286BF38	REPUBLIC OF PHILIPPINES 6.5% 20/01/2020	USD	4,500,000.00
USY7083VAD11	POWER SECTOR ASSETS &LI 7.39% 02/12/2024	USD	4,700,000.00
US718286BD89	PHILIPPINE GOVT BOND 6.375% 15/01/2032	USD	5,008,000.00
US718286AP29	PHILIPPINE GOVT BOND 10.625% 16/03/2025	USD	5,450,000.00

ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
US718286BN61	REPUBLIC OF PHILIPPINES 5.5% 30/03/2026	USD	5,600,000.00
US718286AY36	PHILIPPINE GOVT BOND 9.50% 02/02/2030	USD	6,400,000.00
US718286BK23	REPUBLIC OF PHILIPPINES 4% 15/01/2021	USD	7,774,000.00
US718286BB24	PHILIPPINE GOVT BOND 7.75% 14/01/2031	USD	8,500,000.00
US718286BG11	REPUBLIC OF PHILIPPINES 6.375%23/10/2034	USD	10,900,000.00
Total			89,593,000.00



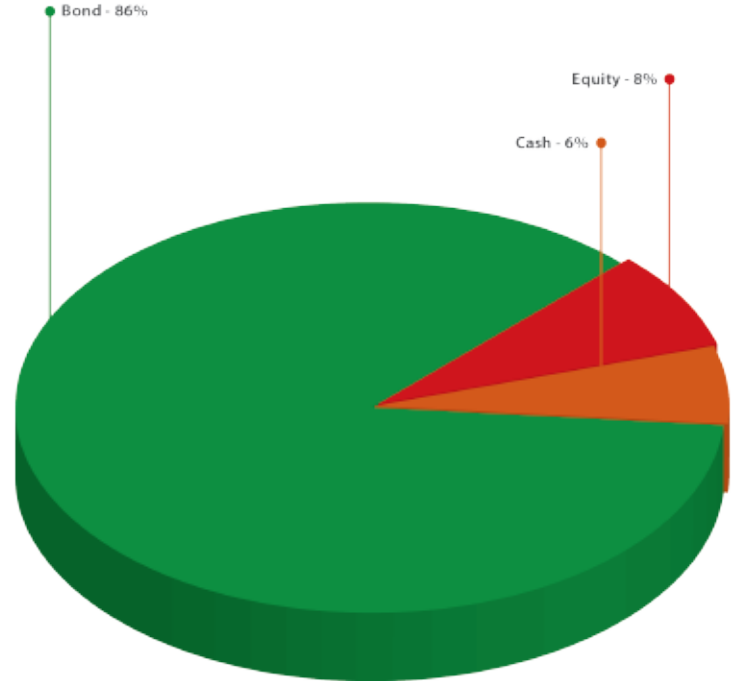
PruLink US Dollar Bond Fund

PruLink Managed Fund

Fund CCY: PhP

AS AT 31 Dec 2011

ISIN CODE	SECURITY NAME	SEC CCY	Quantity
PHY000038074	PRULIFE UK- PRULINK BOND FUND	PHP	1,612,371,725.54
PHY000038073	PRULIFE UK - PRULINK EQUITY FUND	PHP	258,828,852.70
		Total	1,871,200,578.24



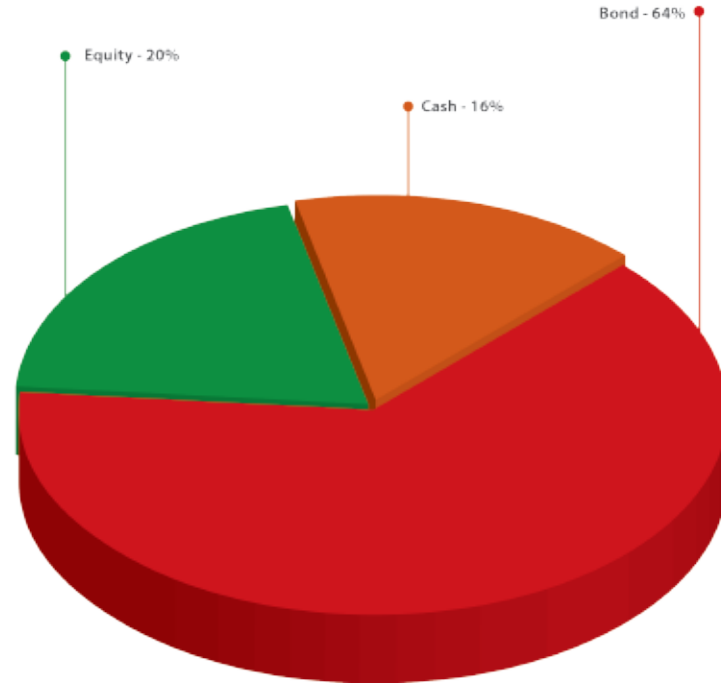
PruLink Managed Fund

PruLink ProActive Fund

Fund CCY: PhP

AS AT 31 Dec 2011

ISIN CODE	SECURITY NAME	SEC CCY	Quantity
PHY000038074	PRULIFE UK- PRULINK BOND FUND	PHP	1,565,305,066.98
PHY000038073	PRULIFE UK - PRULINK EQUITY FUND	PHP	827,484,124.09
Total			2,392,789,191.07



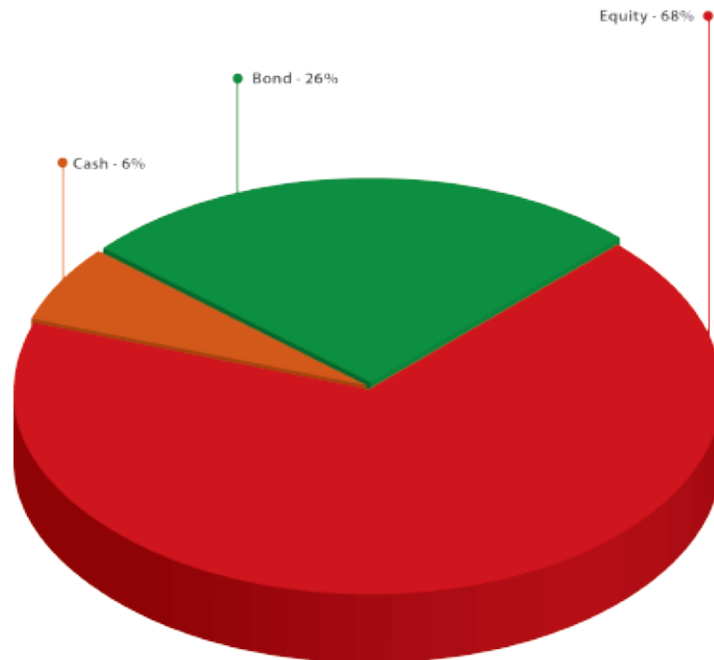
PruLink ProActive fund

PruLink Growth Fund

Fund CCY: PhP

AS AT 31 Dec 2011

ISIN CODE	SECURITY NAME	SEC CCY	Quantity
PHY000038074	PRULIFE UK- PRULINK BOND FUND	PHP	268,734,156.59
PHY000038073	PRULIFE UK - PRULINK EQUITY FUND	PHP	1,207,600,191.34
Total			1,476,334,347.93



PruLink Growth Fund

PruLink Equity Fund

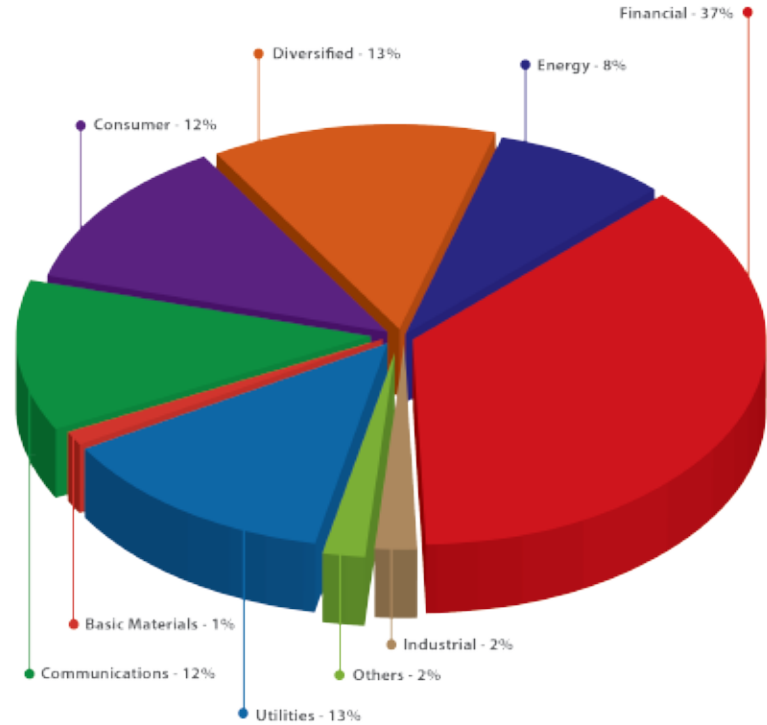
Fund CCY: PhP

AS AT 31 Dec 2011

ISIN CODE	SECURITY NAME	SEC CCY	Quantity	ISIN CODE	SECURITY NAME	SEC CCY	Quantity
PHY0001Z1040	ABOITIZ EQUITY VENTURES INC	PHP	7,351,900.00	PHY272571498	GLOBE TELECOM INC	PHP	97,003.00
PHY0005M1090	ABOITIZ POWER CORPORATION	PHP	7,010,600.00	PHY2728R1006	GMA HOLDINGS INC-PDR	PHP	7,572,200.00
PHY003341054	ALLIANCE GLOBAL GROUP INC	PHP	23,279,800.00	PHY411571011	INTERNATIONAL CONTAINER TERMINAL SERVICE	PHP	2,167,040.00
PHY0486V1154	AYALA CORPORATION	PHP	626,611.00	PHY444251177	JG SUMMIT HOLDINGS INC	PHP	5,524,100.00
PHY0488F1004	AYALA LAND INC	PHP	18,563,607.00	PHY4466S1007	JOLLIBEE FOODS CORPORATION	PHP	645,760.00
PHY0967S1694	BANK OF PHILIPPINE ISLANDS	PHP	5,220,330.00	PHY5764J1483	MANILA ELECTRIC COMPANY	PHP	255,537.00
PHY077751022	BDO UNIBANK INC	PHP	4,420,446.00	PHY569991086	MANILA WATER COMPANY	PHP	7,248,440.00
PHY1234G1032	CEBU AIR INC	PHP	891,750.00	PHY594811127	MEGAWORLD CORPORATION	PHP	36,146,000.00
PHY138161062	CHINA BANKING CORPORATION	PHP	211,704.00	PHY603051020	METRO PACIFIC INVESTMENTS CORPORATION	PHP	29,973,000.00
PHY2088F1004	DMCI HOLDINGS INC	PHP	2,333,100.00	PHY6028G1361	METROPOLITAN BANK & TRUST COMPANY	PHP	4,210,215.00
PHY2292T1026	ENERGY DEVELOPMENT CORP	PHP	43,758,350.00	PHY689911352	PHILEX MINING CORP	PHP	2,539,362.00
PHY249161019	FILINVEST LAND INC	PHP	78,185,000.00	PH7182521093	PHILIPPINE LONG DISTANCE TELEPHONE CO	PHP	217,009.00
PHY2518H1143	FIRST GEN CORPORATION	PHP	9,849,339.00	PHY716171079	PUREGOLD PRICE CLUB INC	PHP	2,914,800.00
PHY2558N1203	FIRST PHILIPPINE HOLDINGS CORPORATION	PHP	788,467.00	PHY731961264	ROBINSONS LAND CORPORATION	PHP	5,576,850.00

Portfolio statement//Asset mix//PruLink Equity Fund

ISIN CODE	SECURITY NAME	SEC CCY	Quantity
PHY751061151	SAN MIGUEL CORPORATION	PHP	1,652,840.00
PHY7571C1000	SECURITY BANK CORP	PHP	894,841.00
PHY7627Y1552	SEMIRARA MINING CORP	PHP	726,720.00
PHY806761029	SM INVESTMENTS CORP	PHP	621,385.00
PHY8076N1120	SM PRIME HOLDINGS INC	PHP	10,780,677.00
PHY9297P1004	UNIVERSAL ROBINA CORPORATION	PHP	2,651,200.00
PHY9382G1068	VISTA LAND & LIFESCAPES INC	PHP	29,179,000.00
Total			354,084,983.00



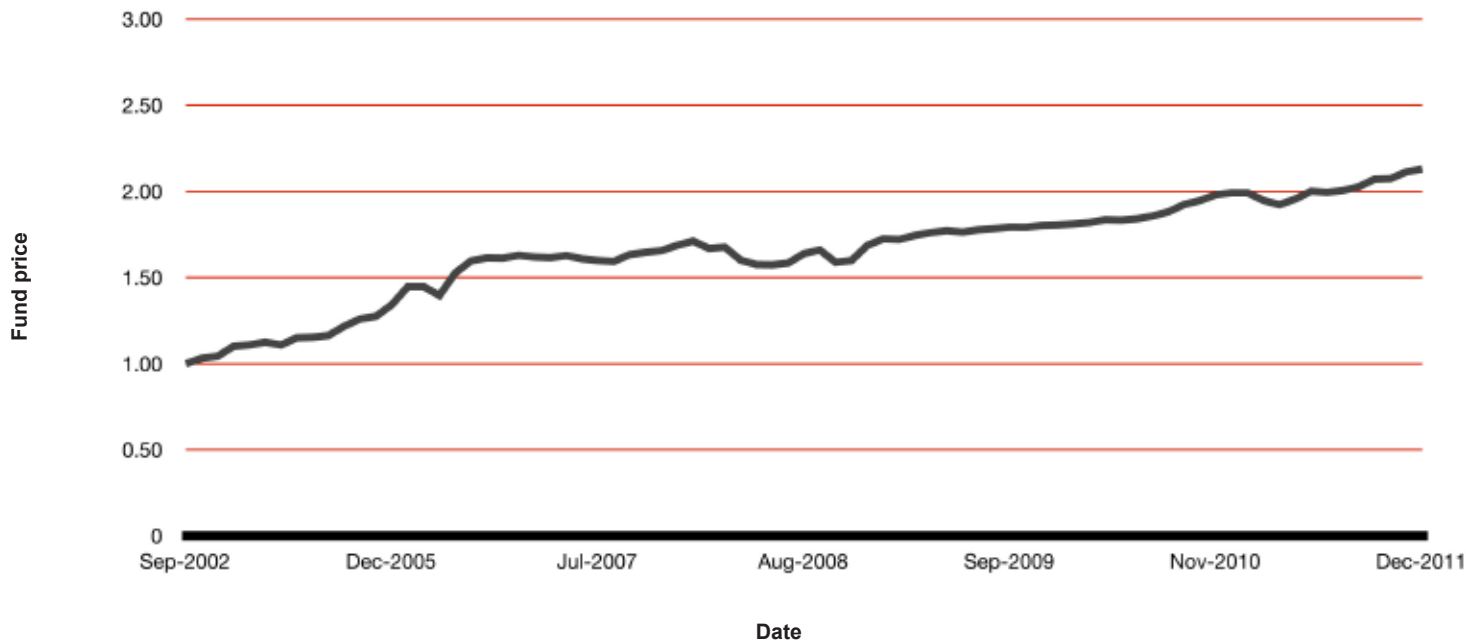
PruLink Equity Fund

Top 10 Holdings (Equity Only)

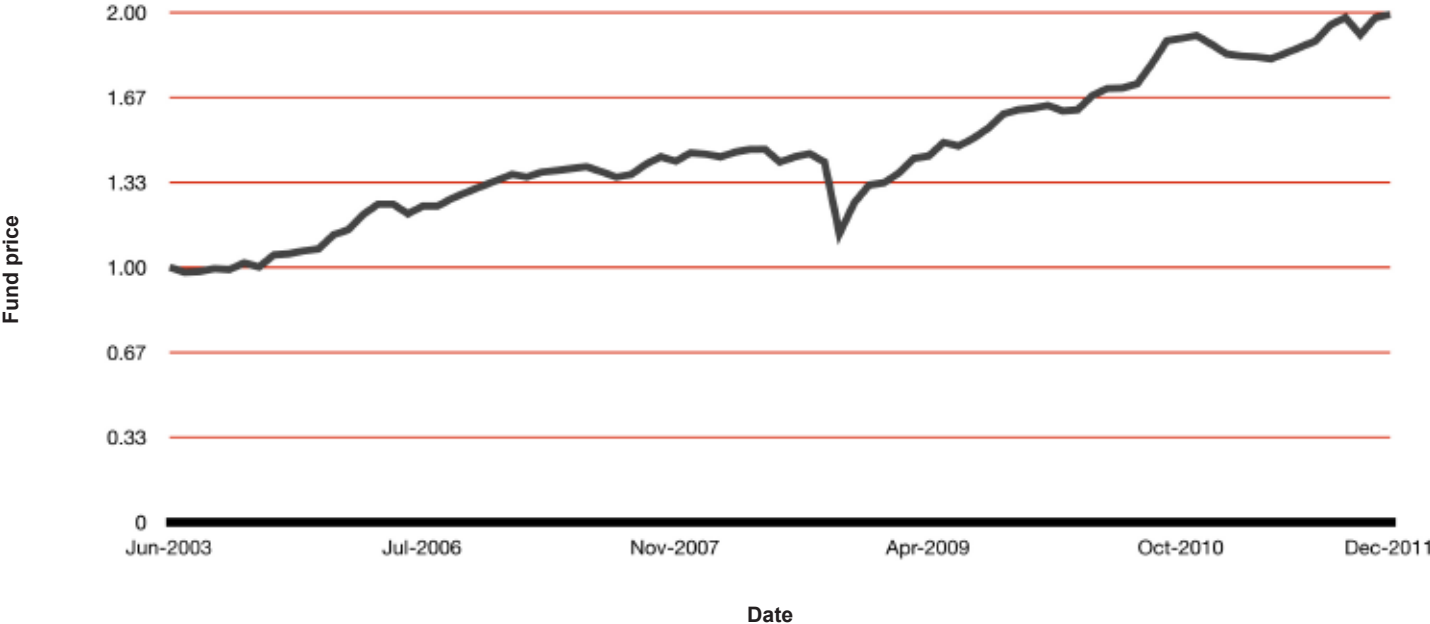
AS AT 31 Dec. 2011:

ISIN CODE	SECURITY NAME	% of Total Fund
PH7182521093	PHILIPPINE LONG DISTANCE TELEPHONE CO	9.92%
PHY806761029	SM INVESTMENTS CORP	6.51%
PHY0001Z1040	ABOITIZ EQUITY VENTURES INC	5.31%
PHY0967S1694	BANK OF PHILIPPINE ISLANDS	5.18%
PHY6028G1361	METROPOLITAN BANK & TRUST COMPANY	5.14%
PHY0488F1004	AYALA LAND INC	5.06%
PHY2292T1026	ENERGY DEVELOPMENT CORP	4.95%
PHY077751022	BDO UNIBANK INC	4.69%
PHY003341054	ALLIANCE GLOBAL GROUP INC	4.33%
PHY0005M1090	ABOITIZ POWER CORPORATION	3.77%

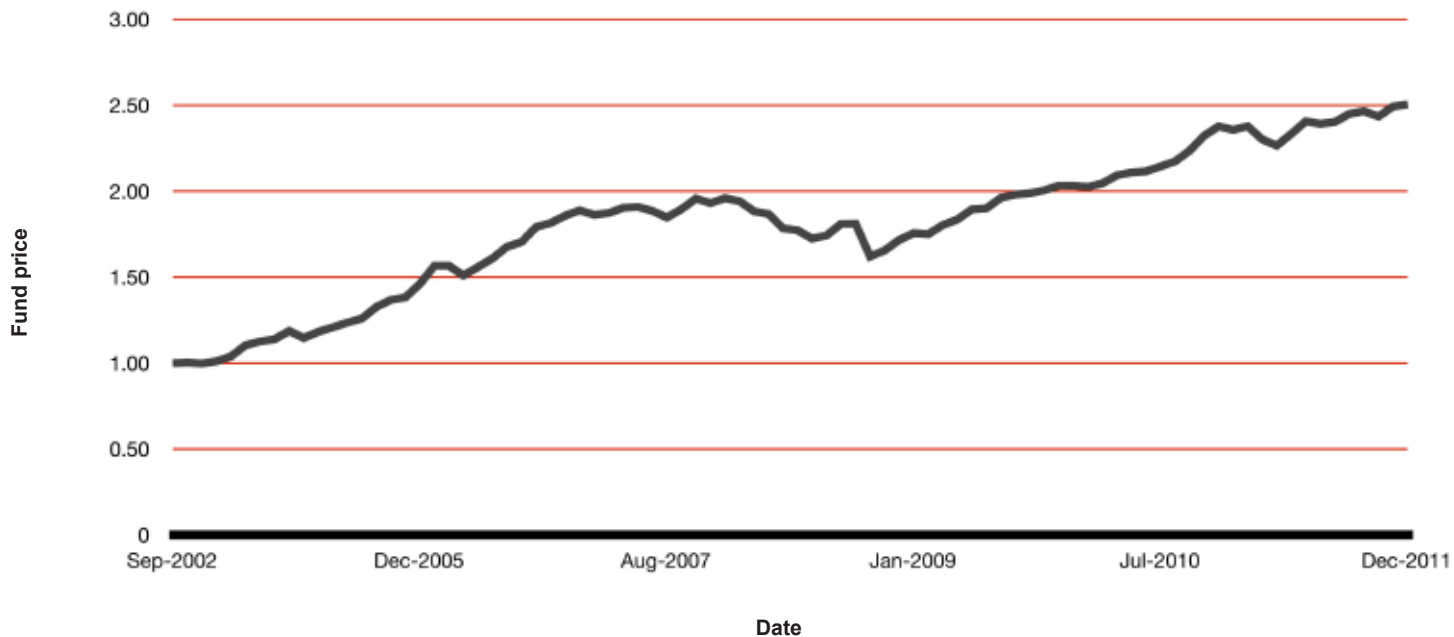
PruLink Bond Fund



PruLink US Dollar Bond Fund



PruLink Managed Fund



PruLink Proactive Fund



PruLink Growth Fund



PruLink Equity Fund



Fund Manager's Profile

The information in this Annual Report is a consolidated summary of the official report issued by Pru Life UK's Fund Manager and the 2011 Audited Financial Statement of Prulife UK. All information obtained from the official report issued by Eastspring Investment have been reproduced with their permission.

Chow Wing Kin, Investment Director

Chow Wing Kin is an Investment Director, Asian Equities at Eastspring Investment. Wing Kin joined Prudential in 1999 and is our Philippines, Indonesia and Thailand country specialist also managing the relevant country funds. In addition, Wing Kin is the manager for our ASEAN advisory mandate as well as the Japan domiciled Eastspring Investments Growing Asia Equity Fund. Wing Kin has over 15 years of investment experience. Prior to Eastspring Investments, Wing Kin was an investment analyst at The Insurance Corporation of Singapore. Wing Kin holds a Bachelor's degree in Business from Nanyang Technological University, Singapore.

Low Guan Yi, Assistant Director - Fixed Income

The Prulink Bond Fund is managed by Guan Yi who has 13 years of investment experience in Asian fixed income. She is currently responsible for the pan-Asian local currency bond portfolios, as well as the Philippines and Thailand single-country portfolios. Prior to joining, she helped to launch and manage an Asian local currency fund at Bank Pictet et Cie Asia Ltd. Before that, she was managing Asian local currency and credit portfolios at Fullerton Fund Management Company (a member of Temasek Holdings), and at Standard Chartered Bank Singapore. Guan Yi holds a Bachelor of Business from Nanyang Technological University, Singapore and is a Chartered Financial Analyst (2001).

Leong Wai Mei, Assistant Director, Fixed Income

The Prulink USD Bond Fund is managed by Wai Mei who has 11 years of investment experience. Prior to joining the firm, Wai Mei has worked in various capacities in relation to credit including holding positions as Senior Analyst at the Bank of Nova Scotia Asia Ltd, Commerce International Merchant Bankers (CIMB), Malaysia and ABN AMRO Bank, Singapore. Wai Mei holds a Postgraduate Diploma (Finance) from Melbourne University and Bachelor of Business (Accounting) from RMIT, Australia. She is a Certified Public Accountant (1996).

Phua Zhenghao, Portfolio Manager – Global Asset Allocation

The Prulink Managed Fund, Prulink ProActive Fund and the Prulink Growth Fund are managed by Zhenghao. He joined Eastspring Investments in September 2010 as Junior Portfolio Manager in the Global Asset Allocation Team. In his current role, Zhenghao is responsible for the management of the various Asian Balanced Funds. In addition, Zhenghao is responsible for asset class research, investment modelling and asset allocation tools, with an in-depth focus on macroeconomics. Prior to joining Eastspring Investments, Zhenghao was Asset Allocation Research Analyst with UOB Asset Management in Singapore and was responsible for strategic and tactical asset allocation research. Zhenghao has 3 years of investment experience and has passed all three levels of CFA examination. Zhenghao graduated from National University of Singapore in 2008 with a Bachelor of Business Administration (Honours).

PRU LIFE INSURANCE CORPORATION OF U.K.
 (A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)
PRULINK OPERATED BY THE LINKED FUND

COMBINED FINANCIAL STATEMENTS
 December 31, 2011 and 2010

PRU LIFE INSURANCE CORPORATION OF U.K.
 (A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)
 COMBINED STATEMENTS OF ASSETS AND ACCOUNTABILITIES
 OF THE PRULINK OPERATED BY THE LINKED FUND
 AS AT DECEMBER 31
 (Amounts in Thousands)

	2011										2010											
	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Combined	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Combined	
Assets																						
Cash and cash equivalents		P164,373	P248,737	P236,994	P158,974	P68,497	P2,377	P144	P29,547	P87,683	P1,838,878	P8,283	P234,329	P30,034	P6,293	P257,822	P1,863	P284	P112,049	P238,782	P867,439	
Interest receivables		29	142,615	87,248	22	5,361	894	681	-	106	237,576	-	78,499	53,454	1	1,495	897	661	9	8	131,170	
Receivables from life fund	2	5,844	11,865	14,337	2,545	2,384	-	-	-	31,886	97,521	-	3,735	9,572	13,434	542	-	-	-	33,556	69,608	
Investments at fair value through profit or loss	3	3,881,999	9,743,317	4,899,391	2,138,231	5,582,881	17,992	18,778	-	4,484,854	30,689,443	1,034,340	5,186,298	2,956,563	2,157,288	5,971,982	28,809	19,327	-	1,861,886	21,312,545	
Other assets		-	-	-	-	-	-	-	-	-	-	-	1	-	5	-	-	-	-	-	35,006	
		4,121,845	10,145,134	5,197,679	2,180,742	5,639,623	31,262	19,525	29,547	5,358,049	32,833,219	1,118,244	5,524,899	3,053,475	2,196,116	6,241,283	31,369	20,212	112,058	2,314,332	22,515,788	
Liability to Life Fund and Other Linked Funds		-	(7,548,815)	-	(4,242)	(2,933,753)	-	(2,073)	-	(307)	(10,489,298)	(181)	(3,886,825)	-	(6,354)	(3,485,883)	-	(1,638)	(183,679)	-	(7,383,892)	
Accrued Expenses		(270)	(5,416)	(1,746)	(384)	(2,789)	(8)	(7)	(8)	(954)	(9,262)	(99)	(1,388)	(1,033)	(34)	(3,683)	(7)	(4)	(33)	(280)	(6,483)	
Trade Payable		-	-	-	-	(10)	-	-	-	-	(18)	-	-	-	(42,253)	-	-	-	-	-	(42,253)	
Net Assets		P4,121,845	P2,596,305	P5,195,934	P2,176,236	P2,705,871	P31,255	P17,445	P29,539	P5,357,288	P22,844,926	P1,118,064	P1,715,866	P3,052,422	P2,152,508	P2,798,892	P31,362	P18,568	P9,344	P2,131,672	P15,183,188	

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
 (A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)
COMBINED STATEMENTS OF CHANGES IN NET ASSETS
OF THE PRULINK OPERATED BY THE LINKED FUND
FOR THE YEARS ENDED DECEMBER 31
 (Amounts in Thousands)

Note	2011										2010									
	Managed Fund	Bond Fund (Pesa)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Combined	Managed Fund	Bond Fund (Pesa)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Combined
Net assets at beginning of year	P3,118,984	P1,715,564	P2,052,422	P2,152,508	P1,790,892	P31,362	P38,598	P9,344	P2,234,872	P15,103,148	P2,264,901	P1,275,937	P1,614,842	P1,659,283	P1,786,607	P44,853	P27,330	P2,199	P201,820	P8,877,472
Net additions/withdrawals to the fund (or creation of units)	711,694	36,925	1,733,987	30,127	(228,082)	(1,124)	(1,825)	20,698	2,894,855	5,294,457	428,659	(6,320)	1,285,967	(152,228)	(817,720)	(18,135)	(11,544)	4,382	1,833,882	2,545,673
	5,830,678	1,782,891	4,786,409	2,382,635	1,570,810	30,238	16,775	29,042	5,098,127	26,307,605	2,693,260	1,269,617	2,900,809	1,507,055	968,817	26,718	15,786	6,361	2,834,902	11,423,145
FUND INCOME	-	-	-	-	203,458	-	-	-	-	203,458	(1)	-	-	137,689	-	-	-	-	-	337,848
Dividend income	1,547	495,147	238,881	758	2,208	2,162	1,431	1,207	4,482	747,824	423	397,310	138,494	121	3,640	2,213	1,456	4,875	1,152	458,584
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized appreciation (depreciation) of investment at fair value through profit or loss	125,198	673,444	228,153	(75,855)	(534,131)	(817)	(549)	-	215,934	681,517	377,863	261,837	56,760	590,635	1,287,879	981	715	8	178,672	2,784,570
Gain (loss) on sale of investment at fair value through profit or loss	181,026	27,597	15,247	176,210	592,694	-	-	-	46,328	1,029,712	51,062	9,855	11,151	87,424	499,883	1,784	845	-	5,366	685,596
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FUND EXPENSES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	(1299)	(241,839)	130	(132)	388	(7)	(1)	(265)	1897	(342,278)	(92)	(64,897)	(2)	(24)	(723)	(9)	(7)	(816)	(237)	(96,802)
Management fees	(4,295)	(114,137)	(64,230)	(4,460)	(142,854)	(321)	(211)	(545)	(20,327)	(553,480)	(3,131)	(87,234)	(34,780)	(2,703)	(105,833)	(323)	(123)	(1,284)	(3,783)	(239,345)
	300,917	841,812	489,315	96,801	132,261	1,013	870	497	244,961	2,026,591	425,724	446,589	151,613	645,453	1,822,055	4,644	2,812	1,883	179,170	3,680,905
NET ASSETS AT END OF YEAR	P4,331,595	P2,560,963	P5,195,724	P2,279,236	P1,763,071	P31,155	P37,445	P29,539	P5,352,388	P21,334,556	P5,118,984	P1,715,966	P3,052,422	P2,152,508	P2,790,892	P51,362	P38,598	P9,344	P2,234,872	P15,103,148

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
 (A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)
 COMBINED STATEMENTS OF CASH FLOWS
 OF THE PRULINK OPERATED BY THE LINKED FUND
 FOR THE YEARS ENDED DECEMBER 31
 (Amounts in Thousands)

Note	2011										2010										
	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Combined	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Combined	
CASH FLOWS FROM OPERATING ACTIVITIES																					
Net income (decrease) in net assets from operations for the year	2390,517	1940,012	1409,215	196,601	7132,261	71,017	1678	1497	2244,661	11,026,951	1425,724	1446,349	1151,613	1645,435	11,822,015	14,644	12,812	11,585	1179,170	25,680,903	
Adjustments for:																					
Unrealized (appreciation) / depreciation of investment at fair value through profit or loss	2,318 (125,198)	(673,444)	(228,153)	75,855	524,131	817	548	-	(215,074)	(632,517)	(377,463)	(281,857)	(36,766)	(580,635)	(1,287,479)	(981)	(715)	(0)	(138,672)	(2,704,570)	
Loss (gain) on sale of investment	3,8 (181,836)	(27,587)	(15,247)	(176,218)	(583,894)	-	-	-	(46,328)	(1,028,712)	(51,902)	(9,857)	(11,151)	(87,424)	(499,887)	(1,784)	(885)	-	(3,366)	(662,286)	
Interest income	(1,347)	(495,147)	(338,881)	(78)	(2,308)	(2,182)	(1,431)	(1,307)	(4,483)	(747,034)	(423)	(387,600)	(138,494)	(321)	(1,648)	(2,213)	(1,456)	(4,875)	(1,152)	(458,584)	
Dividend income	-	-	-	-	(283,456)	-	-	-	-	(202,456)	1	-	-	-	(177,689)	-	-	-	-	(137,688)	
Operating loss before working capital changes	(8,884)	(355,178)	(64,286)	(4,621)	(3,42,466)	(328)	(321)	(810)	(31,234)	(595,758)	(3,223)	(332,171)	(34,792)	(2,727)	(186,556)	(334)	(222)	(2,190)	(4,800)	(286,145)	
Decrease (increase) in:																					
Receivable from Life Fund	(2,529)	(1,855)	835	(2,021)	7,595	-	-	-	2,150	2,087	7,217	(1,758)	6,834	3,941	(7,558)	-	-	-	(32,924)	(24,254)	
Other Assets	-	-	-	35,068	-	-	-	-	-	35,068	-	98	(35,000)	-	-	-	-	-	-	(34,982)	
Liability to Life Fund and Other Linked Funds	(161)	3,741,959	-	(42,211)	(471,310)	-	60	(183,679)	307	3,125,398	161	1,668,277	-	46,554	1,563,184	-	1,639	1,834	-	3,221,548	
Increase (decrease) in accountabilities	171	1,508	693	118	(42,529)	-	3	(27)	694	(39,277)	25	536	423	(9)	42,455	(4)	(26)	3	230	(81,631)	
Net cash from (to) operating activities	(9,583)	3,286,429	(64,286)	(13,727)	(648,710)	(328)	254	(184,516)	(18,072)	2,527,258	4,168	1,474,882	(27,533)	12,739	1,491,445	(338)	1,342	(283)	(38,714)	2,919,868	

Forward

Financial Statements

Note	2011										2010									
	Managed Fund	Bond Fund (Powe)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Positive Fund	Combined	Managed Fund	Bond Fund (Powe)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Positive Fund	Combined
CASH FLOWS FROM INVESTING ACTIVITIES																				
Acquisition of investments - net																				
5, 8	(P)225,464	(P)3,825,976	(P)1,667,226	P)127,264	P)77,965	P -	P -	P -	(P)2,261,466	(P)7,704,685	(P)381,262	(P)1,538,543	(P)1,500,485	P)35,444	(P)22,079	P)5,952	P)7,711	P -	(P)865,128	(P)5,586,909
5, 8	1,323	427,832	364,386	737	2,322	2,164	1,421	1,318	4,385	644,889	425	294,757	117,984	123	7,644	2,743	1,753	4,144	1,150	426,611
5, 8	-	-	-	-	199,179	-	-	-	-	199,179	(1)	-	-	-	136,559	-	-	-	-	156,538
Net cash used from investing activities																				
	(524,141)	(3,428,944)	(1,463,042)	128,241	679,467	2,364	1,421	1,518	(2,257,081)	(6,860,587)	(380,838)	(1,243,786)	(1,382,561)	136,867	(81,871)	18,675	16,464	4,144	(1,663,978)	(5,023,300)
CASH FLOWS FROM FINANCING ACTIVITIES																				
Net additions/withdrawals to the fund for creation of units																				
	711,694	36,923	1,733,988	36,127	(220,002)	(1,122)	(1,823)	26,694	2,894,055	5,204,454	428,659	(6,720)	1,285,967	(152,226)	(117,778)	(18,135)	(11,544)	4,162	1,833,042	2,545,675
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS																				
	177,979	(5,591)	366,546	164,631	(189,325)	714	(138)	(82,562)	648,001	871,219	51,989	22,476	(124,147)	(5,402)	91,804	202	282	8,647	192,390	441,841
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR																				
	86,283	256,329	39,834	6,293	257,822	1,662	284	112,049	218,782	967,429	34,214	29,853	154,181	9,495	166,038	1,361	2	164,082	26,792	525,618
CASH AND CASH EQUIVALENTS AT END OF YEAR																				
	P)64,173	P)248,737	P)36,594	P)156,914	P)68,497	P)2,377	P)146	P)19,547	P)837,683	P)1,838,678	P)66,203	P)25,129	P)16,034	P)6,293	P)257,822	P)1,661	P)284	P)112,049	P)18,782	P)67,459

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
 (A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 OF THE PRULINK OPERATED BY THE LINKED FUND
 (Amounts in Thousands, Except as Indicated)

1. Organization and Business

Pru Life Insurance Corporation of U.K. (the Company) was incorporated in the Philippines on January 17, 1996, primarily to engage in the business of life insurance. On September 11, 2002, the Insurance Commission (IC) approved the Company's license to sell variable or unit-linked life insurance contracts, an insurance policy either on a group or on an individual basis, which provides for benefits or other contractual payments or values thereunder to vary so as to reflect investment results. The objective of PruLink (the Funds) is to provide policyholders with above average return over the medium- and long-term period through both capital appreciation and income. Currently, there are nine funds available for investment, for which these combined financial statements have been prepared.

The Company is a wholly-owned subsidiary of Prudential Corporation Holdings Limited. The Company's ultimate parent company is Prudential plc., an internationally diversified organization providing life insurance and fund management services worldwide.

a. *Managed Fund* - a fund denominated in Philippine peso and invested in

an optimal mix of medium- to long-term capital and income growth through investments in fixed income securities, money market instruments and shares of stocks listed in the Philippine Stock Exchange.

b. *Bond Fund (Peso)* - a fund denominated in Philippine peso and invested in the medium-term together with long-term capital growth through investments in fixed income securities and money market instruments.

c. *Bond Fund (Dollar)* - a fund denominated in US dollars and invested in the medium-term together with long-term capital growth through investments in fixed income securities and money market instruments denominated in US dollars.

d. *Growth Fund* - a fund denominated in Philippine peso and invested in an optimal mix of medium- to long-term capital and income growth, with an emphasis on strong capital growth, through investments in fixed income securities, money market instruments with a greater focus of investment in shares of stocks listed in the Philippine Stock Exchange.

e. *Equity Fund* - a fund denominated in Philippine peso and invested in medium- to long-term income growth through investments in money market instruments and shares of stocks listed in the Philippine Stock Exchange.

Financial Statements

f. *Secured Return Fund I and II* - seek to achieve a stable return in the medium-term through investment in a dollar-denominated bond instrument issued by the Republic of the Philippines, which is held to its maturity date. The interest coupons of the bond and the maturity value are converted to Philippine peso amounts at a peso-dollar exchange rate which is locked-in at the time the bond was purchased.

g. *Money Market Fund* - seeks to provide a stable return through investment in fixed income instruments issued by the Philippine government and short-term instruments such as deposit placements.

h. *ProActive Fund* - fund seeks to optimize medium to long-term capital and income growth with emphasis on dynamic asset allocation by fund managers through investment in fixed income securities, money market instruments and shares of stocks listed in the Philippines.

The Company's Money Market Fund and ProActive Fund were both launched in January 2009. Secured Return Fund II became available for investment starting February 2009.

For in-house managed funds, the administration is delegated to the Company. For investment activities of the Funds that are managed by Prudential Asset Management Singapore (PAMS), (see Note 6), an entity under common control with the Company, the valuation and unit pricing calculation is done by Standard Chartered Bank in accordance with the Prudential Corporation Asia (PCA) mandate. The Company's registered address is at the 22th Floor, The Marajo Tower, 312 26th Street corner Fourth Avenue, Fort Bonifacio, Global City, Taguig City 1634.

2. Basis of Preparation

Statement of Compliance

The combined financial statements were prepared from the accounts maintained in the Linked Fund of Pru Life Insurance Corporation of U.K. Such combined financial statements of the Funds have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

The combined financial statements are intended for use by the Company's Board of Directors, stockholders and management of Pru Life Insurance Corporation of U.K. The combined financial statements are intended to be filed with the IC of the Philippines and should not be used for any other purpose.

The combined financial statements of the Funds as of and for the years ended December 31, 2011 and 2010 were authorized for issue by the Board of Directors of Pru Life Insurance Corporation of U.K. on March 22, 2012.

Basis of Measurement

The combined financial statements are prepared on a fair value basis for financial assets at fair value through profit or loss. Loans and receivables are carried at cost or at amortized cost using effective interest method. Financial liabilities which include accrued expenses and trade payable are stated at amortized cost or redemption amount.

For the purpose of the combined financial statements, interfund investments are not eliminated. The interfund investments are as follows:

	<i>Note</i>	2011	2010
Managed Fund invested at Bond Fund (Peso)	5	P3,531,578	P2,389,660
Growth Fund invested at Equity Fund	5	1,541,622	1,727,303
Managed Fund invested at Equity Fund	5	330,421	640,640
Growth Fund invested at Bond Fund (Peso)	5	588,609	429,977
ProActive Fund Invested in Bond Fund (Peso)	5	3,428,488	985,825
ProActive Fund Invested in Equity Fund	5	1,056,366	976,161
		P10,477,084	P7,149,566

Other liabilities not eliminated are as follows:

	2011	2010
Life Fund invested at Bond Fund (Peso)	P152	P1,362
Life Fund invested at Bond Fund (Dollar)	-	-
Life Fund invested at Equity Fund	5,340	60,957
Life Fund invested at Managed Fund	-	160
Life Fund invested at Growth Fund	4,339	46,553
Life Fund invested at Money Market Fund	-	103,678
Life Fund invested at Secured Return Fund	-	-
Life Fund invested at Secured Return Fund II	2,071	1,610
Life Fund invested at ProActive Fund	304	-
	P12,206	P214,320

Interfund investments amounting to P10,477,084 and P7,149,566 in 2011 and 2010, respectively, and other liabilities amounting to P12,206 and P214,320 in 2011 and 2010 comprise the “Liability to life fund and other linked funds” account in the Combined Statement of Assets and Accountabilities.

Income from interfund investments are as follows:

	2011	2010
Managed Fund invested at Bond Fund (Peso)		
Realized gain on sales of interfund investments	P9,404	P5,014
Unrealized gain on investments	296,288	208,750
	305,692	213,764
Managed Fund invested at Equity Fund		
Realized loss on sales of interfund investments	171,632	46,048
Unrealized gain (loss) on investments	(171,089)	168,713
	543	214,761
Growth Fund invested at Bond Fund (Peso)		
Realized gain on sales of interfund investments	18,195	6,588
Unrealized gain on investments	32,908	32,510
	51,103	39,098
Growth Fund invested at Equity Fund		
Realized gain (loss) on sales of interfund investments	158,115	80,836
Unrealized gain (loss) on investments	(108,763)	528,125
	49,352	608,961
ProActive Fund Invested in Bond Fund (Peso)		
Realized gain (loss) on sales of interfund investments	3,881	3,183
Unrealized gain on investments	261,371	40,866
	265,252	44,049
ProActive Fund Invested in Equity Fund		
Realized gain (loss) on sales of interfund investments	42,447	184
Unrealized gain (loss) on investments	(46,298)	137,806
	(3,851)	137,990
	P668,091	P1,258,623

Financial Statements

Receivables from life fund amounting to P67,521 and P69,608 as of December 31, 2011 and 2010, respectively, are also not eliminated.

Functional and Presentation Currency

The combined financial statements are presented in Philippine peso, which is the Funds' functional currency. All financial information presented in Philippine peso has been rounded to the nearest thousands (P000s), except when otherwise indicated. Transactions in foreign currencies are translated to the functional currency using the foreign currency exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Philippine peso using the foreign currency closing exchange rate prevailing at the reporting date. Foreign currency exchange difference arising from translation and realized gains and losses on disposals or settlement of monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to Philippine peso using the foreign currency exchange rates prevailing at the dates that the value were determined. Foreign currency exchange differences relating to investments at fair value through profit and loss are included in gains and losses from investments.

Use of Estimates and Judgments

The preparation of the combined financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors

that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the combined financial statements are described in Note 4.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations The Financial Reporting Standards Council approved the adoption of a number of new or revised standards, amendments to standards, and interpretations based on International Financial Reporting Interpretations Committee (IFRIC) Interpretations as part of PFRSs.

Revised Standard, Amendments to Standards and Interpretations Adopted in

2011 The Company adopted the following amendments and interpretations to standard. None of which has a significant effect in preparing its 2011 financial statements:

- Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues*, permits rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- Philippine Interpretation IFRIC19, *Extinguishing Financial Liabilities with Equity Instruments*, addresses issues in respect of the accounting by the debtor in a debt-for-equity swap transaction. It clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a debt-for-equity swap are consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement* paragraph 41.
- *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters (Amendment to PFRS 1)* provides the same relief to first-time adopters as was given to current users of PFRSs on adoption of the Amendments to PFRS 7, *Financial Instruments: Disclosures*. The amendment also clarifies the transitional provisions of the Amendments to PFRS 7.
- Revised PAS 24, *Related Party Disclosures* (2009) amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.
- *Prepayments of a Minimum Funding Requirement (Amendments to Philippine Interpretation IFRIC 14: PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)*. These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense.
- *Improvements to PFRSs 2010* contain 11 amendments to six standards and to one interpretation. The amendments are generally effective for annual periods beginning on or after January 1, 2011. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company:
 - PFRS 3, *Business Combinations*. The amendments: (i) clarify that contingent consideration arising in a business combination previously accounted for in accordance with PFRS 3 (2004) that remains outstanding at the adoption date of PFRS 3 (2008) continues to be accounted for in accordance with PFRS 3 (2004); (ii) limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's

identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and (iii) expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards.

- PAS 27, *Consolidated and Separate Financial Statements*. The amendments clarify that the consequential amendments to PAS 21 *The Effects of Changes in Foreign Exchange Rates*, PAS 28 *Investments in Associates* and PAS 31, *Interests in Joint Ventures* resulting from PAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering.
- PFRS 1, *First-time Adoption of PFRSs*. The amendments: (i) clarify that PAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first PFRS financial statements; (ii) introduce guidance for entities that publish interim financial information under PAS 34 *Interim Financial Reporting* and change either their accounting policies or use of the PFRS 1 exemptions during the period covered by their first PFRS financial statements; (iii) extend the scope of paragraph D8 of PFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred

during the reporting periods covered by its first PFRS financial statements; and (iv) introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous generally accepted accounting principle as deemed cost at the date of transition to PFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities.

- PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the International Accounting Standards Board (IASB) amended and removed existing disclosure requirements.
- PAS 1, *Presentation of Financial Statements*. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes.
- PAS 34, *Interim Financial Reporting*. The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*. The amendments clarify that the fair value of award credits take into account

the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

*New or Revised Standards,
Amendments to Standards and Interpretations Not Yet Adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for PFRS 9, Financial Instruments, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

The Company will adopt the following new or revised standards, amendments to standards and interpretations in the respective effective dates:

To be Adopted on January 1, 2012

Disclosures - Transfers of Financial Assets (Amendments to PFRS 7), require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate

To be Adopted on January 1, 2013

Presentation of Items of Other Comprehensive Income (Amendments to PAS 1).
The amendments:

- require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard.

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- PFRS 13, *Fair Value Measurement*

PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

To be Adopted on January 1, 2015

- PFRS 9, *Financial Instruments*

Standard Issued in November 2009 [PFRS 9 (2009)]

PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply.

Standard Issued in October 2010 [PFRS 9 (2010)]

PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009.

It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*.

Under prevailing circumstances, the adoption of the above new or revised standards and interpretation is not expected to have any material effect on the financial statements. Additional disclosures required by the new or revised standards, amendments to standards and interpretation will be included in the financial statements, where applicable. The accounting policies set out below have been consistently applied to all periods presented in these combined financial statements.

Financial Instruments

Non-derivative Financial Assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at FVPL) are recognized initially on the trade date, which is the date that the Company

becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial asset and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and AFS financial assets.

a. Financial assets at FVPL

A financial asset is classified at FVPL if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated at FVPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable

transaction costs are recognized in statement of comprehensive income as incurred. Financial assets at FVPL are measured at fair value and changes therein, which takes into account any dividend income, are recognized in statement of comprehensive income.

Financial assets classified at FVPL are debt and equity securities.

b. HTM investments

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as HTM investments. HTM investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has no HTM investments as of December 31, 2011 and 2010.

c. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Financial Statements

Financial assets classified as loans and receivables as of December 31, 2011 and 2010 are cash and cash equivalents and interest receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and all deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

d. AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. AFS financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the fair value reserve equity. When an investment is derecognized, the gain or loss accumulated in the equity is reclassified to statement of comprehensive income.

The Company has no AFS financial assets as of December 31, 2011 and 2010.

Non-derivative Financial Liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at FVPL) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate (EIR) method.

Other financial liabilities comprise accrued expenses and trade payable.

Impairment

Non-derivative Financial Assets

A financial asset not classified at FVPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss

event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that the financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

a. Financial assets measured at amortized cost

The Company considers evidence of impairment for financial assets measured at amortized cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of the loss incurred, adjusted for management's judgment as to whether current

economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against loans and receivables or HTM investment securities. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

b. AFS financial assets

Impairment losses on AFS financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to the statement of comprehensive income. The cumulative loss that is reclassified from equity to the statement of comprehensive income is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in the statement of comprehensive income. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can

Financial Statements

be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in the statement of comprehensive income. However, any subsequent recovery in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity, if any. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Investment Income

Investment income consists of fair value changes of investments at FVPL, interest income from all interest-bearing investments, dividend income from stock investments and gain on sale of investments. Investment income which is net of investment management fees, is presented net of final tax.

Interest income for all interest-bearing financial instruments, including financial instruments measured at FVPL, is recognized in the profit or loss using the effective interest method.

Dividend income for stock investments is recognized in the combined statements of changes in net assets when the right to receive payment is established.

Gain on sale of investments is recognized upon sale of investments when the consideration received is higher than the recorded cost of the investments.

Expenses

All expenses, including management fees and custodian fees, are recognized on an accrual basis.

Taxation

Dividend and interest income received by the Funds may be subject to withholding tax imposed in the country of origin. Interest income from interest-bearing investments is recorded gross of final tax.

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determination of Function Currency

Based on the economic substance of the underlying circumstance relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the income and costs arising from the Company's operations.

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as investments at FVPL) is based on quoted market prices at the reporting date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

Impairment of Investments

The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

5. Investments

This account as of December 31 consists of:

	2011									2010										
	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Combined	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Combined
Investment in shares of stocks (Accumulated market valuation gain/loss)	P -	P -	P -	P -	P4,394,531	P -	P -	P -	P -	P4,394,531	P -	P -	P -	P -	P4,279,359	P -	P -	P -	P -	P4,279,359
	-	-	-	-	1,168,450	-	-	-	-	1,168,450	-	-	-	-	1,692,583	-	-	-	-	1,692,583
	-	-	-	-	5,562,981	-	-	-	-	5,562,981	-	-	-	-	5,971,942	-	-	-	-	5,971,942
Investment in bond funds (Accumulated market valuation gain)	2,785,432	-	-	501,219	-	-	-	-	3,125,457	6,422,108	1,049,801	-	-	375,495	-	-	-	-	944,166	5,269,462
	736,146	-	-	87,390	-	-	-	-	303,831	1,126,567	439,859	-	-	54,482	-	-	-	-	41,659	535,000
	3,531,578	-	-	588,609	-	-	-	-	3,428,488	7,548,675	2,389,660	-	-	429,977	-	-	-	-	985,825	5,805,462
Investment in equity funds (Accumulated market valuation gain/loss)	229,936	-	-	960,190	-	-	-	-	956,315	2,146,435	369,990	-	-	1,837,108	-	-	-	-	829,831	2,235,976
	190,491	-	-	581,432	-	-	-	-	100,881	781,974	271,590	-	-	690,195	-	-	-	-	146,350	1,188,125
	339,427	-	-	1,541,622	-	-	-	-	1,056,396	2,928,409	640,680	-	-	1,727,303	-	-	-	-	976,181	3,344,104
Treasury notes (Accumulated market valuation loss)/gain	-	8,847,896	4,443,803	-	-	27,518	18,417	-	-	13,358,832	-	4,834,684	2,760,428	-	-	27,518	18,417	-	-	7,641,057
	-	896,221	413,490	-	-	474	261	-	-	1,310,546	-	351,664	196,135	-	1,291	910	-	-	-	549,940
	-	9,743,317	4,859,293	-	-	27,992	18,778	-	-	14,649,378	-	5,186,298	2,956,563	-	28,809	19,327	-	-	-	8,190,997
	P3,861,999	P9,743,317	P4,859,293	P2,130,231	P5,562,981	P27,992	P18,778	P -	P4,484,854	P30,889,443	P3,070,300	P5,186,298	P2,956,563	P2,157,286	P5,971,982	P28,809	P19,327	P -	P1,961,986	P21,312,545

6. Management Fees

The Company has an investment management services agreement with PAMS whereby the latter shall act as investment advisor to the Company in the management of funds, including Link Funds, in consideration for a quarterly service fee as may be agreed-upon by both parties on an annual basis.

Management fees are calculated in accordance with the provision of the policy document which is equivalent to the following rates per annum of investments valued at market value at valuation date as follows:

	2011	2010
Managed Fund	1.79%	1.75%
Bond Fund (Peso)	1.53%	1.50%
Bond Fund (Dollar)	1.53%	1.50%
Growth Fund	2.25%	2.20%
Equity Fund	2.25%	2.20%
Secured Return Fund I	1.00%	1.00%
Secured Return Fund II	1.00%	1.00%
ProActive Fund	2.25%	2.20%
Money Market Fund	1.28%	1.25%

7. Number of Units and Unit Prices

As of December 31, the Funds' numbers of units in issue are as follow:

	2011	2010
Managed Fund	1,607,312	1,311,802
Bond Fund (Peso)	4,630,681	2,772,415
Bond Fund (Dollar)	58,826	37,833
Growth Fund	904,163	890,885
Equity Fund	4,411,311	4,973,088
Secured Return Fund I	23,874	24,755
Secured Return Fund II	13,666	15,139
ProActive Fund	3,066,439	1,333,226
Money Market Fund	28,284	108,048
	14,744,556	11,467,191

The corresponding published unit prices are as follows:

	2011	2010
Managed Fund	2,57050	2,37763
Bond Fund (Peso)	2,19030	1,99156
Bond Fund (Dollar)	2,01060	1,83850
Growth Fund	2,52082	2,41615
Equity Fund	1,27660	1,23364
Secured Return Fund I	1,30921	1,26685
Secured Return Fund II	1,27649	1,22849
ProActive Fund	1,74560	1,66069
Money Market Fund	1,04434	1,03680

8. Financial Risk Management

The Funds invest in equity and debt instruments as dictated by the individual Funds' investment management strategy. Asset allocation is determined by the Funds' Fund Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the Funds' portfolio is monitored by the Investment Committee.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Funds are discussed below.

Market Risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and equity price risk.

The Funds' strategies on the management of investment risk are driven by the individual Funds' investment objective (see Note 1). The Funds' market risk is managed on a daily basis by the Fund Manager in accordance with policies and procedures in place. The Funds' overall market positions are monitored on at least a quarterly basis by the Investment Committee of the Company.

Details of the nature of the Funds investment portfolio at the reporting date are disclosed in Note 5.

Investment Risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets primarily for long-term fixed rate investments, being less than the cash flows to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in-force which will have premium receipts in the future.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Company adopts the Prudential's investment strategy to invest primarily in high quality securities while maintaining diversifications to avoid significant exposure to issuer and industry.

The Company invests in equity and debt instruments as dictated by the Company's investment management strategy. Asset allocation is determined by the Company's Fund Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the Company's portfolio is monitored by the Investment Committee.

Currency Risk

The Funds may invest in financial instruments and enter into transactions denominated in currencies other than Philippine peso in the Funds' functional currency. Consequently, the Funds are exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than Philippine peso.

The Funds' most significant exposure to fluctuations in foreign currency exchange rates is through its investments held in the Bond Fund (Dollar). The Funds' net exposure to the US dollar amounts to US\$101 million and US\$63 million as of December 31, 2011 and 2010, respectively, based on the carrying value of monetary assets and liabilities of the Bond Fund (Dollar).

Had the Philippine peso strengthened by 5% in relation to the US dollar, with all other variables held constant, the carrying value of investments held in the Bond Fund (Dollar) denominated in US dollar would have decreased by P242 million and P120 million as of December 31, 2011 and 2010, respectively. A 5% weakening of the Philippine peso in relation to the US dollar would have an equal but opposite effect, on the basis that all other variables remain constant.

Interest Rate Risk

There are two types of interest rate risk:

- *Fair Value Interest Rate Risk* - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- *Cash Flow Interest Rate Risk* - the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

A significant portion of the Funds' investments in debt instruments carried at fair value through profit or loss is interest-bearing. As a result, the Funds are subject to exposure to fair value interest rate risk. The Funds do not carry debt instruments with variable interest rates and, thus, are not exposed to cash flow interest rate risk.

Interest rate risk is mitigated by the Funds' Fund Manager by constructing a portfolio of debenture instruments with diversified maturities.

Any excess cash and cash equivalents of the Fund are invested in short-term commercial paper with the term to maturity of up to three or six months.

The analysis below details the impact of changes in market interest rate to the fair value of the Funds' investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Financial Statements

December 31, 2011	Changes in Variables	
	<i>50 Basis Points Increase</i>	<i>50 Basis Points Decrease</i>
<i>Currency</i>		
Philippine peso	(P302,402)	P320,536
US dollar	(224,731)	239,961
Fair value sensitivity (net)	(P527,133)	P560,497

December 31, 2010	Changes in Variables	
	<i>50 Basis Points Increase</i>	<i>50 Basis Points Decrease</i>
<i>Currency</i>		
Philippine peso	(P124,404)	P129,859
US dollar	(120,400)	128,154
Fair value sensitivity (net)	(P244,804)	P258,013

Equity Price Risk

Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Funds' equity price risk exposure relates to investments in equity securities held in the Equity Fund amounting to P5,562 million and P5,972 million as of December 31, 2011 and 2010, respectively. The value of these equity securities will fluctuate with changes in market conditions.

Equity price risk is managed by the Fund's Fund Manager by constructing a diversified portfolio of instruments.

All of the Funds' equity investments are listed in the Philippine Stock Exchange. A 5% increase in stock prices would have increased the carrying value of these investments by P278 million and P299 million as of December 31, 2011 and 2010, respectively. An equal change in the opposite direction would have decreased the carrying values of these investments by an equal but opposite amount.

Credit Risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The carrying amounts of financial assets represent the maximum credit risk exposure at the reporting dates.

Except for investments in debt securities which mature on various dates, all of the Funds' financial assets are current. The Funds' investment in debt securities consist primarily of government treasury securities. Since these are backed by the full faith and credit of their respective governments, these are generally considered to be free of credit risk.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the

short settlement period involved and the high credit quality of the brokers used. The Company monitors the credit ratings of the brokers used to further mitigate this risk.

Substantially all of the assets, including cash and cash equivalents, of the Funds are held by the Citibank N.A. pursuant to a custodianship agreement entered into by the Company with Citibank N.A. The Company monitors its risks by monitoring the credit quality of Citibank N.A.

Liquidity Risk

The Funds are exposed to the liquidity risk of meeting policyholders’ redemptions at any time. The Funds does not hold significant financial liabilities.

The Funds’ investment in equity and debenture instruments are considered to be readily realizable as they are all listed on the major stock and debt exchanges. Thus, the Funds have limited exposure to liquidity risk.

Fair Value Measurement

Many of the Funds’ financial instruments are carried at fair value on the combined statements of assets and accountabilities. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For other financial instruments, including cash and cash equivalents, interest receivables, receivable from life fund, other assets, and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in Note 3 to the combined financial statements.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2011			Total
	Level 1	Level 2	Level 3	
Financial Assets				
Investments at fair value through profit or loss	P30,689,444	P -	P -	P30,689,444

	December 31, 2010			Total
	Level 1	Level 2	Level 3	
Financial Assets				
Investment at fair value through profit or loss	P21,312,545	P -	P -	P21,312,545

Report of independent auditors

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pru Life Insurance Corporation of U.K.

Report on the Financial Statements

We have audited the accompanying financial statements of PruLink operated by the Linked Fund of Pru Life Insurance Corporation of U.K. (a wholly-owned subsidiary of the Prudential Corporation Holdings Limited) as at December 31, 2011 and 2010, which comprise the combined statements of assets and liabilities, combined statements of changes in net assets and combined statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements, which were prepared from the accounts maintained in the Linked Fund of Pru Life Insurance Corporation of U.K., in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of independent auditors

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the PruLink operated by the Linked Fund of Pru Life Insurance Corporation of U.K. as at December 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended, as carried in the accounts maintained in the Linked Fund of Pru Life Insurance Corporation of U.K., in accordance with Philippine Financial Reporting Standards.

Limitation in Use

As discussed in Note 2 to the combined financial statements, the combined financial statements are intended solely for the information and use of the Board of Directors, stockholders, and management of Pru Life Insurance Corporation of U.K. The combined financial statements are intended to be filed with the Insurance Commission of the Philippines and should not be used for any other purpose.

MANABAT SANAGUSTIN & CO., CPAs

RICARDO G. MANABAT

Partner

CPA License No. 0024603

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Makati City





PRU LIFE U.K.

A subsidiary of financial services giant Prudential plc, Pru Life UK started its operations in the Philippines in 1996. Prudential plc has an extensive network of life insurance and mutual funds operations around the world, active in the United Kingdom (UK), Europe, the United States (US) and 13 markets in Asia. It has 28 million customers worldwide and manages £351 billion of assets as of 31 December 2011.

Prudential plc is a United Kingdom-registered company. Pru Life UK and Prudential plc are not affiliated with Prudential Financial, Inc. (a US-registered company), Philippine Prudential Life Insurance Company, Prudentiallife Plans, Inc. or Prudential Guarantee and Assurance, Inc. (all Philippine-registered companies).

PRU LIFE INSURANCE CORPORATION OF U.K.

22/F Marajo Tower, 312 26th Street West corner Fourth Avenue, Bonifacio Global City, 1634 Taguig City, Metro Manila, Philippines
Tel. nos.: (+632) 884 8484, (+632) 887 LIFE, 1-800-10-PRULINK; Fax: (+632) 370 2990; E-mail: contact.us@prulifeuk.com.ph; Website: www.prulifeuk.com.ph