



PRU LIFE U.K.

A legacy of financial strength

2012 Annual Report



Nobody sees Asia like the largest Retail Asset Manager in Asia.*

* Eastspring Investments was recently named largest Retail Fund Manager in terms of Asset Under Management (AUM) in Asia in the annual survey of Asia Asset Management magazine as of June 30, 2012. Eastspring Investments (Singapore) Limited, a unit of Eastspring Investments, is the fund manager of Pru Life UK's PruLink funds.



Established in 1996, Pru Life UK is the Philippine subsidiary of Prudential plc.

In 2001, Pru Life UK became a major player after only half a decade of operations. In the same year, the company registered a growth rate of 63%, the highest rate in first year premium income Ordinary Life business among the top 10 life companies for that year.² Pru Life UK also pioneered the sale of investment-linked life insurance products in 2002, and is recognized as the local expert and prime mover in this category. In 2010, Pru Life UK's new business annual premium equivalent (APE)³ grew 109% year-on-year. For its achievement, the Company was feted by the Prudential Corporation Asia as the fastest-growing Asian Prudential company for the year. Pru Life UK offers variable life (investment-linked), traditional life, accident and health, group life and term products.

Products: **PRU**Link Exact Protector | **PRU**Link Protection Plus | **PRU**Link Assurance Account
PRULink Assurance Account Plus | **PRU**Link Investor Account Plus | **PRU**Millionaire



**We believe the best financial solutions
always start with listening.**

Generations of families have entrusted their future to the Prudential Group_ from the industrial workers of Victorian Britain, to the victims and veterans of World War II to the Filipino urban professionals working to secure their loved ones. But our mission-vision remains essentially the same: to listen, understand and respond to the financial needs of our clientele.



Prudential plc was established in 1848, formed as the Prudential Mutual Assurance, Investment and Loan Association by a group of gentlemen in London. Their mission was simple: 'to infix habits of prudence among many individuals.'

More than 160 years later, Prudential plc is now one of the largest life insurers in the United Kingdom. It provides life insurance, pensions, and allied financial services. It is one of the biggest institutional investors and at one point provided insurance to one-third of households in the UK. Its global network includes significant financial operations in the United States and 13 markets in Asia with 24 million insurance customers and £405 billion¹ in assets. Known worldwide as 'the Prudential,' it is also one of the best-capitalized insurers in the world.



Prudential has enjoyed profitable presence in Malaysia, Singapore and Hong Kong since before World War II, with Prudential's first overseas branch being established in India as far back as 1923.

In 1994, Prudential established Prudential Corporation Asia (PCA) to serve as its Asian arm and regional head office. Headquartered in Hong Kong, PCA currently enjoys top three market positions in Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Vietnam and India. Also present in Thailand, China, Korea, Japan, Taiwan and the Middle East,



Jackson National Life was named after the seventh president of the United States, Andrew Jackson. Founded in Michigan in 1961, it started out as a single-channel insurance company. In 1986, the Prudential group acquired Jackson to be its wholly-owned subsidiary in the US. It is now an \$80-billion company, and is currently the fifth top provider of variable and fixed indexed annuities.



M&G is the pioneer of unit trust funds in the UK, having offered the First British Fixed Trust as far back as 1931. Prudential's acquisition of M&G in 1999 strengthened the group's investment portfolio. As Prudential's UK and European fund management business, M&G has over £228 billion¹ assets under management. It is also one of the largest investors in the UK stock market, as well as being a powerhouse in fixed income.

¹ as of December 31, 2012
² data from Insurance Commission annual reports
³ APE is derived by adding 100% of annualized premium income (API) and 10% of single premium income. API is the total first year premium income of new policies issued within a calendar year. It is computed on a 12-month or one-year basis.



PRU LIFE U.K.

A legacy of financial strength

2012 Annual Report

2012 Annual Report

Contents

Report from the CFO	4
Fund objectives	6
Market review	7
Fund performance review	8
Investment outlook	13
Portfolio statement	14
Fund performance	26
Fund manager's profile	33
Financial statements	35
Report of independent auditors	58

Report from the CFO

Every year, Pru Life UK embraces and engraves its strategy, brilliantly posting historic numbers in the life insurance industry. In 2011, we were united in 'Conquering New Heights' as we pushed on the 'Road to Number One', poised for a 'Breakaway' in 2012.

What does it mean to breakaway? At Pru Life UK, we define our breakaway everyday.

Everyday, we choose to deliver excellence. In 2012, we proudly banner the number 1 position in new business by generating PhP12 billion first year premiums. For the first time, the Company breached the PhP3 billion mark in terms of Annual Premium Equivalent, a 46% increase from the previous year. As a result, Pru Life UK registered a 55% increase in Total Gross Premium Income at PhP16.1 billion. Our balance sheet continued to be strong increasing our total assets by 47% or to PhP48.5 billion in 2012 from PhP32.9 billion in 2011. The net asset value of PruLink business increased by 64% or to PhP36.5 billion as of December 2012 from prior year.

Everyday, we choose to innovate and create new opportunities. In the previous year, we further diversified our fund portfolio with the PruLink Asian Local Bond Fund

(PALBF) – the first of its kind in the Philippines. The PALBF is a dollar-denominated feeder fund that allows clients to invest offshore via the Eastspring Investments – Asian Local Bond Fund. Managing our funds is Eastspring Investments (Singapore) Limited, which is part of Eastspring Investments, the Asia asset management arm of our British parent company Prudential plc. Eastspring Investments is one of Asia's largest asset managers, recently topping an annual ranking of retail fund managers in Asia by size.

Everyday, we choose to collaborate. We have sealed the 11th strategic partnership between Standard Chartered Bank and Prudential plc in Asia, establishing the general agency Assurance Solutions Insurance Agency, Inc. in the Philippines. A partnership with Chinabank Insurance Brokers has also been forged, and successful tie-ups with HSBC Insurance Brokers (Philippines) Inc. and Citicorp Financial Services, Inc. continue to thrive.

Everyday, we choose to care and understand. Our banner corporate social responsibility initiative, the Cha-Ching Financial Literacy for the Youth Program, propagates our advocacy of financial literacy in schools. Grade 2 schoolchildren learn the money smarts of earn, save, spend and donate right in their Math and Values

Education classes, aided by infectious musical tunes and eye-catching animation. Pru Life UK's partnership with the Department of Education has brought Cha-Ching to two pilot public schools, and subsequently, eight partner private schools – training almost 200 teachers and reaching almost 11,000 children and more than 14,500 adults on its first year.

Everyday, we choose to be better. We choose to find innovative and practical ways to maximize the financial potential of our clients' investments. We choose to do well by doing good in the communities we move in. We believe these are some of the reasons why you have in turn chosen us.

With positive prospects in the growing economies of the Philippines and the rest of Asia, our commitment to excellence, innovation, care and collaboration, and your continued trust, we steadily build our momentum to rise to greatness.

Cheers,

Lee C. Longa
Executive Vice President and Chief Financial Officer
Pru Life UK



Fund objectives

<p>PRULINK BOND FUND</p>	<p>PRULINK MANAGED FUND</p>
<p>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.</p>	<p>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.</p>
<p>PRULINK US DOLLAR BOND FUND</p>	<p>PRULINK PROACTIVE FUND</p>
<p>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.</p>	<p>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.</p>
<p>PRULINK ASIAN LOCAL BOND FUND</p>	<p>PRULINK GROWTH FUND</p>
<p>The fund is structured as a feeder fund which invests in the Eastspring Investments-Asian Local Bond Fund (EI-Asian Local Bond Fund). The EI-Asian Local Bond Fund invests in a diversified portfolio consisting primarily of fixed income or debt securities issued by Asian entities or their subsidiaries. This Fund's portfolio primarily consists of offshore securities denominated in the various Asian currencies and aims to maximize total returns through investing in fixed income or debt securities that are rated as well as unrated.</p>	<p>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.</p>
	<p>PRULINK EQUITY FUND</p>
	<p>The fund seeks to optimize medium- to long-term capital growth through investments in shares of stocks listed in the Philippines.</p>

In 1879, Holborn Bars was established as the office complex of Pru Life UK parent company Prudential plc, becoming an iconic architectural landmark in London to this day.

Market review

Global markets began the year on a strong note underpinned by encouraging US economic data and positive measures by the European Central Bank that helped ease funding pressures and reduce liquidity risk in the region. Asia Pacific ex-Japan equity markets too rallied across-the-board on improving risk appetites. In the fixed income space, government bonds were sidelined while corporate bonds rallied in line with the "risk on" momentum.

The positive momentum waned in the second quarter as a confluence of negative news undermined sentiment. The eurozone debt crisis resurfaced, triggering fears of a banking collapse and a breakup of the euro. Equally, global economic data was gloomy, spawning fears of a slowdown in the US recovery and hard landing in China. Safe haven assets, mostly government bonds saw yields drop to multi-year lows. Equity markets however got a boost at the end of the quarter in response to news that European leaders had agreed to use eurozone bailout monies to recapitalize banks directly.

Over the third quarter, global economic data mostly disappointed and led to further downward revisions in global growth forecasts. In response, central banks implemented aggressive growth supportive measures. The US Federal Reserve, for example, launched a third round of quantitative easing to help stimulate the economy and set no time frame for the programme to end. Such initiatives kept investor sentiment buoyant despite the gloomy outlook and resulted in a strong third quarter for markets on the whole.

Equity markets posted modest gains in the last quarter of the year as the major headwinds that dominated headlines since the second quarter receded. Over in the eurozone, there was some progress on the creation of a banking union while indebted nations such as Greece managed to implement more austerity measures and structural reforms, thus easing investors' concerns of a collapse of the region. China reported a stronger than expected third quarter growth which allayed hard landing fears, while in the US, improvements were seen on both the labor and housing fronts. Bond markets also continued to perform on more resilient risk appetites with high yields benefitting the most. Nonetheless the overhanging uncertainty over the US fiscal cliff resulted in bouts of market volatility.

The Philippine Stock Exchange index (PSEi) was one of the best-performing Asian equity indices in 2012, gaining 33% in local currency terms¹. Property counters such as Robinsons Land Corporation, Ayala Land Inc and Megaworld Corporation were among the top performers, while mining and telecommunications stocks lagged the broader market. Investors cheered the country's improving economic outlook, benign inflation and falling interest rates. Credit rating agency Standard & Poor's upgraded the country's credit rating outlook to positive from stable, possibly a prelude to an investment grade status.

Fund performance review

Fund performance

PruLink Funds	Actual Year-on-Year Jan 2, 2012 - Jan 2, 2013	Since inception (per annum)	Unit Price as of Jan 2, 2013
PruLink Peso Bond Fund	7.40%	8.69%	2.35244
PruLink USD Bond Fund	15.00%	9.15%	2.31210
PruLink Managed Fund	9.10%	10.56%	2.80448
PruLink ProActive Fund	11.48%	18.81%	1.94598
PruLink Growth Fund	27.68%	16.99%	3.21857
PruLink Equity Fund	39.40%	11.75%	1.77955

Fund returns are Net of Annual Management Charge; based on unit price as of Jan 2, 2013. Past performance is not necessarily indicative of the future or likely performance of the fund.

All fund performance figures used in the following review are gross of annual management charge unless otherwise stated

PruLink Bond Fund

In 2012, the Philippine local currency bonds turned in a strong performance, which was attributed to a sharp decline in Philippine government bond yields, especially at the longer end of the curve. 10-year government bond yields fell 101 bps to 4.40%, while 5-year government bond yields were at 4.11%, a 98 bps decline from the previous year¹.

Over the year, slow growth momentum in the major economies and persistent concerns over the eurozone sovereign debt crisis resulted in global central banks pursuing a more accommodative policy stance. Likewise, the Philippine central bank adopted a dovish stance in 2012. The Bangko Sentral ng Pilipinas (BSP) slashed policy rates four times over the year, as overnight borrowing rate

was cut from 4.5% to 3.5%². The Philippine local currency bonds fared well in the lower interest rate environment, while the strong demand for higher-yielding assets also fuelled inflows into the market. The sovereign credit rating upgrades by Standard & Poor's and Moody's to one notch below investment grade further spurred demand.

Overall, the Fund kept pace with benchmark performance, posting gains of 9.05%. On a net of fee basis, the Fund gained 7.40% over the year, underperforming the benchmark return of 8.92%.

PruLink Managed Fund

The PruLink Managed Fund rose 11.10% over the review period, underperforming its composite benchmark by 3.07%. The underperformance over the review period attributed mainly to the negative asset allocation, as the Fund was underweight equities into bonds and cash given the former's expensive valuation. Securities selection within the bond sub-fund also detracted value. This was, however, partly mitigated by the positive securities selection within the equity sub-fund.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into bonds and cash. The Philippine equities remain very unattractive based on Price-to-book and cyclically adjusted Price-to-earnings measure, matching levels last seen in 1996 (pre-Asian crisis) and 2007 (pre-global financial crisis) levels. With the Philippine equities trading at such elevated valuations, they offer very little margin of safety against any external shock and rise in global risk aversion. While the fund manager acknowledges the improved fiscal and macroeconomic fundamentals of the Philippines, these positives are likely to be fully reflected in current equity valuations, in the fund manager's opinion. Furthermore, the fund manager believes the risks of significant fiscal

tightening in Europe and cyclical slowdown in China due to overinvestment are likely to result in increased likelihood of further growth slowdown globally. In such a scenario, Philippine equities at current valuation levels are unlikely to outperform local bonds, until the former trades at much more attractive levels.

As inflation has been moderating, the Bangko Sentral ng Pilipinas has been able to cut interest rates. This is supportive of government bond prices. Furthermore, progress on fiscal consolidation has helped the government bonds closer in attaining an investment grade rating. However, the fund manager is also cautious of the potential capital outflows from emerging market bonds during periods of risk aversion, which might be slightly negative for the Philippine bonds.

PruLink Growth Fund

The PruLink Growth Fund rose 30.55% over the review period, underperforming its composite benchmark by 0.07%. The underperformance over the review period attributed mainly to the negative asset allocation, as the Fund was underweight equities into bonds and cash given the former's expensive valuation. The positive securities selection within the equity sub-fund helped to mitigate some of this negative impact. This was, however, partly offset by the negative securities selection within the bond sub-fund.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into bonds and cash. Philippine equities remain very unattractive based on Price-to-book and cyclically adjusted Price-to-earnings measure, matching levels last seen in 1996 (pre-Asian crisis) and 2007 (pre-global financial crisis) levels. With Philippine equities trading at such elevated valuations, they offer very little margin of safety against any external shock

and rise in global risk aversion. While the fund manager acknowledges the improved fiscal and macroeconomic fundamentals of the Philippines, these positives are likely to be fully reflected in current equity valuations, in the fund manager's opinion. Furthermore, the fund manager believes the risks of significant fiscal tightening in Europe and cyclical slowdown in China due to overinvestment are likely to result in increased likelihood of further growth slowdown globally. In such a scenario, Philippine equities at current valuation levels are unlikely to outperform local bonds, until the former trades at much more attractive levels.

As inflation has been moderating, the Bangko Sentral ng Pilipinas has been able to cut interest rates. This is supportive of government bond prices. Furthermore, progress on fiscal consolidation has helped the government bonds closer in attaining an investment grade rating. However, the fund manager is also cautious of the potential capital outflows from emerging market bonds during periods of risk aversion, which might be slightly negative for Philippine bonds.

PruLink ProActive Fund

The PruLink ProActive Fund rose 13.99% over the review period, underperforming its composite benchmark by 8.22%. The underperformance over the review period attributed mainly to the negative asset allocation, as the Fund was underweight equities into bonds and cash given the former's expensive valuation. Securities selection within the bond sub-fund also detracted value. This was, however, partly mitigated by the positive securities selection within the equity sub-fund.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into bonds and cash. Philippine equities remain very unattractive based on Price-to-book and cyclically adjusted Price-to-earnings measure, matching levels last seen in 1996 (pre-Asian crisis) and 2007 (pre-global financial crisis) levels. With Philippine equities trading at such elevated valuations, they offer very little margin of safety against any external shock and rise in global risk aversion. While the fund manager acknowledges the improved fiscal and macroeconomic fundamentals of the Philippines, these positives are likely to be fully reflected in current equity valuations, in the fund manager's opinion. Furthermore, the fund manager believes the risks of significant fiscal tightening in Europe and cyclical slowdown in China due to overinvestment are likely to result in increased likelihood of further growth slowdown globally. In such a scenario, Philippine equities at current valuation levels are unlikely to outperform local bonds, until the former trades at much more attractive levels.

As inflation has been moderating, the Bangko Sentral ng Pilipinas has been able to cut interest rates. This is supportive of government bond prices. Furthermore, progress on fiscal consolidation has helped the government bonds closer in attaining an investment grade rating. However, the fund manager is also cautious of the potential capital outflows from emerging market bonds during periods of risk aversion, which might be slightly negative for Philippine bonds.

PruLink Equity Fund

The Fund rose 42.53% in 2012, outperforming its total return benchmark by 6.13%.

The Fund's natural underweight in Philippine Long Distance Telephone Company (PLDT), ownership of Vista Land and Lifescapes, Incorporated and underweight in Philex Mining Corporation proved beneficial to its performance in 2012. PLDT lagged the broader market on the back of

the Supreme Court's ruling that its shareholding structure infringed the 40% foreign ownership limit for utilities. Vista Land surged 73% in 2012 as residential property demand is expected to benefit from record low interest rates, strong remittances from overseas Filipino workers and growing income. Gold and copper producer Philex Mining slumped 28% in the year on the closure of its Padcal mine in northern Philippines due to leaks in its tailings pond.

Cash was a drag on performance in 2012. The Fund's overweight in Semirara Mining Corporation and Energy Development Corporation (EDC) detracted from its performance. Investors stayed away from Semirara on the back of weak thermal coal prices. The company's transformation from a coal producer to an integrated power producer will help reduce the volatility in earnings going forward. EDC lagged due to delays in the rehabilitation of its Bac-Man power plant. In our view, the delay is a temporary setback and is reflected in the stock's valuation at year-end. EDC, the country's largest geothermal power producer, will benefit from rising electricity demand on the back of strong economic growth.

PruLink US Dollar Bond Fund

While the year started on a positive tone, the optimism waned subsequently on the back of slower-than-expected global growth momentum in the major economies. Within the eurozone, markets remained nervous about the deteriorating economic profile and contagion risks from a potential breakdown of more troubled nations and banking sector. While these concerns triggered bouts of volatility in the markets, investor sentiment remained sustained by supportive monetary policy measures, including QE3 in the US. Signs of stabilisation in the US and China economies towards the end of the year also helped risk assets deliver an overall strong return over the year.

Against this mixed backdrop, Philippine USD-denominated bonds posted strong gains over the year, driven by the lower US interest rates and tightening of credit spreads. On one hand, growth concerns resulted in further declines in US interest rates. 10-year US Treasury yields fell 12 bps to 1.76% over the year while 5-year US Treasury yields dipped 11 bps to 0.72%¹. On the other hand, flush liquidity and stronger risk appetite of investors resulted in continued compression of Philippines credit spreads. The sovereign credit rating upgrades by Standard & Poor's and Moody's to one notch below investment grade further spurred demand.

Over the year, the Fund recorded a strong performance against the benchmark with gains of 16.75%. Nevertheless, on a net of fees basis, the fund rose 15.00% which underperformed the benchmark performance of 16.39%. The Fund duration was largely neutral against the benchmark.

PruLink Asian Local Bond Fund

Despite a positive start, optimism on global growth waned subsequently on the back of slower-than-expected growth momentum in the major economies. Additionally, persistent concerns over the eurozone sovereign debt problems triggered bouts of volatility in markets. In Asia, the weak macroeconomic backdrop impacted external demand adversely, while inflation rates eased amidst the lower demand pressures. Against this backdrop, Asian central banks pursued a more accommodative policy stance with policy rates being cut in a number of Asian countries. Asian local currency bonds fared well in this lower interest rate environment, particularly Indonesia, the Philippines and India government bond markets, where demand for high-yielding assets also supported inflows into the markets. Performance of Asian currencies was broadly positive as investor sentiment and liquidity were fuelled by supportive policy measures in the West.

Since inception on 28 January 2012, the Fund rose by 6.34%, underperforming the benchmark (customised HSBC Asian Local Bond index) return of 4.81%. The Fund maintained an overall overweight in duration (slight) as well as in a selected basket of Asian currencies over the year. However, these positions were trimmed tactically at various points during the year in line with the fund manager's views. The Fund also continued to be overweight in corporate credits due to the yield pick up over governments bonds.

Looking forward, supportive policy measures in the West, as well as the recent stabilisation in economic indicators, have set a more benign backdrop for Asian economies. This environment is likely to limit the scope for further policy cuts in Asia, except for selected countries. However, the market appears to have factored in this view. Government bond yields will also likely be capped on the upside by a combination of the lingering structural challenges in the West, as well as a still-benign inflation environment in Asia and robust technical support. Against the mixed backdrop for Asian interest rate markets, the fund manager will continue to adopt a nimble approach in our duration positioning to take advantage of the tactical opportunities. The fund manager continues to hold a constructive view on Asian currencies and corporate credits over the medium term and thus continue to maintain an overall overweight in them.

Source : 1 Bloomberg, Jan 2013;
2 Bangko Sentral ng Pilipinas, Oct 2012

Investment outlook

In 1912, Prudential paid claims for 324 passengers of the Titanic, nearly one-fifth of all the passengers in the ill-fated ship that sank during its maiden voyage.

TITANIC DISASTER.

14th April, 1912.

Claims have already been paid by this Company in respect of

292 PERSONS

(262 of the Crew and 30 Passenger.)

who lost their lives in this disaster. The total amount paid to date is

£12,834.

A. G. THOMPSON, General Manager.

20th May, 1912.

In 2012, income theme was the rage; investors chose the certainty of earnings and the safety of defensive quality blue chips stocks over valuations. Cyclical stocks were mostly sidelined. But should risk appetites continue to improve, 2013 could be a spectacular year for cyclical given their attractive valuations versus the defensive stocks.

For the bond markets, weak trend growth, private sector de-leveraging and fiscal consolidation imply that developed world interest rates could remain at low levels for some time to come. By implication, sovereign bond yields in these markets will probably remain low. Yields will eventually tilt to the upside as growth conditions normalize and interest rates move higher. Just when this turnaround will occur is difficult to determine.

On the domestic front, the Philippine economy grew by 7.1% in third quarter 2012, bringing the year-to-date growth of GDP to 6.5%¹. The expansion was driven by strong consumer demand, accelerated government spending, and sustained recovery in exports on the demand side. Latest data suggest that the momentum could hold up in the near term, supported by upbeat business and consumer sentiment, the low interest rate environment, and the government's accelerated spending program.

Meanwhile, inflation remains within target range in 2012. Inflation for the whole year of 2012 averaged 3.2%, well within the government's target range of 3-5 % for the year³. The Bangko Sentral ng Pilipinas (BSP) adopted a

dovish stance in 2012. The central bank slashed policy rates four times over the year, as overnight borrowing rate was cut from 4.5% to 3.5%². This brought the cumulative policy rate reduction to 100 bps². The benign inflation outlook, together with well-anchored inflation expectations, provided room for a reduction in policy rates, which would help buffer domestic demand against global economic headwinds.

Elsewhere, cash remittances from overseas Filipinos coursed through banks reached US\$21.4 billion for the full year 2012, posting an annual growth of 6.3% and exceeding the BSP's full-year growth projection of 5%⁴. The resilience of overseas Filipino remittances continues to support the country's economic growth.

Going forward, the country's macro fundamentals remain intact, however, the Philippines has been one of the best-performing Asian equity markets in 2012 and may be susceptible to profit taking. We are mindful of the risk of potential market correction due to a spike in risk aversion and will continue to monitor the macro situation while maintaining our bottom-up, valuation-driven investment approach.

Source : 1 Bloomberg, Jan 2013;

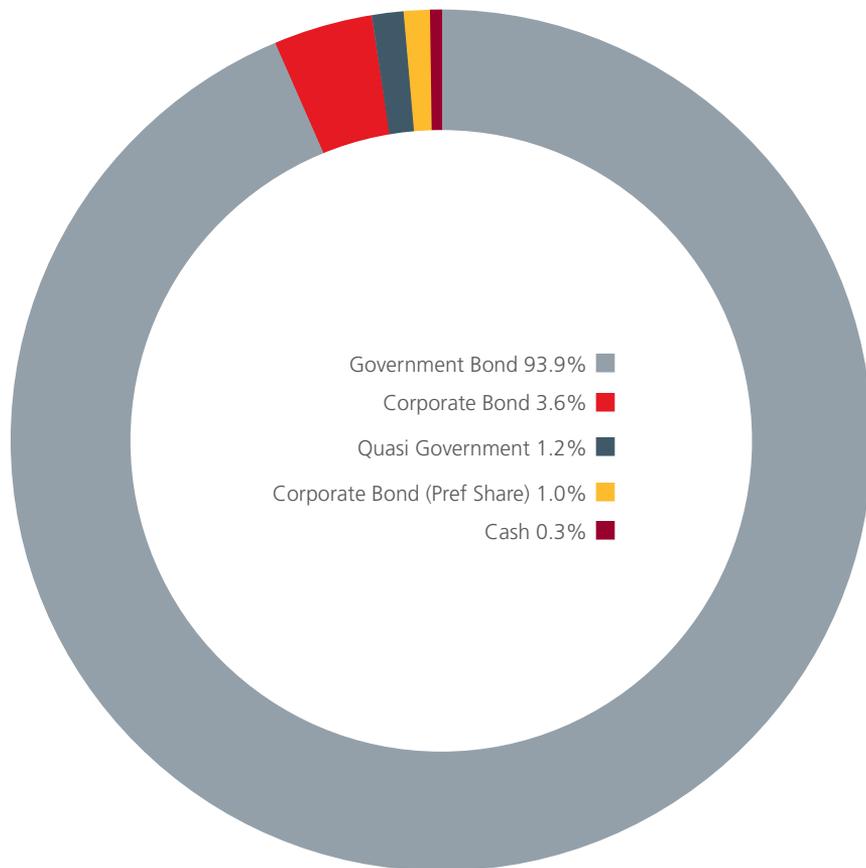
2 Bangko Sentral ng Pilipinas, Oct 2012

3 Bangko Sentral ng Pilipinas, 8 Feb 2013;

4 Bangko Sentral ng Pilipinas, 15 Feb 2013

PRULINK BOND FUND

Fund CCY: PhP
As at 31 Dec 2012

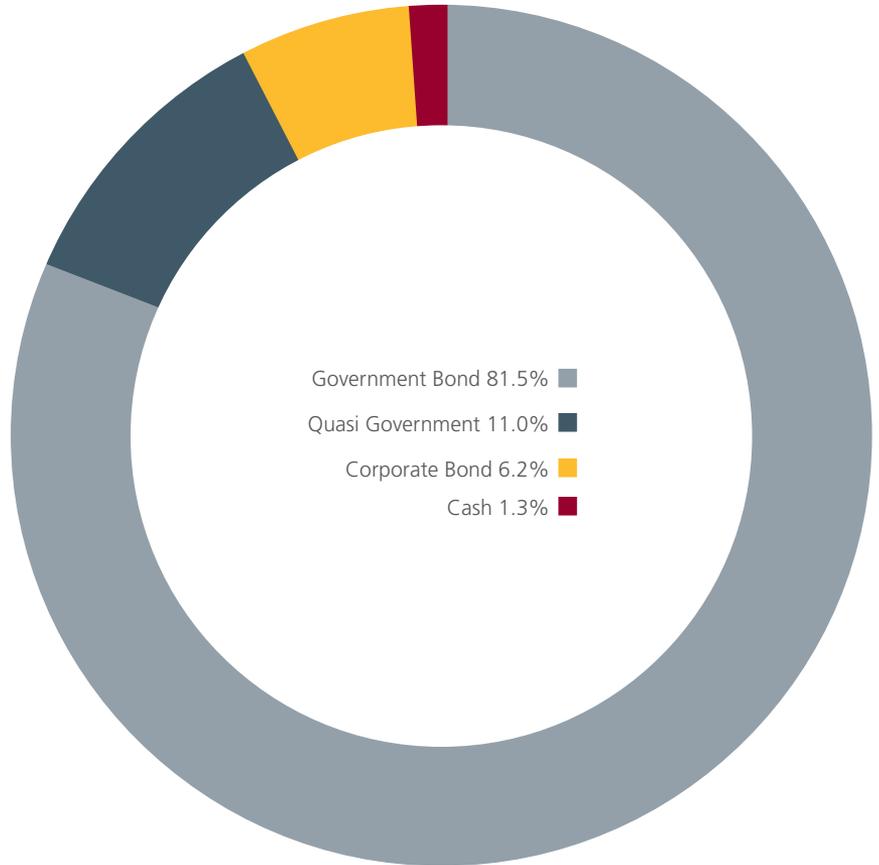


ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
	AYALA CORPORATION 7.2% 30/04/2017	PHP	29,000,000.00
	AYALA LAND INC 6% 27/04/2022	PHP	100,000,000.00
	GLOBE TELECOM 5.75% 01/09/2017	PHP	100,000,000.00
	JG SUMMIT HOLDINGS INC 8.25% 20/11/2014	PHP	20,000,000.00
00MERUSN2021	MANILA ELECTRIC COMPANY 6.89% 29/06/2021	PHP	89,100,000.00
PHY6244VAN74	NATIONAL POWER CORP 5.875% 19/12/2016	PHP	130,000,000.00
	PHILIPPINE GOVERNMENT 6% 03/03/2016	PHP	50,000,000.00
PHY6972FFR65	PHILIPPINE GOVERNMENT 10.125% 15/12/2015	PHP	10,000,000.00
PHY6972EEZ26	PHILIPPINE GOVERNMENT 11.875% 25/08/2015	PHP	9,000,000.00
	PHILIPPINE GOVERNMENT 4.625% 05/07/2017	PHP	300,000,000.00
PHY6972FNK21	PHILIPPINE GOVERNMENT 4.625% 25/11/2015	PHP	50,000,000.00
	PHILIPPINE GOVERNMENT 4.875% 02/08/2022	PHP	100,000,000.00
PHY6972FKN96	PHILIPPINE GOVERNMENT 5.25% 07/01/2013	PHP	50,000,000.00
PHY6972FMR82	PHILIPPINE GOVERNMENT 5.375% 28/10/2017	PHP	100,000,000.00
PHY6972FQL76	PHILIPPINE GOVERNMENT 5.75% 20/10/2021	PHP	100,000,000.00
	PHILIPPINE GOVERNMENT 5.75% 24/11/2021	PHP	400,000,000.00
	PHILIPPINE GOVERNMENT 5.75% 27/09/2032	PHP	74,000,000.00
	PHILIPPINE GOVERNMENT 5.875% 01/03/2032	PHP	710,000,000.00
	PHILIPPINE GOVERNMENT 5.875% 02/02/2032	PHP	397,750,000.00
PHY6972FMZ09	PHILIPPINE GOVERNMENT 5.875% 16/12/2020	PHP	100,000,000.00
PHY6972FNG19	PHILIPPINE GOVERNMENT 5.875% 19/08/2015	PHP	120,000,000.00
PHY6972FFF28	PHILIPPINE GOVERNMENT 5.875% 31/01/2018	PHP	228,000,000.00
PHY6972FMH01	PHILIPPINE GOVERNMENT 6.125% 16/09/2020	PHP	100,000,000.00
	PHILIPPINE GOVERNMENT 6.125% 24/10/2037	PHP	928,950,000.00
PHY6972FJX97	PHILIPPINE GOVERNMENT 6.25% 24/09/2014	PHP	170,000,000.00
PHY6972FJC50	PHILIPPINE GOVERNMENT 6.25% 27/01/2014	PHP	200,000,187.00
PHY6972FLN87	PHILIPPINE GOVERNMENT 6.375% 13/05/2015	PHP	200,000,000.00
	PHILIPPINE GOVERNMENT 6.375% 19/01/2022	PHP	597,000,000.00
	PHILIPPINE GOVERNMENT 6.5% 28/04/2021	PHP	282,680,000.00
PHY6972FNC05	PHILIPPINE GOVERNMENT 6.625% 19/08/2017	PHP	144,250,000.00
PHY6972FJY70	PHILIPPINE GOVERNMENT 7% 24/09/2016	PHP	35,000,000.00
PHY6972FHQ64	PHILIPPINE GOVERNMENT 7% 27/01/2016	PHP	635,358,552.00
PHY6972FBF63	PHILIPPINE GOVERNMENT 7% 27/04/2016	PHP	60,000,000.00
PHY6972FLC23	PHILIPPINE GOVERNMENT 7% 31/03/2017	PHP	309,960,000.00
PHY6972FCC24	PHILIPPINE GOVERNMENT 7.125% 02/11/2013	PHP	71,000,000.00
PHY6972FNJ57	PHILIPPINE GOVERNMENT 7.25% 19/08/2020	PHP	100,000,000.00
	PHILIPPINE GOVERNMENT 7.375% 03/03/2021	PHP	150,000,000.00
PHY6972FQJ21	PHILIPPINE GOVERNMENT 7.625% 29/09/2036	PHP	144,350,000.00
PHY6972FKV13	PHILIPPINE GOVERNMENT 7.75% 18/02/2020	PHP	150,000,000.00
PHY6972FDZ00	PHILIPPINE GOVERNMENT 7.75% 23/08/2017	PHP	135,000,000.00

ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY6972FHT04	PHILIPPINE GOVERNMENT 7.875% 19/02/2019	PHP	211,000,000.00
PHY6972FCN88	PHILIPPINE GOVERNMENT 8% 07/12/2026	PHP	40,000,000.00
	PHILIPPINE GOVERNMENT 8% 19/07/2031	PHP	1,410,945,185.00
PHY6972FML13	PHILIPPINE GOVERNMENT 8% 30/09/2035	PHP	60,000,000.00
PHY6972FNA49	PHILIPPINE GOVERNMENT 8.125% 16/12/2035	PHP	902,866,695.00
PHY6972FGN43	PHILIPPINE GOVERNMENT 8.375% 22/05/2015	PHP	61,000,000.00
PHY6972FEW69	PHILIPPINE GOVERNMENT 8.5% 29/11/2032	PHP	15,000,000.00
PHY6972FAZ37	PHILIPPINE GOVERNMENT 8.75% 03/03/2013	PHP	7,343.00
PHY6972FLS74	PHILIPPINE GOVERNMENT 8.75% 27/05/2030	PHP	160,000,000.00
PHY6972FBK58	PHILIPPINE GOVERNMENT 9.125% 04/09/2016	PHP	331,000,000.00
PHY6972FKF62	PHILIPPINE GOVERNMENT 9.25% 05/11/2034	PHP	67,898,000.00
PHY6972FAY61	PHILIPPINE GOVERNMENT 9.25% 12/01/2016	PHP	15,000,000.00
PHY6972FBV14	PHILIPPINE GOVERNMENT 9.375% 05/10/2031	PHP	55,000,000.00
PHY6972FHFOO	PHILIPPINE GOVERNMENT 9.5% 04/12/2028	PHP	40,000,000.00
	PHILIPPINE GOVERNMENT 5% 26/04/2019	PHP	250,000,000.00
	PHILIPPINE GOVERNMENT 4.75% 30/08/2019	PHP	122,110,000.00
PHY6972FQB94	PHILIPPINE GOVERNMENT 5% 18/08/2018	PHP	700,000,000.00
	PHILIPPINE GOVERNMENT 5.375% 01/03/2027	PHP	300,000,000.00
	PHILIPPINE GOVERNMENT 5.75% 16/08/2037	PHP	100,000,000.00
PHY6972FQN33	PHILIPPINE GOVERNMENT 6.25% 20/10/2026	PHP	350,000,000.00
PHY6972FEM87	PHILIPPINE GOVERNMENT 6.5% 04/10/2014	PHP	106,000,000.00
	POWER SECTOR ASSETS&LI 6.875% 22/04/2015	PHP	50,000,000.00
US718286BJ59	REPUBLIC OF PHILIPPINES 4.95% 15/01/2021	PHP	249,000,000.00
US718286BM88	REPUBLIC OF PHILIPPINES 6.25% 14/01/2036	PHP	256,000,000.00
	ROBINSONS LAND CORP 8.25 27/08/2014	PHP	20,000,000.00
	ROBINSONS LAND CORP 8.5% 14/07/2014	PHP	30,000,000.00
PHY751061318	SAN MIGUEL CORP 7.5% 30/09/2049	PHP	1,600,000.00
	SM INVESTMENTS CORP 6.625% 26/09/2021	PHP	150,000,000.00
Total			13,734,825,962.00

PRULINK US DOLLAR BOND FUND

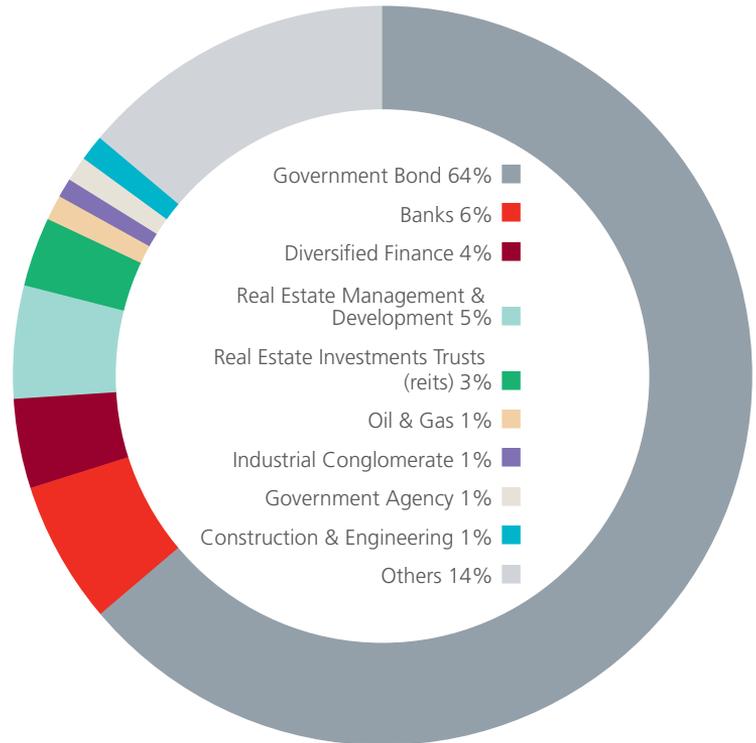
Fund CCY: USD
As at 31 Dec 2012



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
XS0550961477	BANCO DE ORO UNIBANK 3.875% 22/04/2016	USD	1,900,000.00
XS0592233729	DEV BANK PHILIPPINES 5.5% 25/03/2021	USD	400,000.00
XS0575947642	ENERGY DEVELOPMENT CORP 6.50% 20/01/2021	USD	1,118,000.00
XS0798486543	FPC FINANCE LTD FIRPAC 6% 28/06/2019	USD	200,000.00
XS0493501125	ICTPM 7.375% 17/03/2020	USD	1,800,000.00
XS0615133880	MEGAWORLD CORP 6.75% 15/04/2018	USD	300,000.00
USY6244HAE81	NATIONAL POWER CORP 6.875% 02/11/2016	USD	1,530,000.00
US718286AP29	PHILIPPINE GOVERNMENT 10.625% 16/03/2025	USD	6,450,000.00
US718286BD89	PHILIPPINE GOVERNMENT 6.375% 15/01/2032	USD	7,908,000.00
US718286BB24	PHILIPPINE GOVERNMENT 7.75% 14/01/2031	USD	13,000,000.00
US718286AU14	PHILIPPINE GOVERNMENT 8.25% 15/01/2014	USD	1,000,000.00
US718286AQ02	PHILIPPINE GOVERNMENT 9.375% 18/01/2017	USD	3,500,000.00
US718286AY36	PHILIPPINE GOVERNMENT 9.50% 02/02/2030	USD	9,700,000.00
US718286AK32	PHILIPPINE GOVERNMENT 9.875% 15/01/2019	USD	4,300,000.00
USY7083VAD11	POWER SECTOR ASSETS&LI 7.39% 02/12/2024	USD	7,200,000.00
USY7083VAB54	POWER SECTOR ASSETS&LI 7.25% 27/05/2019	USD	6,400,000.00
XS0484494843	RCBC 6.25 09/02/2015	USD	1,000,000.00
US718286BK23	REPUBLIC OF PHILIPPINES 4% 15/01/2021	USD	11,274,000.00
US718286BW60	REPUBLIC OF PHILIPPINES 5% 13/01/2037	USD	9,200,000.00
US718286BN61	REPUBLIC OF PHILIPPINES 5.5% 30/03/2026	USD	8,300,000.00
US718286BG11	REPUBLIC OF PHILIPPINES 6.375%23/10/2034	USD	16,500,000.00
US718286BF38	REPUBLIC OF PHILIPPINES 6.5% 20/01/2020	USD	7,500,000.00
US718286BC07	REPUBLIC OF PHILIPPINES 7.5% 25/09/2024	USD	3,000,000.00
US718286BE62	REPUBLIC OF PHILIPPINES 8.375% 17/6/2019	USD	7,090,000.00
XS0734582348	RIZAL COMMERCIAL BANKNG 5.25% 31/01/2017	USD	300,000.00
XS0621502466	ROYAL CAPITAL BV 8.375% 05/05/2049	USD	200,000.00
XS0843919480	SM INVESTMENTS CORP 4.25% 17/10/2019	USD	1,500,000.00
XS0543421100	SM INVESTMENTS CORP 5.5 % 13/10/2017	USD	2,523,000.00
Total			135,093,000.00

PRULINK ASIAN LOCAL BOND FUND

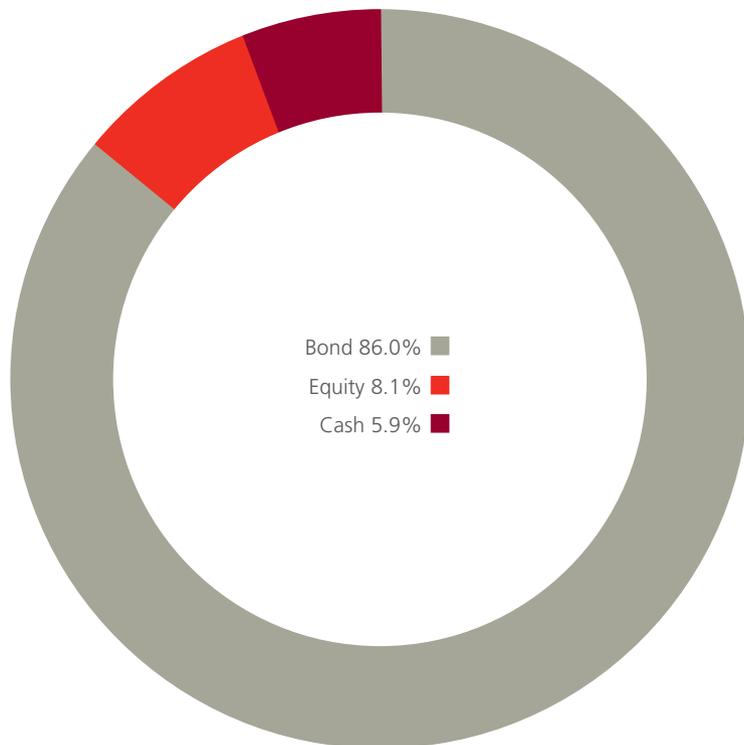
Fund CCY: USD
As at 31 Dec 2012



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
LU0259732591	EASTSPRING INVESTMENTS-ASIAN LOCAL BOND FUND	USD	1,510,224.54

PRULINK MANAGED FUND

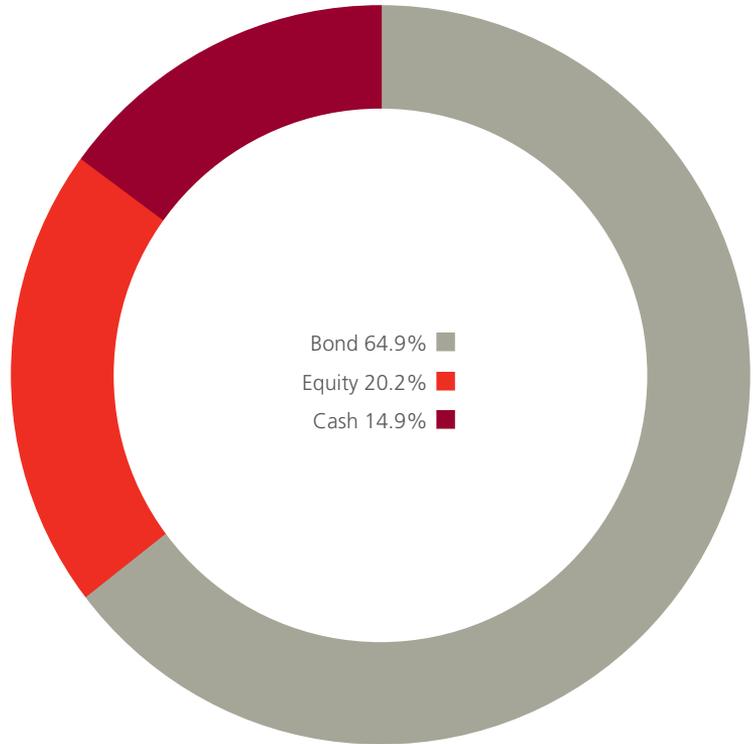
Fund CCY: PhP
As at 31 Dec 2012



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY000038074	PRU LIFE UK - PRULINK BOND FUND	PHP	2,035,318,171.20
PHY000038073	PRU LIFE UK - PRULINK EQUITY FUND	PHP	253,014,562.07
Total			2,288,332,733.27

PRULINK PROACTIVE FUND

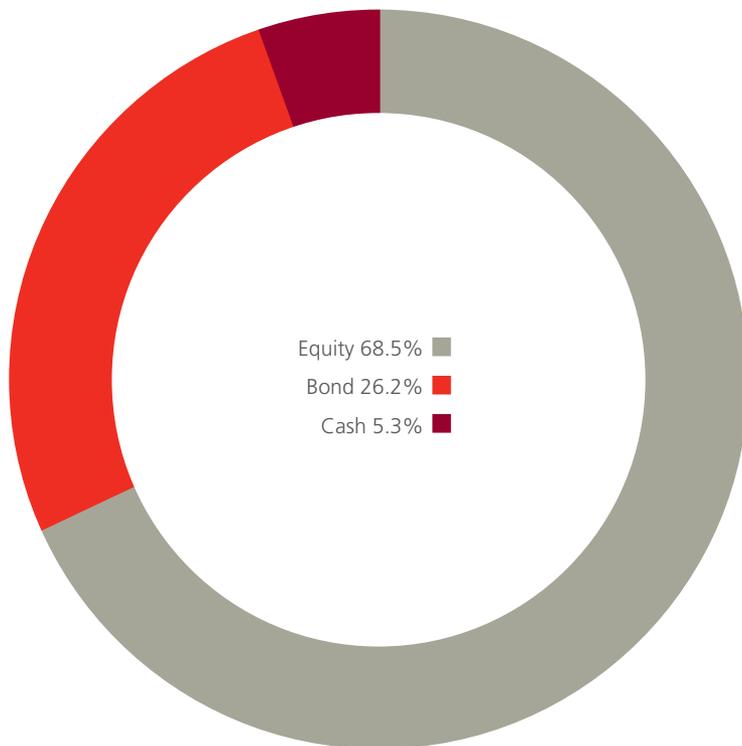
Fund CCY: PhP
As at 31 Dec 2012



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY000038074	PRU LIFE UK - PRULINK BOND FUND	PHP	2,399,793,160.12
PHY000038073	PRU LIFE UK - PRULINK EQUITY FUND	PHP	989,855,785.10
Total			3,389,648,945.22

PRULINK GROWTH FUND

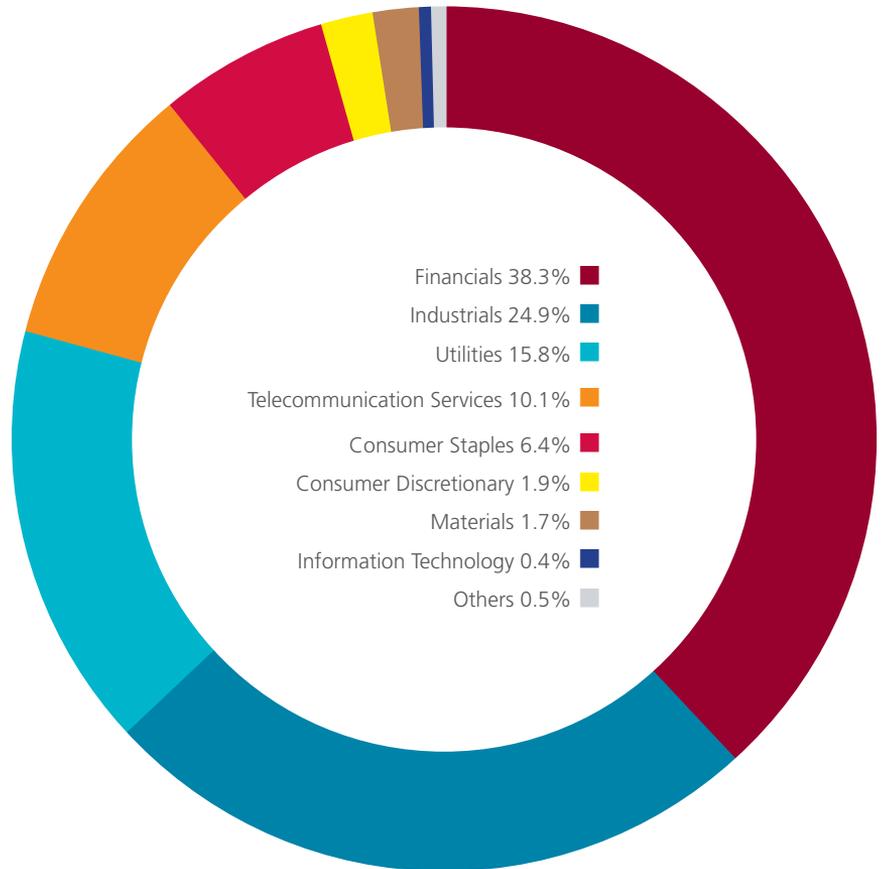
Fund CCY: PhP
As at 31 Dec 2012



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY000038074	PRU LIFE UK - PRULINK BOND FUND	PHP	416,450,133.35
PHY000038073	PRU LIFE UK - PRULINK EQUITY FUND	PHP	1,446,495,594.18
Total			1,862,945,727.53

PRULINK EQUITY FUND

Fund CCY: PhP
As at 31 Dec 2012



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY0001Z1040	ABOITIZ EQUITY VENTURES INC	PHP	10,079,860.00
PHY0005M1090	ABOITIZ POWER CORPORATION	PHP	8,283,500.00
PHY000271056	ABS-CBN HOLDINGS CORPORATION-PDR	PHP	2,742,600.00
PHY003341054	ALLIANCE GLOBAL GROUP INC	PHP	25,464,500.00
PHY0486V1154	AYALA CORPORATION	PHP	882,174.00
PHY0488F1004	AYALA LAND INC	PHP	27,084,007.00
PHY0967S1694	BANK OF PHILIPPINE ISLANDS	PHP	6,417,544.00
PHY0777S1022	BDO UNIBANK INC	PHP	6,417,445.00
PHY0927M1046	BLOOMBERRY RESORTS CORP	PHP	2,911,000.00
PHY138161229	CHINA BANKING CORPORATION	PHP	934,920.00
PHY2088F1004	DMCI HOLDINGS INC	PHP	3,320,430.00
PHY2292T1026	ENERGY DEVELOPMENT CORP	PHP	49,046,250.00
PHY249161019	FILINVEST LAND INC	PHP	5,417,000.00
PHY249161019	FILINVEST LAND INC	PHP	108,972,000.00
PHY2518H1143	FIRST GEN CORPORATION	PHP	12,157,739.00
PHY2558N1203	FIRST PHILIPPINE HOLDINGS CORPORATION	PHP	1,583,177.00
PHY272571498	GLOBE TELECOM INC	PHP	92,768.00
PHY411571011	INTERNATIONAL CONTAINER TERMINAL SERVICE	PHP	2,761,800.00
PHY444251177	JG SUMMIT HOLDINGS INC	PHP	8,195,900.00
PHY4466S1007	JOLLIBEE FOODS CORPORATION	PHP	947,960.00
PHY5764J1483	MANILA ELECTRIC COMPANY	PHP	573,667.00
PHY569991086	MANILA WATER COMPANY	PHP	6,069,640.00
PHY594811127	MEGAWORLD CORPORATION	PHP	51,239,000.00
PHY6030S1020	METRO PACIFIC INVESTMENTS CORPORATION	PHP	43,745,000.00
PHY6028G1361	METROPOLITAN BANK & TRUST COMPANY	PHP	4,620,134.00
PH7182521093	PHILIPPINE LONG DISTANCE TELEPHONE CO	PHP	360,439.00
PHY731961264	ROBINSONS LAND CORPORATION	PHP	6,366,950.00
PHY751061151	SAN MIGUEL CORPORATION	PHP	2,065,920.00
PHY7571C1000	SECURITY BANK CORP	PHP	883,911.00
PHY7627Y1552	SEMIRARA MINING CORP	PHP	748,920.00
PHY806711032	SM DEVELOPMENT CORPORATION	PHP	5,683,000.00
PHY806761029	SM INVESTMENTS CORP	PHP	1,071,715.00
PHY8076N1120	SM PRIME HOLDINGS INC	PHP	18,221,596.00
PHY9297P1004	UNIVERSAL ROBINA CORPORATION	PHP	3,799,370.00
PHY9382G1068	VISTA LAND & LIFESCAPES INC	PHP	35,778,000.00
Total			464,939,836.00

Top 10 Holdings

(Equity only)

As at 31 Dec 2012

ISIN CODE	SECURITY NAME	% OF TOTAL FUND
PHY806761029	SM INVESTMENTS CORP	9.44%
PH7182521093	PHILIPPINE LONG DISTANCE TELEPHONE CO	9.10%
PHY0488F1004	AYALA LAND INC	7.15%
PHY0967S1694	BANK OF PHILIPPINE ISLANDS	6.09%
PHY0001Z1040	ABOITIZ EQUITY VENTURES INC	5.33%
PHY6028G1361	METROPOLITAN BANK & TRUST COMPANY	4.70%
PHY077751022	BDO UNIBANK INC	4.66%
PHY0486V1154	AYALA CORPORATION	4.55%
PHY003341054	ALLIANCE GLOBAL GROUP INC	4.26%
PHY2292T1026	ENERGY DEVELOPMENT CORP	3.31%

PRULINK BOND FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

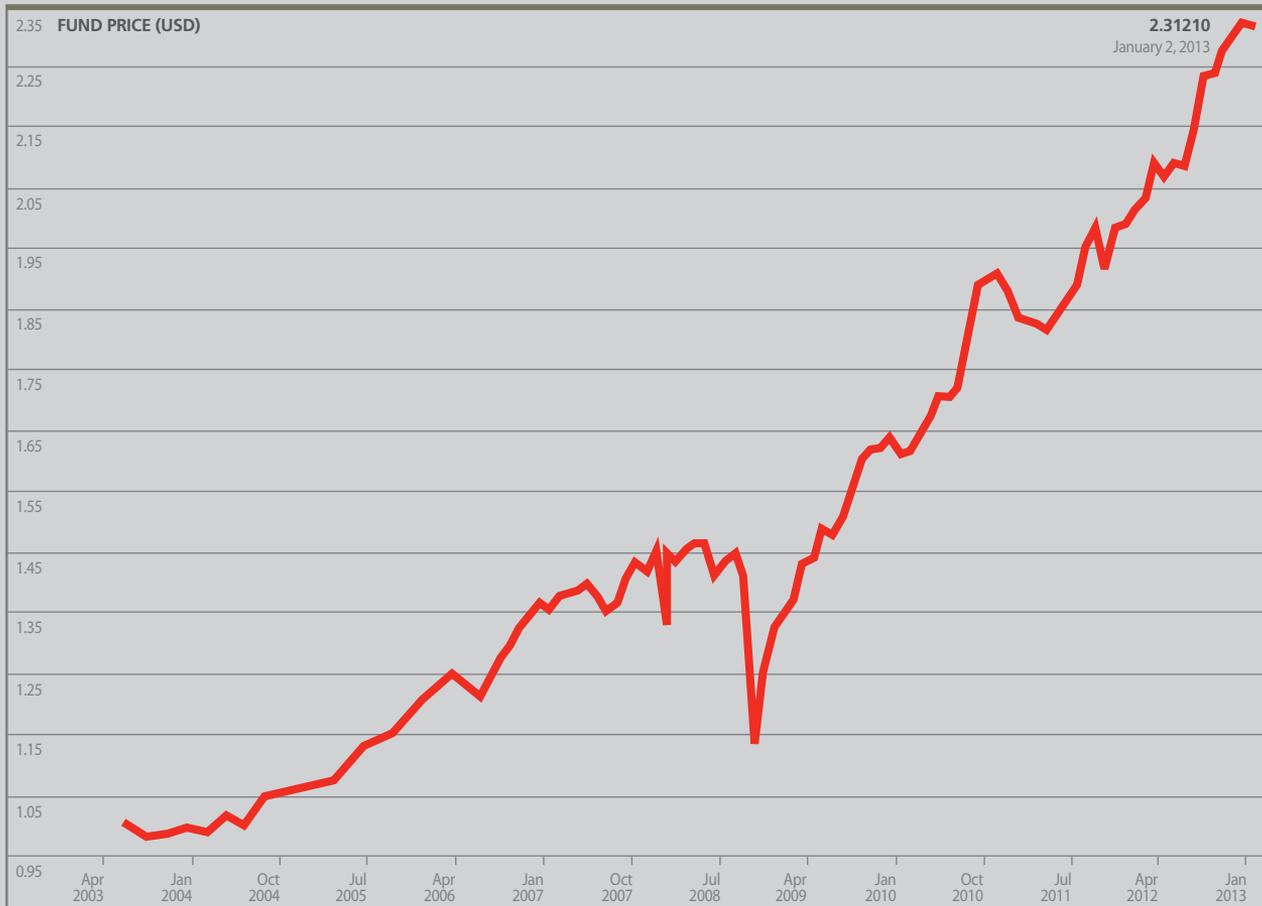
Initial (24 Sep 02)	1.00000
Highest (14 Dec 12)	2.40652
Lowest (24 Sep 02)	1.00000



PRULINK US DOLLAR BOND FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

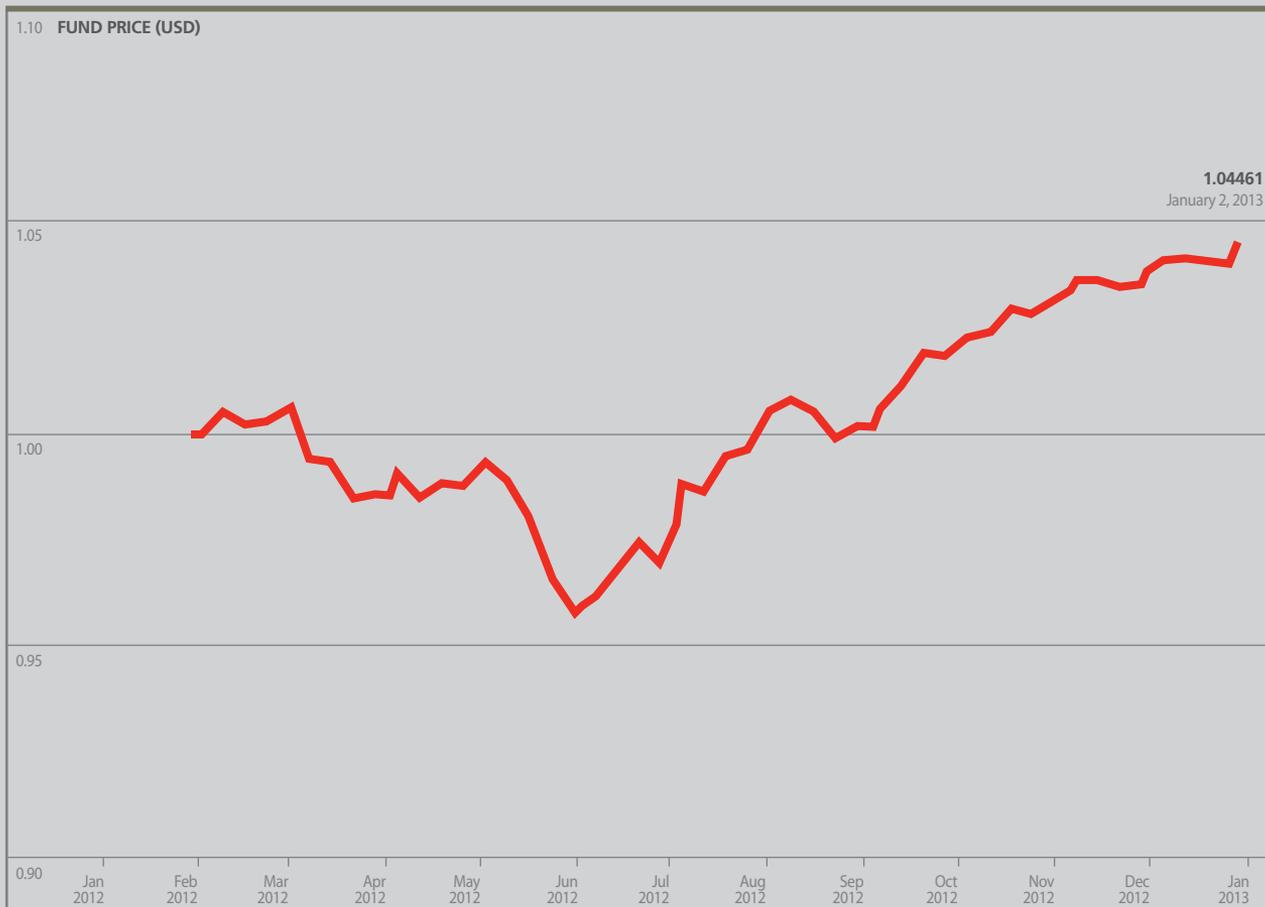
Initial (03 Jun 03) 1.00000
 Highest (15 Nov 12) 2.33620
 Lowest (05 Aug 03) 0.96080



PRULINK ASIAN LOCAL BOND FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

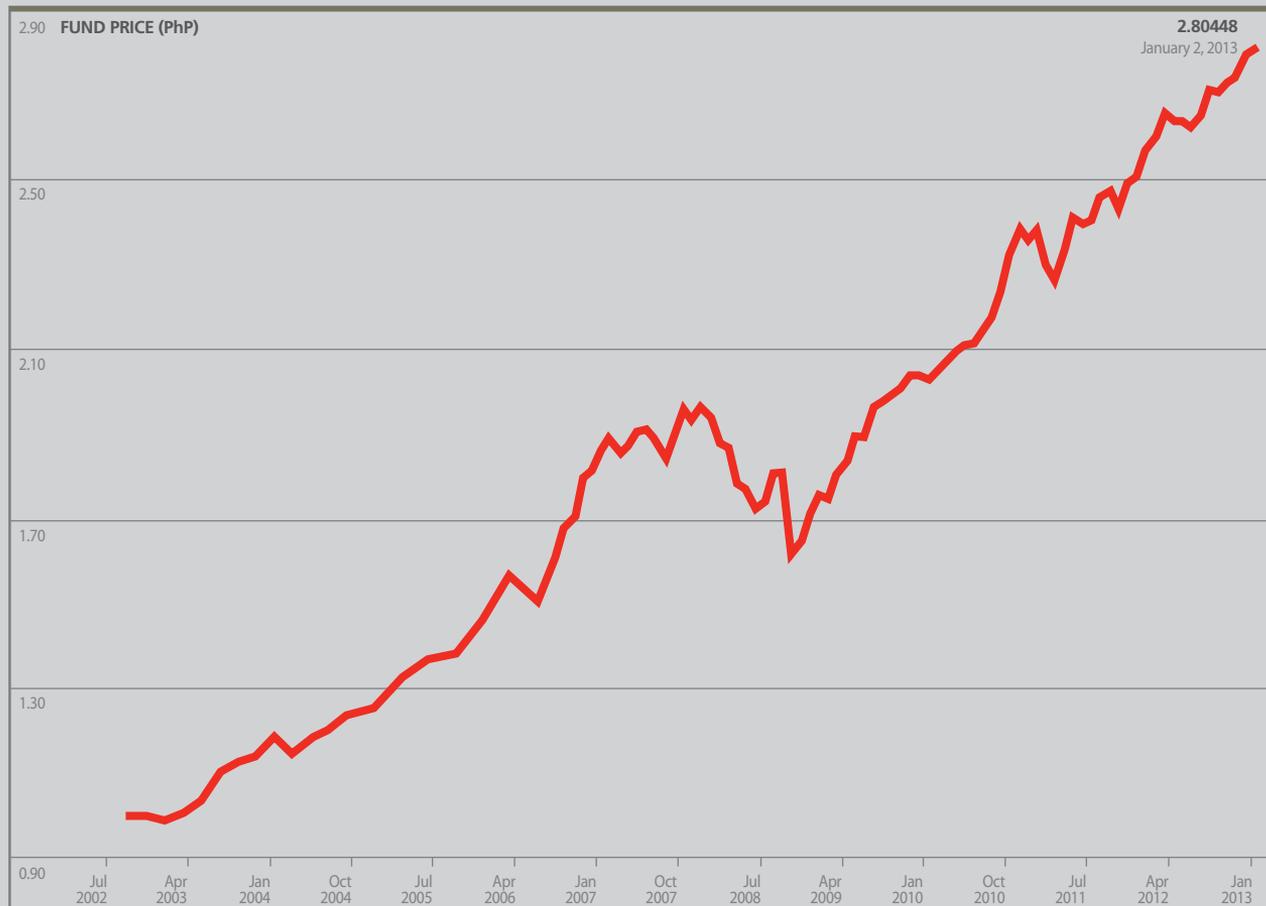
Initial (31 Jan 12)	1.00000
Highest (2 Jan 13)	1.04461
Lowest (31 May 12)	0.95729



PRULINK MANAGED FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

Initial (24 Sep 02)	1.00000
Highest (14 Dec 12)	2.85977
Lowest (23 Oct 02)	0.99568



PRULINK PROACTIVE FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

Initial (17 Feb 09)	1.00000
Highest (14 Dec 12)	1.97482
Lowest (3 Mar 09)	0.99950



PRULINK GROWTH FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

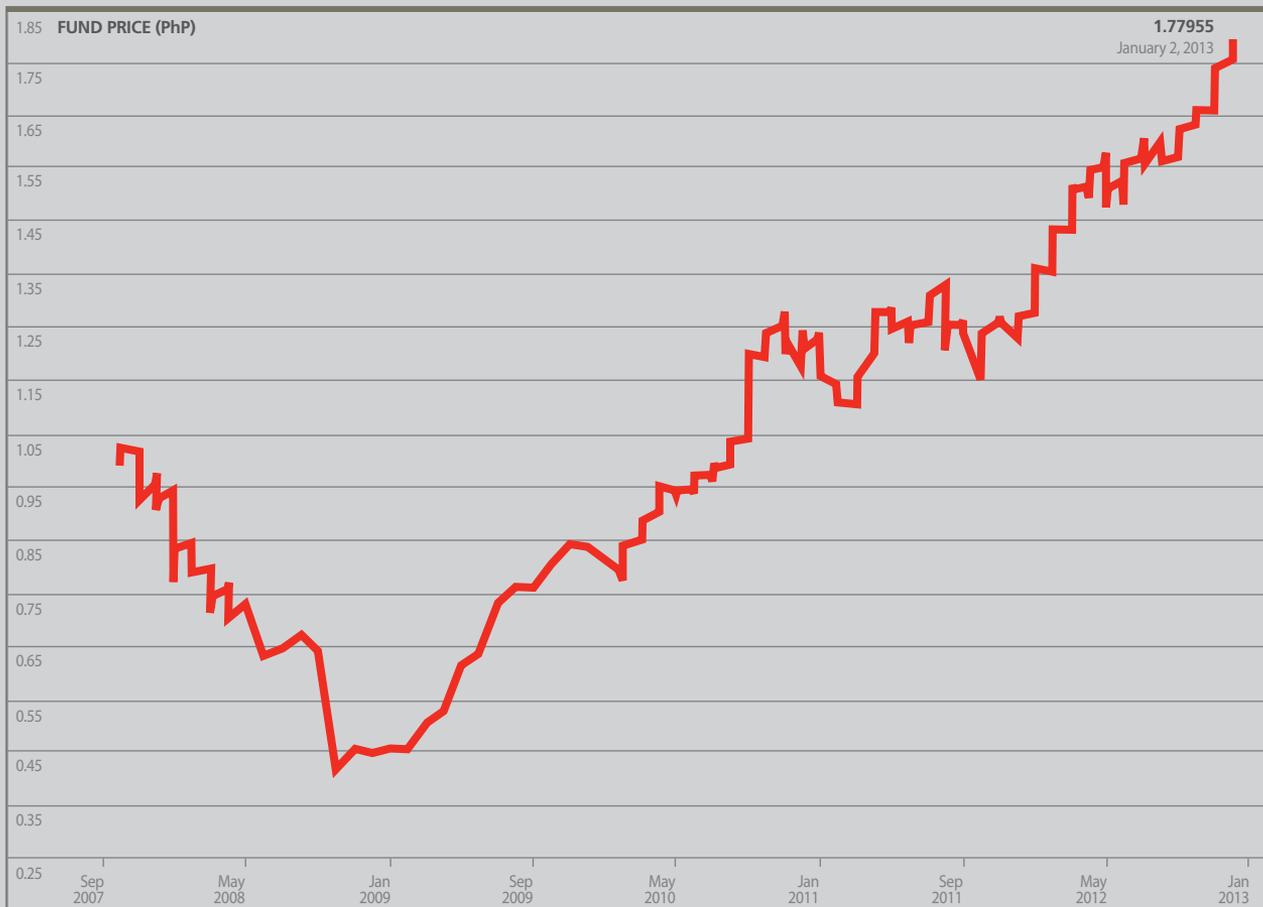
Initial (19 Jul 05)	1.00000
Highest (14 Dec 12)	3.23326
Lowest (28 Oct 08)	0.99584



PRULINK EQUITY FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

Initial (23 Oct 07)	1.00000
Highest (12 Dec 12)	1.79056
Lowest (28 Oct 08)	0.42505



Fund manager's profile

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 the 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 16 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, CFA **Investment Director - Fixed Income**

The PruLink Bond Fund is managed by Guan Yi who has 15 years of investment experience in Asian fixed income. She joined Eastspring Investments (Singapore) Limited in 2007, and is responsible for the Pan-Asian local currency bond portfolios, as well as single-country Philippines and Thai bond portfolios. Guan Yi was previously a portfolio manager at Bank Pictet et Cie Asia Ltd, where she helped to launch and manage the Asian local currency fund. Prior to that, she was managing Asian local currency and credit portfolios at Fullerton Fund Management Company and at Standard Chartered Bank Singapore. She holds a Bachelor's degree in Business from Nanyang Technological University, Singapore and is a Chartered Financial Analyst charterholder (2001).

Leong Wai Mei
CPA, Assistant Director, Fixed Income

The PruLink USD Bond Fund is managed by Wai Mei who has 13 years of investment experience. She currently holds a dual role as a Credit Manager (with credit research responsibilities and the oversight of the credit team), as well as a lead manager for the Asian High Yield, single-country Philippine and Indonesian US\$ bond portfolios. Wai Mei has worked for 13 years 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. She 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 4 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's degree in Business Administration (Honours).

In 1949, the 'Man from the Pru' headlined the company's advertising campaign in Britain, underscoring the role of agents in providing Pru products in the very homes of customers.

2012 ANNUAL REPORT

Financial Statements

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, 2012 and 2011

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)

2012												
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	Asian Local Bond Fund Combined Assets	Cash and cash equivalents	
Assets												
Cash and cash equivalents	P347,855	P321,471	P98,684	P240,066	P241,253	P2,172	P1,416	P12,934	P1,347,950	P10,843	P2,624,644	
Interest receivables	46	189,771	121,623	32	2,578	844	566	-	170	-	315,630	
Receivable from life fund	2	10,842	104,280	1,475	-	52,081	-	-	41,707	239	210,624	
Investments at fair value through profit or loss	5,8	5,238,216	15,545,565	7,584,450	3,553,785	10,016,848	22,142	14,857	-	7,406,867	993,294	50,376,024
Other assets	-	224	3,062	-	5	-	-	-	-	-	3,291	
	5,596,959	16,161,311	7,809,294	3,793,883	10,312,765	25,158	16,839	12,934	8,796,694	1,004,376	53,530,213	
Liability to Life Fund and Other Linked Funds												
Accrued Expenses	(449)	(6,636)	(3,282)	(322)	(6,229)	(8)	(10)	(5)	(1,914)	(585)	(19,440)	
Trade Payable	(25,000)	(369,218)	-	(25,000)	(240,658)	-	-	-	(75,000)	(12,068)	(746,944)	
Net Assets	P5,571,510	P4,364,672	P7,801,701	P3,758,216	P5,280,022	P25,150	P14,329	P12,929	P8,719,780	P991,723	P36,540,032	

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 ASSETS AND ACCOUNTABILITIES
OF THE PRULINK OPERATED BY THE LINKED FUND
AS AT DECEMBER 31
(Amounts in Thousands)

	2011											
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	Asian Local Bond Fund Combined Assets	Cash and cash equivalents	
Assets												
Cash and cash equivalents		P264,173	P248,737	P236,594	P150,924	P68,497	P2,377	P146	P29,547	P837,683	P -	P1,838,678
Interest receivables		29	142,615	87,348	22	5,961	894	601	-	106	-	237,576
Receivable from life fund	2	5,664	11,465	14,237	2,565	2,184	-	-	-	31,406	-	67,521
Investments at fair value through profit or loss	5,8	3,861,999	9,743,317	4,859,291	2,130,231	5,562,981	27,992	18,778	-	4,484,854	-	30,689,443
Other assets			-	-	-	-	-	-	-	-	-	-
		4,131,865	10,146,134	5,197,470	2,283,742	5,639,623	31,263	19,525	29,547	5,354,049	-	32,833,218
Liability to Life Fund and Other Linked Funds												
Accrued Expenses		-	(7,548,815)	-	(4,342)	(2,933,753)	-	(2,073)	-	(307)	-	(10,489,290)
Trade Payable		(270)	(3,416)	(1,746)	(164)	(2,789)	(8)	(7)	(8)	(954)	-	(9,362)
		-	-	-	-	(10)	-	-	-	-	-	(10)
Net Assets		P4,131,595	P2,593,903	P5,195,724	P2,279,236	P2,703,071	P31,255	P17,445	P29,539	P5,352,788	P -	P22,334,556

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)

	2012											
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	Asian Local Bond Fund	Combined	
Net assets at beginning of year	P4,131,595	P2,593,903	P5,195,724	P2,279,236	P2,703,071	P31,255	P17,445	P29,539	P5,352,788	P -	P22,334,556	
Net additions (withdrawals) to the Fund for creation of units	1,010,968	803,432	2,068,219	770,836	136,552	(2,064)	(427)	(16,519)	2,611,320	947,380	8,329,697	
	5,142,563	3,397,335	7,263,943	3,050,072	2,839,623	29,191	17,018	13,020	7,964,108	947,380	30,664,253	
FUND INCOME												
Dividend income	-	-	-	-	170,133	-	-	-	-	-	170,133	
Interest income	4,101	851,079	324,644	2,821	852	2,203	1,402	249	15,704	204	1,203,259	
Unrealized appreciation (depreciation) of investment at fair value through profit or loss	405,548	414,192	307,196	686,100	2,124,167	(5,951)	(3,921)	-	765,764	65,754	4,758,849	
Gain (loss) on sale of investment at fair value through profit or loss	34,278	77,240	4,188	29,372	319,457	-	-	-	34,529	(9,457)	489,607	
FUND EXPENSES												
Tax benefit (expense)	(818)	(171,276)	(126)	(564)	(177)	(6)	(2)	(49)	(3,141)	35	(176,124)	
Management fees	6 (14,162)	(203,898)	(98,144)	(9,585)	(174,033)	(287)	(168)	(291)	(57,184)	(12,193)	(569,945)	
	428,947	967,337	537,758	708,144	2,440,399	(4,041)	(2,689)	(91)	755,672	44,343	5,875,779	
NET ASSETS AT END OF YEAR												
	P5,571,510	P4,364,672	P7,801,701	P3,758,216	P5,280,022	P25,150	P14,329	P12,929	P8,719,780	P991,723	P36,540,032	

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)

	2011											
	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	Asian Local Bond Fund	Combined
Net assets at beginning of year		P3,118,984	P1,715,966	P3,052,422	P2,152,508	P2,790,892	P31,362	P18,598	P8,344	P2,214,072	P -	P15,103,148
Net additions (withdrawals) to the Fund for creation of units		711,694	36,925	1,733,987	30,127	(220,082)	(1,124)	(1,823)	20,698	2,894,055	-	5,204,457
		3,830,678	1,752,891	4,786,409	2,182,635	2,570,810	30,238	16,775	29,042	5,108,127	-	20,307,605
FUND INCOME												
Dividend income		-	-	-	-	203,456	-	-	-	-	-	203,456
Interest income		1,347	495,147	238,081	758	2,308	2,162	1,431	1,307	4,483	-	747,024
Unrealized appreciation (depreciation) of investment at fair value through profit or loss		125,198	673,444	220,153	(75,855)	(524,131)	(817)	(549)	-	215,074	-	632,517
Gain on sale of investment at fair value through profit or loss		181,036	27,597	15,347	176,310	593,094	-	-	-	46,328	-	1,039,712
FUND EXPENSES												
Tax benefit (expense)		(269)	(241,039)	(36)	(152)	388	(7)	(1)	(265)	(897)	-	(242,278)
Management fees	6	(6,395)	(114,137)	(64,230)	(4,460)	(142,854)	(321)	(211)	(545)	(20,327)	-	(353,480)
		300,917	841,012	409,315	96,601	132,261	1,017	670	497	244,661	-	2,026,951
NET ASSETS AT END OF YEAR												
		P4,131,595	P2,593,903	P5,195,724	P2,279,236	P2,703,071	P31,255	P17,445	P29,539	P5,352,788	P -	P22,334,556

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)

2012												
	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	Asian Local Bond Fund	Combined
CASH FLOWS FROM OPERATING ACTIVITIES												
Net increase (decrease) in net assets from operations for the year		P428,947	P967,337	P537,758	P708,144	P2,440,399	P(4,041)	P(2,689)	P(91)	P755,672	P44,343	P5,875,779
Adjustments for:												
Unrealized (appreciation) depreciation of investment at fair value through profit or loss	2, 5	(405,548)	(414,192)	(307,196)	(686,100)	(2,124,167)	5,951	3,921	-	(765,764)	(65,754)	(4,758,849)
Loss (gain) on sale of investment	5	(34,278)	(77,240)	(4,188)	(29,372)	(319,457)				(34,529)	9,457	(489,607)
Interest income		(4,101)	(851,079)	(324,644)	(2,821)	(852)	(2,203)	(1,402)	(249)	(15,704)	(204)	(1,203,259)
Dividend income		-	-	-	-	(170,133)	-	-	-	-	-	(170,133)
Operating loss before working capital changes		(14,980)	(375,174)	(98,270)	(10,149)	(174,210)	(293)	(170)	(340)	(60,325)	(12,158)	(746,069)
Decrease (increase) in: Receivable from life fund		(5,178)	(92,815)	12,762	2,565	(49,897)	-	-	-	(10,301)	(239)	(143,103)
Other assets		-	(224)	(3,062)	-	(5)	-	-	-	-	-	(3,291)
Liability to Life Fund and Other Linked Funds		-	3,871,970	4,311	6,003	1,852,103	-	427	-	(307)	-	5,734,507
Trade Payable		25,000	369,218	-	25,000	240,648	-	-	-	75,000	12,068	746,934
Increase (decrease) in accountabilities		179	3,220	1,536	158	3,440	-	3	(3)	960	585	10,078
Net cash from (used in) operating activities		5,021	3,776,195	(82,723)	23,577	1,872,079	(293)	260	(343)	5,027	256	5,599,056

Forward

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)

	2012											
	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	Asian Local Bond Fund	Combined
CASH FLOWS FROM INVESTING ACTIVITIES												
Acquisitions of investments - net	5, 8	(P936,391)	(P5,310,816)	(P 2,413,775)	(P708,082)	(P2,010,243)	(P 101)	-	-	(P2,121,720)	(P936,997)	(P 14,438,125)
Interest received		4,084	803,923	290,369	2,811	4,235	2,253	1,437	249	15,640	204	1,125,205
Dividends received		-	-	-	-	170,133	-	-	-	-	-	170,133
Net cash (used in) from investing activities		(932,307)	(4,506,893)	(2,123,406)	2,811	(1,835,875)	2,152	1,437	249	(2,106,080)	(936,793)	(13,142,787)
CASH FLOWS FROM A FINANCING ACTIVITY												
Net additions (withdrawals) to the fund for creation of units		1,010,968	803,432	2,068,219	770,836	136,552	(2,064)	(427)	(16,519)	2,611,320	947,380	8,329,697
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS												
		83,682	72,734	(137,910)	89,142	172,756	(205)	1,270	(16,613)	510,267	10,843	785,966
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR												
		264,173	248,737	236,594	150,924	68,497	2,377	146	29,547	837,683	-	1,838,678
CASH AND CASH EQUIVALENTS AT END OF YEAR												
		P347,855	P321,471	P98,684	P240,066	P241,253	P2,172	P1,416	P12,934	P1,347,950	P10,843	P 2,624,644

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)

2011												
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	Asian Local Bond Fund	Combined	
CASH FLOWS FROM OPERATING ACTIVITIES												
Net increase (decrease) in net assets from operations for the year	P300,917	P841,012	P409,315	P96,601	P132,261	P1,017	P670	P497	P244,661	P -	P2,026,951	
Adjustments for:												
Unrealized (appreciation) depreciation of investment at fair value through profit or loss	2, 5 (125,198)	(673,444)	(220,153)	75,855	524,131	817	549		(215,074)	-	(632,517)	
Loss (gain) on sale of investment	5 (181,036)	(27,597)	(15,347)	(176,310)	(593,094)	-	-	-	(46,328)	-	(1,039,712)	
Interest income	(1,347)	(495,147)	(238,081)	(758)	(2,308)	(2,162)	(1,431)	(1,307)	(4,483)	-	(747,024)	
Dividend income	-	-	-	-	(203,456)	-	-	-	-	-	(203,456)	
Operating loss before working capital changes	(6,664)	(355,176)	(64,266)	(4,612)	(142,466)	(328)	(212)	(810)	(21,224)	-	(595,758)	
Decrease (increase) in:												
Receivable from life fund	(2,929)	(1,893)	(813)	(2,023)	7,595	-	-	-	2,150	-	2,087	
Other Assets	-	-	-	35,000	-	-	-	-	-	-	35,000	
Liability to Life Fund and Other Linked Funds	(161)	3,741,990		(42,212)	(471,310)		463	(103,679)	307	-	3,125,398	
Trade Payable	-	-	-	-	-	-	-	-	-	-	-	
Increase (decrease) in accountabilities	171	1,508	693	110	(42,529)	-	3	(27)	694	-	(39,377)	
Net cash from (used in) operating activities	(9,583)	3,386,429	(64,386)	(13,737)	(648,710)	(328)	254	(104,516)	(18,073)	P -	2,527,350	

Forward

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)

	2011											
	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	Asian Local Bond Fund	Combined
CASH FLOWS FROM INVESTING ACTIVITIES												
Acquisitions of investments - net	5, 8	(P525,464)	(P3,855,976)	(P1,667,228)	P127,504	P477,965	P -	P -	P -	(P2,261,466)	P -	(P7,704,665)
Interest received		1,323	427,030	204,187	737	2,323	2,166	1,431	1,316	4,385	-	644,898
Dividends received						199,179	-	-	-	-	-	199,179
Net cash (used in) from investing activities		(524,141)	(3,428,946)	(1,463,041)	128,241	679,467	2,166	1,431	1,316	(2,257,081)	-	(6,860,588)
CASH FLOWS FROM A FINANCING ACTIVITY												
Net additions (withdrawals) to the fund for creation of units		711,694	36,925	1,733,987	30,127	(220,082)	(1,124)	(1,823)	20,698	2,894,055	-	5,204,457
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS												
		177,970	(5,592)	206,560	144,631	(189,325)	714	(138)	(82,502)	618,901	-	871,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR												
		86,203	254,329	30,034	6,293	257,822	1,663	284	112,049	218,782	-	967,459
CASH AND CASH EQUIVALENTS AT END OF YEAR												
		P264,173	P248,737	P236,594	P150,924	P68,497	P2,377	P146	P29,547	P837,683	P -	P1,838,678

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) also 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 ten 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 ("Prudential"). 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 (PSE).

- 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 PSE.
- 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 PSE.

- 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 PSE.
- i. *Asian Local Bond Fund* - fund invests in a diversified portfolio consisting primarily of fixed income or debt securities issued by Asian entities or their subsidiaries. This Fund's portfolio primarily consists of offshore securities denominated in the various Asian currencies and aims to maximize total returns through investing in fixed income or debt securities that are rated as well as unrated. Asian Local Bond Fund is structured as a feeder fund which invests in the Asian Local Bond Fund of Eastspring Investments (formerly known as "Prudential Asset Management Singapore") (Eastspring).

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.

Asian Local Bond Fund was established and commenced in September 2012.

For in-house managed funds, the administration is delegated to the Company. For investment activities of

the Funds that are managed by Eastspring, (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 22nd 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 have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

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 Insurance Commission (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, 2012 and 2011 were authorized for issue by the Board of Directors of Pru Life Insurance Corporation of U.K. on March 25, 2013.

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:

	Note	2012	2011
ProActive Fund invested at Bond Fund (Peso)	5	P5,645,369	P3,428,488
Managed Fund invested at Bond Fund (Peso)	5	4,787,964	3,531,578
Growth Fund invested at Equity Fund	5	2,574,111	1,541,622
ProActive Fund invested at Equity Fund	5	1,761,498	1,056,366
Growth Fund invested at Bond Fund (Peso)	5	979,674	588,609
Managed Fund invested at Equity Fund	5	450,252	330,421
		P16,198,868	P10,477,084

Other liabilities not eliminated are as follows:

	2012	2011
Life Fund invested at Growth Fund	P10,345	P4,342
Life Fund invested at Bond Fund (Peso)	7,778	P152
Life Fund invested at Bond Fund (Dollar)	4,311	-
Life Fund invested at Secured Return Fund II	2,500	2,073
Life Fund invested at Equity Fund	-	5,340
Life Fund invested at ProActive Fund	-	307
	P24,934	P12,206

Interfund investments amounting to P16,198,868 and P10,477,084 in 2012 and 2011, respectively, and other liabilities amounting to P24,934 and P12,206 in 2012 and 2011 comprise the "Liability to life fund and other linked funds" account in the Combined Statements of Assets and Accountabilities.

Income from interfund investments are as follows:

	2012	2011
Managed Fund invested at Bond Fund (Peso):		
Realized gain on sales of interfund investments	P356	P9,404
Unrealized gain on investments	306,074	296,288
	306,430	305,692
Managed Fund invested at Equity Fund:		
Realized gain on sales of interfund investments	33,922	171,632
Unrealized gain (loss) on investments	99,474	(171,089)
	133,396	543
Growth Fund invested at Bond Fund (Peso):		
Realized gain on sales of interfund investments	3,034	18,195
Unrealized gain on investments	54,795	32,908
	57,829	51,103
Growth Fund invested at Equity Fund:		
Realized gain on sales of interfund investments	26,338	158,115
Unrealized gain (loss) on investments	631,305	(108,763)
	657,643	49,352
ProActive Fund Invested in Bond Fund (Peso):		
Realized gain on sales of interfund investments	1,957	3,881
Unrealized gain on investments	335,087	261,371
	337,044	265,252
ProActive Fund Invested in Equity Fund:		
Realized gain (loss) on sales of interfund investments	32,572	42,447
Unrealized gain (loss) on investments	430,678	(46,298)
	463,250	(3,851)
	P1,955,592	P668,091

Receivables from life fund amounting to P210,624 and P67,521 as of December 31, 2012 and 2011, 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 off 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 require 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 Company has adopted the following amendments to standards and interpretations starting January 1, 2012 and accordingly changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

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

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 statements 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 statements 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, 2012 and 2011.

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 assets classified as loans and receivables as of December 31, 2012 and 2011 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, 2012 and 2011.

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 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.

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, 2013, 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:

Effective 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 PFRS continue to apply in this regard.

- **Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).** These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:
 - offset in the statement of financial position; or
 - subject to enforceable master netting arrangements or similar agreements
- **PFRS 13, Fair Value Measurement**
PFRS 13 replaces the fair value measurement guidance contained in individual PFRS 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 PFRS. 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.

Effective on January 1, 2014

- **Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).** These amendments clarify that:
 - An entity currently has a legally enforceable right to set-off if that right is:
 - not contingent on a future event; and
 - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
 - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
 - eliminate or result in insignificant credit and liquidity risk; and
 - process receivables and payables in a single settlement process or cycle
 These amendments are to be applied retrospectively.

Effective on January 1, 2015

- **PFRS 9, Financial Instruments**
PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

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:

	2012										
	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Combined
Investment in shares of stocks	P -	P -	P -	P -	P6,724,230	P -	P -	P -	P -	P -	P6,724,230
Accumulated market valuation gain	-	-	-	-	3,292,618	-	-	-	-	-	3,292,618
	-	-	-	-	10,016,848	-	-	-	-	-	10,016,848
Investment in bond funds	3,745,744	-	-	837,489	-	-	-	-	5,007,252	-	9,590,485
Accumulated market valuation gain	1,042,220	-	-	142,185	-	-	-	-	638,117	-	1,822,522
	4,787,964	-	-	979,674	-	-	-	-	5,645,369	-	11,413,007
Investment in equity funds	250,287	-	-	1,361,374	-	-	-	-	1,230,769	-	2,842,430
Accumulated market valuation gain (loss)	199,965	-	-	1,212,737	-	-	-	-	530,729	-	1,943,431
	450,252	-	-	2,574,111	-	-	-	-	1,761,498	-	4,785,861
Treasury notes	-	14,235,152	6,565,910	-	-	27,518	18,417	-	-	937,600	21,784,597
Accumulated market valuation gain	-	1,310,413	1,018,540	-	-	(5,376)	(3,560)	-	-	55,694	2,375,711
	-	15,545,565	7,584,450	-	-	22,142	14,857	-	-	993,294	24,160,308
	P5,238,216	P15,545,565	P7,584,450	P3,553,785	P10,016,848	P22,142	P14,857	P	P7,406,867	P993,294	P50,376,024

	2011										
	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Combined
Investment in shares of stocks	P -	P -	P -	P -	P4,394,531	P -	P	P	P	P	P4,394,531
Accumulated market valuation gain	-	-	-	-	1,168,450	-	-	-	-	-	1,168,450
	-	-	-	-	5,562,981	-	-	-	-	-	5,562,981
Investment in bond funds	2,795,432	-	-	501,219	-	-	-	-	3,125,457	-	6,422,108
Accumulated market valuation gain	736,146	-	-	87,390	-	-	-	-	303,031	-	1,126,567
	3,531,578	-	-	588,609	-	-	-	-	3,428,488	-	7,548,675
Investment in equity funds	P229,930	P -	P -	P960,190	P -	P -	P -	P -	P 956,315	P -	P2,146,435
Accumulated market valuation gain (loss)	100,491	-	-	581,432	-	-	-	-	100,051	-	781,974
	330,421	-	-	1,541,622	-	-	-	-	1,056,366	-	2,928,409
Treasury notes	-	8,847,096	4,445,801	-	-	27,518	18,417	-	-	-	13,338,832
Accumulated market valuation gain	-	896,221	413,490	-	-	474	361	-	-	-	1,310,546
	-	9,743,317	4,859,291	-	-	27,992	18,778	-	-	-	14,649,378
	P3,861,999	P9,743,317	P4,859,291	P2,130,231	P5,562,981	P27,992	P18,778	P -	P4,484,854	P -	P30,689,443

6. MANAGEMENT FEES

The Company has an investment management services agreement with Eastspring 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:

	2012	2011
Managed Fund	1.79%	1.79%
Bond Fund (Peso)	1.53%	1.53%
Bond Fund (Dollar)	1.53%	1.53%
Growth Fund	2.25%	2.25%
Equity Fund	2.25%	2.25%
Secured Return Fund I	1.00%	1.00%
Secured Return Fund II	1.00%	1.00%
ProActive Fund	2.25%	2.25%
Money Market Fund	1.28%	1.28%
Asian Local Bond Fund	1.80%	-

7. NUMBER OF UNITS AND UNIT PRICES

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

	2012	2011
Managed Fund	1,986,649	1,607,312
Bond Fund (Peso)	6,706,942	4,630,681
Bond Fund (Dollar)	81,914	58,826
Growth Fund	1,167,667	904,163
Equity Fund	5,656,424	4,411,311
Secured Return Fund I	22,194	23,874
Secured Return Fund II	13,308	13,666
ProActive Fund	4,480,917	3,066,439
Money Market Fund	12,443	28,284
Asian Local Bond Fund	23,047,567	–
	43,176,025	14,744,556

The corresponding published unit prices are as follows:

	2012	2011
Managed Fund	2.80448	2.57050
Bond Fund (Peso)	2.35244	2.19030
Bond Fund (Dollar)	2.31210	2.01060
Growth Fund	3.21857	2.52082
Equity Fund	1.77955	1.27660
Secured Return Fund I	1.13317	1.30921
Secured Return Fund II	1.07669	1.27649
ProActive Fund	1.94598	1.74560
Money Market Fund	1.03905	1.04434
Asian Local Bond Fund (Dollar)	1.04461	–

8. FINANCIAL RISK MANAGEMENT

The Funds invest in equity and debt instruments as dictated by the individual Fund's 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 Fund's 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 cashflows from invested assets primarily for long-term fixed rate investments, being less than the cashflows to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exist 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\$159 million and US\$101 million as of December 31, 2012 and 2011, 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 P328 million and P222 million as of December 31, 2012 and 2011, 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 Funds 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.

December 31, 2012	Changes in Variables	
	50 Basis Points Increase	50 Basis Points Decrease
Currency		
Philippine peso	(P575,092)	P613,816
US dollar	(335,153)	358,811
Fair value sensitivity (net)	(P910,245)	P972,627

Changes in Variables

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

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 P10,016 million and P5,562 million as of December 31, 2012 and 2011, 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 PSE. A 5% increase in stock prices would have increased the carrying value of these investments by P416 million and P278 million as of December 31, 2012 and 2011, 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 do 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, 2012			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments at fair value through profit or loss	P10,016,848	P40,359,176	P -	P50,376,024

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments at fair value through profit or loss	P5,562,981	P25,126,462	P -	P30,689,443

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, 2012 and 2011, 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.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of PruLink operated by the Linked Fund of Pru Life Insurance Corporation of U.K. as at December 31, 2012 and 2011, 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

SEC Accreditation No. 0023-AR-3, Group A, valid until March 8, 2015

Tax Identification No. 112-071-545

BIR Accreditation No. 08-001987-5-2010

Issued June 30, 2010; valid until June 29, 2013

PTR No. 3669517MC

Issued January 2, 2013 at Makati City

March 25, 2013

Makati City

PRULink Asia Pacific Equity Fund

Pru Life UK continues to thrive in the Asian Century

"We are at the threshold of the Asian Century."

– Barry Stowe, Chief Executive
Prudential Corporation Asia (PCA)



*In the Year of the Snake,
opportunities abound*

- PAPEF is structured as a feeder fund which invests in the Eastspring Investments-Asia Pacific Equity Fund.
- PAPEF differentiates itself from similar funds in the market as an investment-linked fund which invests in another fund – the Eastspring Investments-Asia Pacific Equity Fund.
- Eastspring Investments-Asia Pacific Equity Fund invests primarily in equity and equity-related securities of companies which are incorporated, listed in or have their area of primary activity in the Asia Pacific Region (excluding Japan).
- Eastspring Investments-Asia Pacific Equity Fund may also invest in depository receipts including American Depository Receipts (ADRs) and Global Depository Receipts (GDRs), debt securities convertible into common shares, preference shares and warrants.
- Eastspring Investments-Asia Pacific Equity Fund is managed by a strong investment team with an average industry experience of 16 years.

Call your Pru Life UK financial adviser and let us help you make smart financial choices for your future.

You may call our head office at (+63 2) 887-LIFE (within Metro Manila) and 1-800-10-PRULINK (outside Metro Manila) for all your inquiries and needs.

You may also visit our website, www.prulifeuk.com.ph or send an e-mail to contact.us@prulifeuk.com.ph.



Since **1848**, Pru Life UK's British parent company **Prudential plc** has been listening, understanding and responding to the financial needs of its clientele - from industrial workers of Victorian Britain, families of the Titanic passengers and veterans of World War II, to the Filipino urban professionals.

1854
first to introduce **Industrial Insurance** to the working classes for a penny and upwards



1856
first to offer **infantile policies**



1871
among the **first** in London to **employ female clerks**



A tradition of innovation

For over **165 years**, generations of families have been entrusting their future to Prudential plc, and now Pru Life UK, with innovative financial wellness solutions.

In **1996** Prudential plc establishes **Pru Life UK** in the Philippines

1997
among the **first** allowed by the Insurance Commission to issue **dollar-denominated policies**

2002
pioneers unit-linked, a **two-in-one life insurance and investment** product that allows not only financial protection but also wealth accumulation

2012
launches the **first multi-country, multi-platform financial literacy program** – the Cha-Ching Financial Literacy for the Youth Program – in the curriculum of schools in partnership with the Department of Education

2012
offers the PruLink Asian Local Bond Fund, a **unique dollar-denominated** feeder fund that is invested in **offshore bonds** issued by Asian economies

2013
offers the PruLink Asia Pacific Equity Fund, a **first-of-its-kind dollar-denominated** feeder fund that allows policyholders to **diversify** their unit-linked **investments** both on and **offshore** to deeper equity markets around Asia



A culture of providing **solutions**. A commitment to **progress**. A tradition of **innovation**.

Always Listening. Always Understanding.

PRU LIFE U.K.

PRU LIFE U.K.

Established in 1996, Pru Life UK is a subsidiary of British financial services giant Prudential plc. Pru Life UK is the pioneer and current market leader of unit-linked or investment-linked life insurance products, and is one of the first life insurance companies approved to market US dollar-denominated unit-linked policies in the country. Pru Life UK is a life insurance company and is not engaged in the business of selling pre-need plans.

Prudential plc is a United Kingdom-registered company. Its regional headquarters, Prudential Corporation Asia, is based in Hong Kong.

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

For more information: www.prulifeuk.com.ph

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.: (+63 2) 884 8484, (+63 2) 887 LIFE, 1-800-10-PRULINK; Fax: (+63 2) 370 2990; E-mail: contact.us@prulifeuk.com.ph; Website: www.prulifeuk.com.ph