

Prudential (AN) Limited

Incorporated in England and Wales Registered No. 1347088

Registered Office: Laurence Pountney Hill, London, EC4R 0HH

Annual FSA Insurance Returns for the year ended

31 December 2005

(Appendices 9.1, 9.3, 9.4, 9.6)

Prudential (AN) Limited

31 December 2005

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Statement of solvency - long-term insurance businessName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**

Solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units
			R2	1347088	GL	
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	4912	
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	20329	24630
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	25241	24630

Guarantee fund

Guarantee fund requirement	21	2199	2087
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	23042	22543

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	6596	6761
Resilience capital requirement	32	154	160
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	6750	6921
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	6750	6921
Excess (deficiency) of available capital resources to cover 50% of MCR	37	21866	21169
Excess (deficiency) of available capital resources to cover 75% of MCR	38	20178	19438

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	6750	6921

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	6750	6921
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	18491	17709

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Covering Sheet to Form 2

Form 2

Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**

N E T Prettejohn Chief Executive

D J Belsham Director

R C Everett Director

London, 30 March 2006

Components of capital resourcesName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1347088	GL	31	12	2005	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Core tier one capital

Permanent share capital	11		18000	18000	18000
Profit and loss account and other reserves	12		7706	7706	8422
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		25706	25706	26422

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		25706	25706	26422
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		465	465	1792
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		465	465	1792
Total tier one capital after deductions (31-37)	39		25241	25241	24630

Components of capital resourcesName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	1347088	GL	31	12	2005	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41					
Perpetual non-cumulative preference shares excluded from line 25	42					
Innovative tier one capital excluded from line 27	43					
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44					
Perpetual cumulative preference shares	45					
Perpetual subordinated debt and securities	46					
Upper tier two capital in related undertakings	47					
Upper tier two capital (44 to 47)	49					

Fixed term preference shares	51					
Other tier two instruments	52					
Lower tier two capital in related undertakings	53					
Lower tier two capital (51+52+53)	59					

Total tier two capital before restrictions (49+59)	61					
Excess tier two capital	62					
Further excess lower tier two capital	63					
Total tier two capital after restrictions, before deductions (61-62-63)	69					

Components of capital resourcesName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	1347088	GL	31	12	2005	£000
		General insurance business		Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year
		1		2	3	4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		25241	25241	24630
Inadmissible assets other than intangibles and own shares	73				
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		25241	25241	24630

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81		25241	25241	24630
Available capital resources for 50% MCR requirement	82		25241	25241	24630
Available capital resources for 75% MCR requirement	83		25241	25241	24630

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96				

Analysis of admissible assetsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1347088	GL	31	12	2005	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41			
Other shares and other variable yield securities	42			
Holdings in collective investment schemes	43	11176	10664	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	2716	3179
	Other	46		
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50	859	1173	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	60	61	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	2500	6000
	More than one month withdrawal	55	4000	5500
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1347088	GL	31	12	2005	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	
	Intermediaries	72	
Salvage and subrogation recoveries		73	
Reinsurance	Accepted	74	
	Ceded	75	
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	
	due in more than 12 months	79	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2231	563
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	169	207
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	23711	27347
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Analysis of admissible assetsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	1347088	GL	31	12	2005	£000	1
						As at end of this financial year	As at end of the previous year
						1	2

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	23711	27347
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	23711	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Analysis of admissible assetsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1347088	GL	31	12	2005	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41			
Other shares and other variable yield securities	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	3353	2794
	Other	46	12492	12504
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	1000	1500
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	394197	366249

Analysis of admissible assetsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1347088	GL	31	12	2005	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	2227	3038
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	473	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	269	265
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	414011	386350
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Analysis of admissible assetsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1347088	GL	31	12	2005	£000	10
						As at end of this financial year	As at end of the previous year
						1	2

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	414011	386350
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	125533	
Other asset adjustments (may be negative)	100	(2227)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	537317	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Long term insurance business liabilities and margins

Name of insurer **Prudential (AN) Limited**
Global business
Financial year ended **31 December 2005**
Total business/Sub fund **21 Ordinary Long Term Business**
Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	11	403880	380175	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	4912		
Long term insurance business fund carried forward (11 to 13)	14	408792	380175	
Claims outstanding	Gross	15	980	558
	Reinsurers' share	16		
	Net (15-16)	17	980	558
Provisions	Taxation	21		
	Other risks and charges	22	941	1017
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36		539	
Creditors	Taxation	37		
	Other	38	3298	4061
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	5219	6175	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	414011	386350	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	2464	2066
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	394360	365952

Total liabilities (11+12+49)	71	409099	386350
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	125533	
Other adjustments to liabilities (may be negative)	74	(2692)	
Capital and reserves and fund for future appropriations	75	5377	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	537317	

Liabilities (other than long term insurance business)Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	1347088	GL	31	12	2005	£000
			As at end of this financial year			As at end of the previous year
			1			2

Technical provisions (gross amount)

Provisions for unearned premiums	11		
Claims outstanding	12		
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	
Other technical provisions	16		
Total gross technical provisions (11 to 16)	19		

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	3382	2717
	Recommended dividend	48		
	Other	49		
Accruals and deferred income		51		
Total (19 to 51)		59	3382	2717
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	3382	2717

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	20329	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	23711	

Profit and loss account (non-technical account)Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1347088	GL	31	12	2005	£000
				This financial year		Previous year		
				1		2		
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13				2271	
Investment income	Income		14		834		1026	
	Value re-adjustments on investments		15		39		32	
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17					
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29		873		3329	
Tax on profit or loss on ordinary activities			31		2174		974	
Profit or loss on ordinary activities after tax (29-31)			39		(1301)		2355	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49		(1301)		2355	
Dividends (paid and proposed)			51		3000			
Profit or loss retained for the financial year (49-51)			59		(4301)		2355	

Analysis of derivative contractsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
		R17	1347088	GL	31	12	2005	£000	£000
		As at the end of this financial year				As at the end of the previous year			
		Assets		Liabilities		Assets		Liabilities	
		1		2		3		4	
Derivative contracts	Futures contracts	Fixed-interest securities	11						
		Equity shares	12						
		Land	13						
		Currencies	14						
		Other	15						
Options		Fixed-interest securities	21						
		Equity shares	22						
		Land	23						
		Currencies	24						
		Other	25						
Contracts for differences		Fixed-interest securities	31						
		Equity shares	32						
		Land	33						
		Currencies	34						
		Other	35						
Adjustment for variation margin		41							
Total (11 to 41)		49							

Analysis of derivative contractsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
		R17	1347088	GL	31	12	2005	£000	£000
		As at the end of this financial year				As at the end of the previous year			
		Assets		Liabilities		Assets		Liabilities	
		1		2		3		4	
Derivative contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustment for variation margin		41							
Total (11 to 41)		49							

Long-term insurance business : Revenue account

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **21 Ordinary Long Term Business**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	24952	21036
Investment income receivable before deduction of tax	12	12317	13543
Increase (decrease) in the value of non-linked assets brought into the account	13	83	(5)
Increase (decrease) in the value of linked assets	14	56346	19894
Other income	15		
Total income	19	93698	54468

Expenditure

Claims incurred	21	61457	49722
Expenses payable	22	3613	4501
Interest payable before the deduction of tax	23	11	19
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26		2271
Total expenditure	29	65081	56513

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	28617	(2045)
Fund brought forward	49	380175	382220
Fund carried forward (39+49)	59	408792	380175

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **21 Ordinary Long Term Business**
 Financial year ended **31 December 2005**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11		1028		1028	1324
Single premiums	12	9	25665		25674	24374

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16	9	1741		1750	4661

Net of reinsurance

Regular premiums	17		1028		1028	1324
Single premiums	18		23924		23924	19713

Total

Gross	19	9	26693		26702	25698
Reinsurance	20	9	1741		1750	4661
Net	21		24952		24952	21037

Long-term insurance business : Analysis of claims

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **21 Ordinary Long Term Business**
 Financial year ended **31 December 2005**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	345	1531		1876	1824
Disability periodic payments	12					
Surrender or partial surrender	13	2625	26321		28946	29701
Annuity payments	14		5411		5411	5349
Lump sums on maturity	15		33590		33590	21252
Total	16	2970	66853		69823	58126

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					

Reinsurance - intra-group

Death or disability lump sums	31	345			345	491
Disability periodic payments	32					
Surrender or partial surrender	33	2625			2625	2579
Annuity payments	34		5396		5396	5334
Lump sums on maturity	35					
Total	36	2970	5396		8366	8404

Net of reinsurance

Death or disability lump sums	41		1531		1531	1333
Disability periodic payments	42					
Surrender or partial surrender	43		26321		26321	27122
Annuity payments	44		15		15	15
Lump sums on maturity	45		33590		33590	21252
Total	46		61457		61457	49722

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **21 Ordinary Long Term Business**
 Financial year ended **31 December 2005**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		3474	3474	4451
Management - other	15		139	139	50
Total	16		3613	3613	4501

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		3474	3474	4451
Management - other	45		139	139	50
Total	46		3613	3613	4501

Long-term insurance business : Linked funds balance sheetName of insurer **Prudential (AN) Limited**

Total business

Financial year ended **31 December 2005**Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	96812	94658
Directly held assets in collective investment schemes of connected companies	12	297385	271593
Directly held assets in other collective investment schemes	13		
Total assets (excluding cross investment) (11+12+13)	14	394197	366251
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	745	1415
Total net assets (14-15-16-17)	18	393452	364836

Directly held linked assets

Value of directly held linked assets	21		
--------------------------------------	----	--	--

Total

Value of directly held linked assets and units held (18+21)	31	393452	364836
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	393452	364836

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **Prudential (AN) Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

Income

Value of total creation of units	11	25208	21104
Investment income attributable to the funds before deduction of tax	12	11117	12356
Increase (decrease) in the value of investments in the financial year	13	56345	19892
Other income	14		
Total income	19	92670	53352

Expenditure

Value of total cancellation of units	21	60297	48618
Charges for management	22	3758	3586
Charges in respect of tax on investment income	23		
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26		
Total expenditure	29	64055	52204

Increase (decrease) in funds in financial year (19-29)	39	28615	1148
Internal linked fund brought forward	49	364837	363689
Internal linked funds carried forward (39+49)	59	393452	364837

Long-term insurance business : Summary of new business

Name of insurer **Prudential (AN) Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11		21		21	36
Single premium business	12		99		99	209
Total	13		120		120	245

**Amount of new regular
premiums**

Direct insurance business	21		14		14	68
External reinsurance	22					
Intra-group reinsurance	23					
Total	24		14		14	68

**Amount of new single
premiums**

Direct insurance business	25	9	3955		3964	6661
External reinsurance	26					
Intra-group reinsurance	27		21710		21710	
Total	28	9	25665		25674	6661

Long-term insurance business : Analysis of new business

Name of insurer **Prudential (AN) Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
400	Annuity non-profit (CPA)			76	1741
730	Individual pensions property linked	21	14	23	2214

Long-term insurance business : Non- linked assets

Name of insurer **Prudential (AN) Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2005**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	3377	3377	205	4.08	
Other fixed interest securities	13	12737	12737	572	4.58	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	3700	3700	66	1.79	
Total	19	19814	19814	843	3.97	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **21 Ordinary Long Term Business**
 Financial year ended **31 December 2005**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12		70888	70888	66648
Form 52	13	58954		58954	58110
Form 53 - linked	14		393452	393452	372367
Form 53 - non-linked	15		10486	10486	7870
Form 54 - linked	16		931	931	1116
Form 54 - non-linked	17				
Total	18	58954	475757	534711	506111

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25		58	58	62
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28		58	58	62

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		70888	70888	66648
Form 52	33	58954		58954	58110
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36		931	931	1116
Form 54 - non-linked	37				
Total	38	58954	71819	130773	125874

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42				
Form 52	43				
Form 53 - linked	44		393452	393452	372367
Form 53 - non-linked	45		10428	10428	7808
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48		403880	403880	380175

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **21 Ordinary Long Term Business**
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA)	2303	5351 pa					70764
405	Annuity non-profit (CPA impaired life)	2	13 pa					124

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **21 Ordinary Long Term Business**
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA) - Annuities in Payment	2303	5351 pa					70764
405	Annuity non-profit (CPA impaired life)	2	13 pa					124

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Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **21 Ordinary Long Term Business**
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	12103	406116	1022	406116	392284	9696	401980
770	Term assurance rider	66	3464	14			73	73
785	Income protection rider		95 pa	2			9	9
795	Miscellaneous property linked				335	335	100	435
800	Additional reserves property linked				833	833	11	844
800	Additional reserves property linked						597	597

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **21 Ordinary Long Term Business**
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
770	Term assurance rider		2813	11			58	58
785	Income protection rider		7 pa					

Long-term insurance business : Unit prices for internal linked fundsName of insurer **Prudential (AN) Limited**

Total business

Financial year ended **31 December 2005**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Managed	12 - individual pension - balanced managed fund	250992	N/A	1.00	14.2700	17.0600	0.1955
Total:		250992					

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **21 Ordinary Long Term Business**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	408792	380175
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		2271
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	408792	382446
Mathematical reserves	21	403880	380175
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	4912	2271

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	4912	2271
Total	39	4912	2271

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		2271
Total distributed surplus (46+47)	48		2271
Surplus carried forward	49	4912	
Total (48+49)	59	4912	2271

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance capital requirementName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2005**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

Insurance death risk capital component

Classes I, II and IX	11	0.1%			0.50		
Classes I, II and IX	12	0.15%					
Classes I, II and IX	13	0.3%	3392	1696		5	5
Classes III, VII and VIII	14	0.3%	6433	6433	1.00	19	19
Total	15		9825	8129		24	24

Insurance health risk capital component

Class IV and supplementary classes 1 and 2	21						
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Insurance expense risk capital component

Classes I, II and IX	31	1%	129924	24	0.85	1104	1061
Classes III, VII and VIII (investment risk)	32	1%	11336	10405	0.92	104	153
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	112215	112215	1.00	1122	1154
Classes III, VII and VIII (other)	34	25%				616	727
Class IV	35	1%					
Class V	36	1%					
Class VI	37	1%					
Total	38					2947	3095

Insurance market risk capital component

Classes I, II and IX	41	3%	129924	24	0.85	3313	3184
Classes III, VII and VIII (investment risk)	42	3%	11336	10405	0.92	312	458
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	112215	112215			
Classes III, VII and VIII (other)	44	0%	281236	281236			
Class IV	45	3%					
Class V	46	0%					
Class VI	47	3%					
Total	48		534711	403880		3625	3642

Long term insurance capital requirement	51					6596	6761
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PRUDENTIAL (AN) LIMITED

Appendix 9.4

VALUATION REPORT ON PRUDENTIAL (AN) LIMITED

INTRODUCTION

1. (1) The investigation relates to 31 December 2005.
- (2) The previous investigation related to 31 December 2004.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2004.

PRODUCT RANGE

2. There have been no significant changes in products during the financial year.

DISCRETIONARY CHARGES AND BENEFITS

3. (1) Accumulating with-profits policies were written from 2002 to 2004. Market Value Reductions were applied throughout 2005 for entry years 2002 and 2004.
- (2) Not applicable.
- (3) Not applicable.
- (4) There have been no changes to service charges on linked policies.
- (5) There have been no changes to benefit charges on linked policies.
- (6) The implicit fund charge for accumulating with-profits business reported in Form 52 was 1.615% in 2004 and 1.596% in 2005. The whole of this business is affected by the change.
- (7) (a) A smoothed equity approach is taken to unit pricing. Current practice is as follows.

While the trend in the number of units in a unit fund is believed to be upward, the bid price is the creation price. While the trend in the number of units is believed to be downward, the bid price is the cancellation price. Where the trend is unclear or changing, the bid price may be between the creation price and the cancellation price. The offer price is then set equal to the bid price plus the initial charge plus a rounding adjustment not exceeding 0.1p.

The creation price is the cash cost of purchasing an identical portfolio of assets to that in the unit fund including all the costs that would be incurred in purchasing such assets, divided by the number of units in existence. The cancellation price is the cash amount for which the assets of the unit fund can be sold net of all costs that would be incurred in disposing of the assets, divided by the number of units in existence.

Unit prices are calculated and allocations to policies made daily. The associated cash is invested or withdrawn from the unit fund the day following the allocation.

In March 2005 the pricing basis moved from historic pricing to forward pricing. This means that units are now allocated to and de-allocated from policies at the current day's price as opposed to the previous day's price.

- (b) Unit pricing bases are determined at fund level, so all policies invested in the same fund have the same basis applied.

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

- (c) The price used for collective investment schemes and similar assets is the latest valuation at mid-day; deals are placed before mid-day and receive that following price.
- (8) Not applicable.
- (9) Not applicable.
- (10) The unit trusts are single priced so that the creation and cancellation prices are the same. In some cases Prudential Unit Trusts include a fund management charge less a share of investment management expenses in the price of the fund. In such cases Prudential Unit Trusts rebate the fund management charge deducted from the unit trusts less a share of investment management expenses of the unit trusts. The full rebate (without deduction for the investment management expenses of the unit trusts) is credited to the respective linked funds with the deduction for investment management expenses being met by non linked funds.

VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

- 4. At 31 December 2005 the total gross mathematical reserves amounted to £535m. The lesser of £10m and 1% of the total gross mathematical reserves was therefore equal to £5.3m.

(1) **Linked policy reinsurance accepted from Prudential Assurance Company Limited (PACL)**

In the case of reinsurances accepted from PACL, the reinsurance agreement provides for PACL to meet the administration and maintenance expenses. Reserves are set up within PANL to cover the value of units at bid price and the mortality risk for the excess of allocated over created units.

Other Linked policies

The liability has been taken as the sum of:

- (i) The value of created units at bid price plus the value of investments in the Guaranteed Fund with accrued interest. The created units would be lower than the face value of units for products where actuarial funding is used.
- (ii) The value of future expenses and renewal commission.
- (iii) Less the value of future management charges.
- (iv) Less the value of that portion of future premiums not attributed to units.

Where necessary, (iv) and then (iii) were adjusted to ensure that the reserve for an individual policy both currently and at any future date was not less than the value of created units. In the case of regular premium contracts, in calculating (iii) and (iv) premiums are assumed to continue in payment for the remaining term of the contract unless a higher reserve is obtained by assuming immediate cessation of premiums with item (ii) then being calculated using expense assumptions for paid up policies.

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

Annuities in payment

The mathematical reserve for annuities in payment is the present value of the annuities and expenses allowing for inflation, less the present value of future premiums where applicable.

- (2) The valuation interest rate and the fund growth rates used are as below:

Product		Valuation rate	Interest	Fund rate	growth
Linked policies	2005	3.75%		5.00%	
	2004	4.00%		5.00%	
Annuities in payment (reassured to PAL)	2005	4.30%			
	2004	4.83%			
Annuities in payment (reassured to PRIL)	2005	4.29%			
	2004	4.71%			

- (3) The yield on assets was adjusted as follows:

- (i) gilts – no adjustment
- (ii) cash deposits – a 0.05% reduction to take account of risk of default

- (4)

Product description	31 December 2005	31 December 2004
Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to PAL)		
Mortality table	Modified 93% PMA92 / 84% PFA92 (C=2004)	Modified 97% PMA92 / 84% PFA92 (C=2004)
Expectation of life age 65	21.6 (M), 25.0 (F)	21.2 (M), 24.0 (F)
Expectation of life age 75	13.0 (M), 16.3 (F)	12.7 (M), 15.4 (F)
Annuity non-profit (CPA impaired life) - individual annuities in payment (reassurance ceded to PAL)		
Mortality table	Modified 93% PMA92 / 84% PFA92 (C=2004)	Modified 97% PMA92 / 84% PFA92 (C=2004)
Expectation of life age 65	21.6 (M), 25.0 (F)	21.2 (M), 24.0 (F)
Expectation of life age 75	13.0 (M), 16.3 (F)	12.7 (M), 15.4 (F)

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

Product description	31 December 2005	31 December 2004
Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to PRIL)		
Mortality table	Modified 89% PMA92/ 84% PFA92 (C=2004)	Modified 87% PMA92/ 82% PFA92 (C=2004)
Expectation of life age 65	22.1 (M), 24.9 (F)	21.4 (M), 24.5 (F)
Expectation of life age 75	13.4 (M), 16.2 (F)	12.8 (M), 15.8 (F)
Annuity non-profit (CPA impaired life) – individual annuities in payment (reassurance ceded to PRIL)		
Mortality table	Modified 89% PMA92/ 84% PFA92 (C=2004)	Modified 87% PMA92/ 82% PFA92 (C=2004)
Expectation of life age 65	22.1 (M), 24.9 (F)	21.4 (M), 24.5 (F)
Expectation of life age 75	13.4 (M), 16.2 (F)	12.8 (M), 15.8 (F)

Mortality bases used at 31 December 2004 and 31 December 2005:

Annuities are generally valued using a percentage of the 92 series (year of birth) tables for annuitants and pensioners. In order to allow for mortality improvement, the CMIR 17 mortality improvement factors are applied up to and including 2004. Future improvement factors are applied from 2005, and for males are in line with 100% of the CMI medium cohort projections, subject to future improvement factors not being less than 1.25% p.a. For females, future improvement factors are in line with 75% of the CMI medium cohort projections, subject to future improvement factors not being less than 0.75% p.a. For impaired lives, an adjustment is made to age to allow for impairment.

(5) Not applicable

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

(6)

Product description	31 December 2005	31 December 2004
Linked policies:		
1)Executive Pensions	Renewal expenses (gross):- - Pensions single premium business £111.98 p.a. per policy - Pensions regular premium business (premium paying) £571.62 p.a. per policy - Pensions regular premium business (non premium paying) £111.98 p.a. per policy	Renewal expenses (gross):- - Pensions single premium business £142.51 p.a. per policy - Pensions regular premium business (premium paying) £646.37 p.a. per policy - Pensions regular premium business (non premium paying) £142.51 p.a. per policy
2)Other Linked policies	Renewal expenses (gross):- - Pensions single premium business £41.20p.a. per policy - Pensions regular premium business (premium paying) £71.28 p.a. per policy - Pensions regular premium business (non premium paying) £41.20 p.a. per policy Inflation: 3.5% p.a. throughout	Renewal expenses (gross):- - Pensions single premium business £46.86 p.a. per policy - Pensions regular premium business (premium paying) £74.50 p.a. per policy - Pensions regular premium business (non premium paying) £46.86 p.a. per policy Inflation: 3.5% p.a. throughout
Annuities in payment (Reassurance ceded to PRIL)	Investment expenses: 0.26% p.a. in respect of direct written business.	Investment expenses: 0.26% p.a. in respect of direct written business.
Annuities in Payment (Reassurance ceded to PAL)	£24 p.a. (equivalent to 2.3% of annuity amount)	2% of annuity amount
	£20 p.a. (equivalent to 1.7% of annuity amount)	2% of annuity amount

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

(7) Not applicable.

(8) Not applicable.

(9) Not applicable.

OPTIONS AND GUARANTEES

5 (1) Not applicable.

(2) Not applicable.

(3) Not applicable.

(4) All linked products are able to invest in the Guaranteed Fund which is a non-unitised fund currently invested in short dated securities and loans. A rate of interest is published daily. The basic reserve for the Guaranteed Fund at 31 December 2005 was £6.4m. As there is close matching of the assets and the liabilities no further reserve is required for the guarantee.

EXPENSE RESERVES

6. (1) The aggregate amount of expense loadings expected to arise during the 12 months from 31 December 2005 is £1,192,000.

(2) Implicit allowances are not shown in (1) above.

(3) The amount of maintenance expenses in Form 43 is different to that shown in 6(1). This is because the loadings mentioned in 6(1) excludes the annual management charge rebated to PACL, where the amount due to PACL is that arising from the associated linked funds. In 2005 this amounted to £2,342,000 which is included in line 44 of Form 43.

(4) The only new business expected in the twelve months following the valuation date is reinsurance accepted from PACL. As this is expected to be written on terms which do not result in new business strain in the Company no new business expense overrun reserve is required

(5) In the first instance, expense reserves are calculated on the assumption that Prudential's UK insurance operations will continue to write new business indefinitely and hence that there will be no loss of economies of scale. In this scenario, the expense loadings over the remaining lifetime of the contracts in force at the valuation date are included in the reserves reported in Forms 50.

In order to allow for the possibility that the firm will cease to transact new business twelve months after the valuation date, the expense loading is recalculated on the assumption that, over a two year period, unit costs would be reduced by 25% and thereafter loss of economies of scale would result in overall expenses being cut more slowly than the rate at which policies run off. If this revised calculation results in a higher reserve than described in the paragraph above, then the difference is held as an additional reserve. In addition the costs associated with closing to new business, such as redundancy costs or the costs of terminating management agreements, are estimated. To the extent that these costs exceed the projected surplus on prudent assumptions from existing business a further additional reserve is held. At the valuation date, no additional reserve is held for the impact of closing to new business.

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

MISMATCHING RESERVES

7. (1) and (2) All assets and liabilities are denominated in sterling. There is no currency mismatching.
(3) There is no reserve for currency mismatching.
(4) For the purpose of calculating the resilience capital requirement under PRU 4.2.10R, the most onerous scenario is a combination of a fall in unit prices of 20% and an immediate rise of 83 basis points in the annual yield obtainable on fixed interest securities.
(5) Not applicable.
(6) A Resilience Capital Requirement of £154,000 has been established.
There was a £50,000 decrease in the aggregate amount of the long term liabilities.

The assets allocated to match such liabilities including the resilience capital requirement decreased in value by £204,000.
(7) No reserve is required for cashflow mismatching under PRU7.2.34R(2).

OTHER SPECIAL RESERVES

8. At 31 December 2005 the total gross mathematical reserves amounted to £535m. The lesser of £10m and 0.1% of the total gross mathematical reserves was therefore equal to £0.5m.

At 31 December 2005, there were no special reserves which met the above criteria.

REINSURANCE

9. (1) No premiums were paid in 2005 in respect of reinsurance business ceded on a facultative basis to reinsurers not authorised to carry on business in the United Kingdom.

(2) The reinsurance treaties shown in the table below meet the FSA criteria for being reported in this section and were in force as at 31 December 2005

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

Reinsurance treaties:

(d) Reinsurer	(e) Nature of cover	(f) Premiums £'000	(h) Open / Closed	(j) Reserves Ceded £'000	(k) Retention
Prudential Annuities Limited	Reinsurance of policies issued by the Company where there is an option to purchase an annuity on death or retirement. The business is covered by a pari passu charge on assets.	Nil	Open	68,805	Nil
Prudential Assurance Company Limited	Reinsurance of all With Profits Bond business written by the Company. The business is covered by a pari passu charge on assets.	9	Open	58,954	Nil
Prudential Retirement Income Limited	Two related treaties for annuity liabilities for relevant annuities issued by PAC. One covering annuities business between 1 July 2004 and 25 November 2004. The other covering annuities after 25 November 2004. Under the terms of the agreement Prudential Retirement Income Limited will meet the liability of the Company to pay the benefits due under the reassured policies. This business is covered by a pari passu charge on assets.	1,741	Open	3,014	Nil

- (g) There were no deposit back arrangements under the above treaties.
- (i) There are no “undischarged obligations of the insurer”. Premiums are only payable if the gross business remains in force.
- (l) All of the above companies are authorised to carry on insurance business in the United Kingdom.
- (m) Each of the above companies is connected to the cedant.
- (n) In general the treaties are exposed to the credit risk of the Reinsurers, against which a reserve is held.
- (o) The net liability includes no allowance for the refund of any reinsurance commission.

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

10. (1)

	Mathematical reserves (£000s)	2006 RB rate	2005 RB rate	2006 Guaranteed bonus rate
Pru Bond Optimum Return policies	10,446	3.25%	3.25%	3.25%
Pru Bond Optimum Bonus policies	48,508	4.00%	4.00%	4.00%

(2) RB rates were the same in 2005 and 2006.

(3) Not applicable.

(4) Not applicable.

PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2005

Notes to Appendices 9.1 and 9.3

Form 3

0301 Reconciliation of net admissible assets to total capital resources after deductions

	2005	2004
	£'000	£'000
Form 13 Line 89 (Long term) Grand total of admissible assets	414,011	386,350
Form 14 Line 11 Mathematical reserves	(403,880)	(380,175)
Form 14 Line 49 Total other insurance and non-insurance liabilities	(5,219)	(6,175)
Form 13 Line 89 (Other than long term) Grand total of admissible assets	23,711	27,347
Form 15 Line 69 Total	(3,382)	(2,717)
	<u>20,329</u>	<u>24,630</u>
Form 3 Line 79 Capital resources after deductions	25,241	24,630
Difference	<u>0</u>	<u>0</u>

0310 Details of positive and negative valuation differences

	2005	2004
	£'000	£'000
Additional reserves held in the long term fund	664	2,560
Deferred tax on additional reserves held in the long term fund	(199)	(768)
Form 3 Line 35 Other negative valuation differences	<u>465</u>	<u>1,792</u>

Form 13

Notes 1301 to 1319 apply to the other than long term business fund.

1301 Assets specified in instruction 5

The Company held no unlisted investments, listed investments that are not readily realisable, or any other investments specified in instruction 5.

1304 Statement on Set-Off

Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

1305 Maximum Counterparty Limits

The Company's investment guidelines set maximum counterparty limits in order to maintain the admissibility of assets in accordance with Rule 4.14. The limits were not breached throughout the financial year. The balances are reviewed daily and compared to expected cashflows to ensure the Company is technically solvent. The balances did not exceed the Rule 4.14 limit during the year.

PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2005

Notes to Appendices 9.1 and 9.3 (continued)

***1306* Counterparty exposures at year end**

Counterparty exposures were held at year end that were greater than five percent of the sum of the base capital resources requirement and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These were £11.2m in the M&G High Interest Fund, cash on deposit with Bank of Ireland £2.0m; Close Brothers Limited £2.0m; Bradford & Bingley £1m; RZB £1m and HSBC £2.3m.

***1319* Total Other Than Long Term Business Assets Analysis of Derivative Contracts**

Form 17 Analysis of Derivative Contracts has been submitted in blank, as no such contracts were used.

Notes 1308 to 1320 apply to the long term business fund.

***1308* Assets specified in instruction 5**

The Company held no unlisted investments, listed investments that are not readily realisable, or any other investments specified in instruction 5.

***1310* Statement on set-off**

Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

***1311* Maximum Counterparty Limits**

The Company's investment guidelines set maximum counterparty limits in order to maintain the admissibility of assets in accordance with Rule 4.14. The limits were not breached at any time in the year.

***1312* Counterparty Exposures at Year End**

Counterparty exposures were held at year end that were greater than five percent of the sum of the base capital resources requirement and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These were: Scandinavian Bank £2.0m; Yorkshire Building Society £2.0m; Dexia Banque Int £1.8m; Alliance & Leicester £1.7m; Allied Irish Bank £1.0m; Bank of Ireland £1.0m; Irish Life & Perm £1.0m; Northern Rock £1.0m; Nationwide £1.0m; Swedbank £1.0m. These exposures were all certificates of deposit and cash on deposit.

***1318* Other asset adjustments**

Line 100 (£2,227,000) represents a tax debtor held in the long term fund, included within the net tax liability in the financial statements.

***1320* Total Long Term Business Assets Analysis of Derivative Contracts**

Form 17 has been submitted in blank, as no such contracts were used.

PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2005

Notes to Appendices 9.1 and 9.3 (continued)

Form 14

1401 Provision for Adverse Changes

No derivatives were held by the long term fund at any time during the year and therefore no provision for adverse changes is required.

1402 Details of charges over assets, etc.

- a) Certain reinsurance liabilities were secured by a floating charge, ranking these liabilities equally with amounts due under unsecured direct (non-reassurance) policies, over the long term insurance assets of the company. Amounts secured by charges of this nature were £246.2m. The assets to which this charge relates are within long term form 13, line 59, property linked assets held to match linked liabilities. The liabilities secured by the charge are within form 14, line 62, liabilities in respect of property linked benefits.
- b) The long term fund does not attract tax, and therefore no provision, potential or otherwise, has been made for any liability to tax which might arise if the Company disposed of its assets at the values stated in this return.
- c) There were no contingent liabilities at the year end.
- d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business in respect of related companies.
- e) There were no fundamental uncertainties.

1405 Other adjustments to liabilities

	2005
	£'000
Tax debtor held in the long term fund included within the net tax liability in the financial statements	(2,227)
Additional reserves held in the long term fund	(664)
Deferred tax on additional reserves held in the long term fund	199
Form 14 line 74 ; Other adjustments to liabilities	<u>(2,692)</u>

Form 15

1501 Provision for Adverse Changes

No derivatives were held by the other than long term fund at any time during the year and therefore no provision for adverse changes is required.

1502 Details of charges over assets, etc.

- (a) There were no charges attributable to the other than long term business assets.
- (b) There was no potential tax liability arising in the other than long term fund.
- (c) There were no contingent liabilities at the year end.
- (d) Under the terms of the Company's arrangements with the Prudential Group's main UK banker, the bank has a right of set-off between credit balances and all overdrawn balances of those group undertakings with similar arrangements.
- (e) There were no fundamental uncertainties.

PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2005

Notes to Appendices 9.1 and 9.3 (continued)

Form 16

1601 Foreign Currencies

Foreign currency transactions are translated at year end exchange rates, except that certain revenue transactions are translated at rates ruling at the transaction dates.

Form 40

4008 Provision of Management Services

The Company was provided throughout the year with management services by M&G Investment Management Limited, Prudential Property Investment Managers Limited, Prudential Unit Trusts Limited, Prudential UK Services Limited and The Prudential Assurance Company Limited.

4009 Details of material connected party transactions

The Company has a reinsurance agreement with a related company, The Prudential Assurance Company Limited (PAC). PAC reinsures its unit linked business to the Company. Included in earned premiums for the year is an amount of £21.7m received under this reinsurance agreement. Also included within claims incurred is an amount of £32.0m arising from unit linked claims under this reinsurance agreement.

The Company has an agreement with Abbey National Plc for Abbey National to sell a with-profits product through the Abbey National sales network. The Company reinsures this with-profits business to PAC. With profits premiums earned for the year which were ceded under this reinsurance agreement amounted to £9k. Included within claims incurred is an amount of £3.0m arising from with profit claims under this reinsurance agreement.

The Company has a reinsurance agreement with a related company, Prudential Annuities Limited. Earned premiums for the year which were ceded under this reinsurance agreement amount to £Nil. Also claims ceded under this reinsurance agreement amounted to £5.3m for the year.

The Company has a reinsurance agreement with a related company, Prudential Retirement Income Limited. Earned premiums for the year which were ceded under this reinsurance agreement amount to £1.7m. Also claims ceded under this reinsurance agreement amounted to £127k for the year.

The rebate of fund management charge to PAC for the year amounted to £2,342,000 (2004: £2,118,000). The Prudential Assurance Company Limited met the expenses associated with this business. In addition, there was a rebate of fund management charge from Prudential Unit Trusts Limited of £1,808,000 (2004: £3,996,000).

Form 44

4401 Valuation of Linked Assets

These assets are included at market value or, in the case of properties, on the basis of an annual external professional valuation by Allsop Residential Investment Management Limited, Chartered Surveyors. Securities are valued at a market offer price except where a linked fund is priced on a full bid basis in which case the securities are valued on a bid basis. In accordance with the policy document, an appropriate adjustment is made to the linked asset prices to account for buying or selling expenses.

Form 48

4804 Line 18, column 1 includes a non interest bearing tax debtor of £2,227,000.

PRUDENTIAL (AN) LIMITED

Returns under the Interim Prudential Sourcebook for Insurers and the Integrated Prudential Sourcebook

**Directors' Certificate required by rule 9.34 of the Accounts and Statements Rules
Financial year ended 31 December 2005**

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU (INS) and PRU and :
 - (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS) and PRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
 - (b) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
 - (c) that we have, in preparing the return, taken and paid due regard to-
 - (i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from the actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16R.

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N E T Prettejohn
Chief Executive

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D J Belsham
Director

.....

R C Everett
Director

30 March 2006

PRUDENTIAL (AN) LIMITED

Report of the auditor to the Directors pursuant to rule 9.35 of the Accounts and Statements Rules.

Financial year ended 31 December 2005

We have examined the following documents prepared by the Company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to the Interim Prudential Sourcebook for Insurers and PRU, the Integrated Prudential Sourcebook, ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 17, 40 to 45, 48, 58 and 60, (including the supplementary notes) on pages 1 to 39 ('the Forms') and pages 49 to 52;
- the statement required by rule 9.29 on page 56 ('the Statement') and
- the valuation report required by rule 9.31(a) ("the valuation report")

We are not required to examine and do not express an opinion on:

- Forms 46 and 47 on pages 23 to 26 and Forms 50 to 55 (including the supplementary notes) on pages 28 to 37;
- the statements required by rules 9.30 on page 57 and 9.36 on page 58;
- the certificate required by rule 9.34 on page 53 ('the certificate').

This report is made solely to the Company's directors, as a body, in accordance with the requirements of rule 9.35 of the Rules. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor's report has been commissioned by the Company's directors and issued in accordance with the requirements of rule 9.35 of the Rules and to facilitate the discharge by the FSA of its regulatory functions in respect of the Company, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Company's directors those matters we are required to state to them in an auditor's report issued pursuant to rule 9.35 of the Rules and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Company and its auditors

The Company is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report, the forms and statements not examined by us and the certificate under the provisions of the Rules. Under rule 9.11 the Forms, the Statement, Valuation report, the forms and statements not examined by us and the certificate are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the Company and used to perform the actuarial investigation as set out in the valuation report, prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3.

PRUDENTIAL (AN) LIMITED

Report of the auditor to the Directors pursuant to rule 9.35 of the Accounts and Statements Rules (continued)

It is our responsibility to form an independent opinion as to whether the Forms, the Statement and the valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information we require for our examination.

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" and Bulletin 2004/5 issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the Company for the financial year. It also included an assessment of the significant estimates and judgements made by the Company in the preparation of the Forms, the Statement and the valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In accordance with rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the Company.

Opinion

In our opinion:

- i) the Forms, the Statement and the valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the Company and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with rule 9.31 appropriately reflect the requirements of PRU 7.3.

KPMG Audit Plc
Registered Auditor
London

March 2006

PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2005

Rule 9.29 Statement on Derivative Contracts

a. **Investment Guidelines**

During 2005, the investment guidelines allowed the use of derivative contracts in the Fixed Interest, Index Linked Gilts and Managed internal linked funds. The derivatives and use thereof was restricted to that permitted by Appendix 3.2. The use of derivatives was not permitted in the non-linked funds.

Derivatives are limited to: exchange traded warrants; exchange traded index or stock futures; forward currency contracts; hedging of overseas holdings into £ sterling; partly paid shares; and convertible bonds. Derivatives must be listed or with an approved counterparty and must be capable of being readily closed out at a price the basis of which is pre-determined. Exchange traded index and stock futures must be based on underlying assets which are themselves permitted links.

b. **Derivatives where exercise is unlikely**

The Company was not party to any derivative contracts during the financial year.

c. **Quantification of derivatives in (b) above**

The Company was not party to any derivative contracts during the financial year.

d. **Effect on Form 13 of exercising derivatives where it would be prudent to assume options would be exercised**

The Company was not party to any derivative contracts during the financial year.

e. **Effect on Form 13 of exercising all derivatives**

The Company was not party to any derivative contracts during the financial year.

f. **Effect on Form 13 during the financial year**

The Company was not party to any derivative contracts during the financial year.

g. **Maximum loss which would be incurred by the Company**

The Company was not party to any derivative contracts during the financial year.

h. **Provision for reasonably foreseeable variations arising from derivative contracts, rule 4.3.17R**

The Company was not party to any derivative contracts during the financial year.

i. **Consideration received for granting rights under derivative contracts**

The investment guidelines did not allow the writing of options.

PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2005

Rule 9.30 Statement on Shareholder Controllers

The following companies were shareholder controllers of Prudential (AN) Limited for the year: Prudential Financial Services Limited, being its immediate holding company, holding 100% of its issued share capital and voting power; and Prudential plc, being its ultimate holding company, holding 100% of the issued share capital and voting power of Prudential Financial Services Limited.

PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2005

Statement of information on the actuary who has been appointed to perform the with-profits actuary function pursuant to Rule 9.36 of the Integrated Prudential Sourcebook for Insurers.

In accordance with Rule 9.36 of the above sourcebook, Gerry Gallagher the actuary who has been appointed to perform the with-profits function of the Company, was requested to furnish and has provided the following information:

- (a) (i) He had an interest in 8,891 shares in the share capital of the holding company, Prudential plc, at the end of the year.
- (ii) He had an interest under the Prudential Restricted Share Plan in shares in Prudential plc held in trust, representing the maximum award that could be made if performance requirements of the Plan were met, of 13,199 shares at the end of the year.
- (iii) He had an interest under the Prudential Share Incentive Plan in 343 shares in Prudential plc held in trust, at the end of the year.
- (iv) He held the following options granted under the Prudential Savings-Related Share Option Scheme to subscribe for shares in Prudential plc:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Exercise Dates</u>
6,153	266p	June 2008

- (v) He also had an interest in 470 shares in Egg plc, a subsidiary of Prudential plc, at the end of the year.
- (b) He had an interest in general insurance policies issued by the Company being a home insurance policy covering buildings, household contents, travel and personal effects (now underwritten by Churchill).
- (c) Under the 2005 UK Long-Term Incentive Plan, he had a potential cash award payable in 2008, ranging from nil to a maximum of £33,000 dependent on the growth in the appraisal value of Prudential's UK and Europe business.
- (d) His total remuneration for the year was £157,130.
- (e) He is a member of the Prudential Staff Pension Scheme and contributions in respect of the year were paid by the Company.