Annual Review and Summary Financial Statement 2006

PRUDENTIAL

Value
Growth
Opportunity
Momentum

The information set out on pages 1 to 23 and 28 is a summary of some of the information contained in the directors' report of Prudential plc for the year ended 31 December 2006.

This document contains a summary of the information contained in the Group's 2006 full Annual Report and does not contain sufficient information to allow as full an understanding of the results of the Group and state of affairs of the Company or of the Group as is provided by the Group's 2006 full Annual Report. Any shareholder or debenture holder has the right to obtain, free of charge, a copy of the Group's 2006 full Annual Report and/or future Annual Reports by contacting Lloyds TSB Registrars or the Company Secretary in writing. Copies can also be obtained via the Company's website at www.prudential.co.uk.

Prudential plc is an international retail financial services group that aims to help people secure and enhance their own and their dependants' financial well-being by providing savings, protection and other products and services suited to their needs.

We have strong franchises in three of the largest and most attractive markets in the world, where rising wealth and changing demographics are fuelling demand for life insurance and other long-term savings and protection products.

Our strategy is to build successful and increasingly profitable businesses in each of these markets, and thereby maximise returns to our shareholders over time.

Value
We continue to maintain a relentless focus on profitability and value, concentrating resources where we can generate the best returns for shareholders.
See page 12

Growth
Our strong positions in the markets in which we operate mean we are well placed to capture an increasing share of profitable growth in each.
See page 13

Opportunity
As we look ahead, we see enormous opportunities in all three of our regions, and we feel confident we have the skills and resources to take advantage of them.
See page 14

Momentum
The momentum we have built can be seen in the growth of our insurance and asset management businesses around the world.
See page 15

Key performance indicators

APE new business premiums	PVNBP	EEV new business profit
+16%	**+12%**	**+20%**
2006 £2,470m	**2006 £18,947m**	**2006 £1,039m**
2005 £2,134m*	2005 £16,860m*	2005 £869m*

External funds under management	Holding company cash flow	EEV operating profit from long-term business
+26%	**+65%**	**+28%**
2006 £57.2bn	**2006 £(104)m**	**2006 £2,209m**
2005 £45.4bn*	2005 £(298)m**	2005 £1,722m*

IFRS operating profit
–7%
2006 £893m
2005 £958m*

* Comparison at constant exchange rates (CER).
** Comparison at reported exchange rates (RER).

Group financial highlights
Results summary

European Embedded Value (EEV) basis results*

	2006 £m	2005 £m
UK insurance operations	**686**	426
M&G	**204**	163
Egg	**(145)**	44
UK operations	**745**	633
US operations	**718**	755
Asian operations	**864**	568
Other income and expenditure	**(298)**	(244)
UK restructuring costs	**(53)**	–
Operating profit from continuing operations based on longer-term investment returns	**1,976**	1,712
Goodwill impairment charge	**–**	(120)
Short-term fluctuations in investment returns	**745**	1,068
Mark to market value movements on core borrowings	**85**	(67)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**207**	(47)
Effect of changes in economic assumptions and time value of cost of options and guarantees	**59**	(302)
Profit from continuing operations before tax	**3,072**	2,244
Operating earnings per share from continuing operations after related tax and minority interests*	**57.6p**	56.6p
Basic earnings per share	**91.7p**	66.9p
Shareholders' funds, excluding minority interests	**£11.9bn**	£10.3bn

International Financial Reporting Standards (IFRS) basis results*

Statutory IFRS basis results	2006	2005
Profit after tax attributable to equity holders of the Company	**£874m**	£748m
Basic earnings per share	**36.2p**	31.6p
Shareholders' funds, excluding minority interests	**£5.5bn**	£5.2bn

Supplementary IFRS basis information	2006	2005
Operating profit from continuing operations based on longer-term investment returns	**£893m**	£957m
Operating earnings per share from continuing operations after related tax and minority interests*	**26.4p**	32.2p

	2006	2005
Dividends per share declared and paid in reporting period	**16.44p**	15.95p
Dividends per share relating to reporting period	**17.14p**	16.32p
Funds under management	**£251bn**	£234bn

* Basis of preparation
The EEV basis results have been prepared in accordance with the European Embedded Value Principles issued by the CFO Forum of European Insurance Companies in May 2004 and expanded by the Additional Guidance on EEV disclosures published in October 2005. The basis of preparation of statutory IFRS basis results and supplementary IFRS basis information is consistent with that applied for the 2005 full year results and financial statements.

Consistent with previous reporting practice, the Group analyses its EEV basis results and provides supplementary analysis of IFRS profit before tax attributable to shareholders, so as to distinguish operating profit based on longer-term investment returns from other constituent elements of total profit. On both the EEV and IFRS bases, operating earnings per share are calculated using operating profits from continuing operations based on longer-term investment returns, after tax and minority interests. These profits exclude goodwill impairment charges, short-term fluctuations in investment returns and the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes. Under the EEV basis, where additional profit and loss effects arise, operating profit based on longer-term investment returns also excludes the mark to market value movements on core borrowings and the effect of changes in economic assumptions and changes in the time value of cost of options and guarantees arising from changes in economic factors. After adjusting for related tax and minority interests, the amounts for these items are included in the calculation of basic earnings per share.

Chairman's statement

The business today is in robust health, and faces exciting prospects in each of our chosen markets

Sir David Clementi
Chairman

Full year dividend per share

+5%

2006 17.14p
2005 16.32p

2006 was another good year for Prudential around the world, with strong performances in both the insurance and asset management businesses.

We made excellent progress against all our key financial measures, with EEV operating profits strongly ahead, average margins across the Group up, and record performances in terms of assets under management in both M&G and Asia.

The one exception to this pleasing performance was Egg, where deteriorating conditions in the UK personal loans market resulted in larger than expected losses for the year. In January, we announced that we had reached agreement to sell Egg to Citi, having concluded that the offer made to us would realise greater value for our shareholders than we could achieve in the foreseeable future by retaining it.

Throughout the year, we paid careful attention to the Group's cash flow and capital position. We are well placed to fund our current organic growth plans; and the strength of our capital position has allowed us to look again at our dividend policy. This is set out in the Group Chief Executive's review. The full year dividend per share for 2006 has increased by five per cent to 17.14 pence per share.

Turning to our individual businesses, our UK business had a strong 2006 with good growth in profitability. We saw both new business margins and internal rates of return improve and these remain towards the top end of the market. We are taking a disciplined approach to our participation in the market, focusing on those areas where we can use our core strengths to achieve an attractive return. We feel confident that there are opportunities for profitable growth, particularly in retirement savings and income, and that we are well placed to capture them.

Our US business saw another year of excellent progress, as we continued to use our strengths in product innovation, relationship-led distribution and IT, to capture a profitable share of the growing retirement market. In the last five years, Jackson new business sales have more than doubled and, as the first wave of the country's large body of baby-boomers move into retirement over the next two decades, we see plenty of scope for continued growth in this market.

In Asia, we maintained our strong track record of growth, while meeting our commitment to go cash positive during the year. The opportunities in the region are as clear and significant as ever, with high economic growth rates, high savings rates, and increasing personal wealth. We remain confident that our business in the region will continue to prosper.

In Asset Management, our businesses around the world go from strength to strength, and are significant and increasing contributors to our Group. Not only are they critical to the performance of our traditional insurance products, they are also an increasingly powerful source of non-capital intensive profits. In addition, they do, of course, further enhance our overall product range, enabling us to accommodate the needs of the vast majority of retail investors.

Across all our businesses, in addition to managing our capital position on a Group-wide basis, we continue to find new ways to leverage and share resources and knowledge in areas such as risk management, IT and product development, for the benefit of Prudential as a whole. We believe that there remains significant further scope for collaboration of this kind in future.

Towards the end of 2006, we appointed Barry Stowe as Chief Executive of Prudential Corporation Asia and as a member of the Board. His broad knowledge of the Asian insurance markets will be a tremendous asset to us as we continue to drive forward our aggressive growth plans for the region. Following the Annual General Meeting, Roberto Mendoza will step down as a director and I would like to thank him for his significant contribution since he joined in 2000.

As we continue to grow our business in many different countries, we are committed to contributing to the social and economic well-being of the communities in which we operate, and we encourage our employees to participate in initiatives that strengthen those communities. In 2005 we launched the Chairman's Award, an international volunteering programme which gives all employees the opportunity to become involved with a local charitable project, and which provides financial support alongside the investment of our employees' time. The first awards under this programme were made in 2006 and I had the opportunity to spend time with one of the winning projects, and see at first hand the positive impact such initiatives can have, when the Board recently visited India. Alongside these community projects we also continue to invest heavily in financial capability as a core part of our corporate responsibility programme, since we recognise the important part we can play in enabling consumers to make informed financial decisions.

As one of the UK's leading property investors, we take our responsibility to the environment seriously. Our property arm, PRUPIM, has established a strong reputation for its thought leadership in the area of sustainability and continues to be the only real estate investment manager accredited to internationally-recognised environmental standard ISO14001. More details of our corporate responsibility programmes can be found later in this report.

Looking at the Group as a whole, we believe that the business today is in robust health, and faces exciting prospects in each of our chosen markets. The opportunities for growth, particularly in the retirement savings and income arena, are significant, and we feel confident that we have the skills and capabilities needed to take full advantage of them. As ever, the talents and commitment of our people around the world will remain critical to our success, and I would like to thank them for their vital contributions in 2006.

Group Chief Executive's review

Our results in 2006 demonstrate excellent and continued progress in the delivery of the Group's growth and value agenda

Mark Tucker
Group Chief Executive

Total EEV basis operating profit from continuing operations

+15%

2006 £1,976m
2005 £1,711m*

EEV basis shareholders' funds

+15%

2006 £11.9bn
2005 £10.3bn**

APE new business premiums

+16%

2006 £2,470m
2005 £2,134m*

*Comparison at constant exchange rates (CER).
**Comparison at reported exchange rates (RER).

The Group's strategy is centred on optimising our competitive advantages in life assurance, becoming a leading provider of financial services for the retirement market, and on the further development of our asset management businesses. In implementing this strategy our clear aim is to secure superior growth in value for our shareholders.

In 2006, we continued to focus on developing our position in our chosen markets of Asia, the US and the UK; markets that we believe offer the greatest opportunity for sustained profitable growth.

Total Group operating profit before tax was £1,976 million on a European Embedded Value (EEV) basis, an increase of 15 per cent, and the Group's return on embedded value was 13.5 per cent (2005: 15.5 per cent). Statutory International Financial Reporting Standards (IFRS) operating profit before tax was £893 million (2005: £957 million).

Across the Group's insurance operations, new business increased by 16 per cent to £2,470 million, on an APE basis. Profits on new business exceeded £1 billion for the first time, 20 per cent up on 2005. Average margins across the Group remained strong and were 42 per cent (41 per cent in 2005) and returns on new business have also improved. Operating profit from the insurance businesses was £2,209 million, on an EEV basis, increasing by 28 per cent on 2005, and IFRS operating profit increased by 15 per cent to £1,087 million.

In asset management we delivered record net flows at M&G and in our rapidly growing retail businesses in Asia. Net inflows of £8.6 billion were 66 per cent ahead of 2005 and external funds under management increased to £57 billion (2005: £46 billion). Operating profit from these businesses was £254 million, up 46 per cent on 2005.

Difficult trading conditions in the UK personal loans market led to losses at Egg, the Group's UK banking business, of £145 million (2005: profit £44 million). In January 2007 we received an offer for Egg from Citi and the business was sold for £575 million in cash, subject to completion adjustments. We expect this transaction to complete by the end of April 2007.

The Group's cash flow developed strongly in 2006 and its capital position remains robust. Taking into account our plans for sustained high levels of growth and a normalised level of scrip dividend uptake we expect our operating cash flow to be positive in 2008. In light of this the Board has reviewed its longer-term dividend policy.

The Board recommends a final dividend of 11.72 pence per share, bringing the full-year dividend to 17.14 pence per share, an increase of five per cent over the full year 2005 dividend of 16.32 pence.

The full year dividend is covered 1.5 times by post-tax IFRS operating profit from continuing operations.

The Board will focus on delivering a growing dividend, which will continue to be determined after taking into account the Group's financial flexibility and opportunities to invest in areas of the business offering attractive returns. The Board believes that in the medium term a dividend cover of around two-times is appropriate.

Insurance operations

The Group's position in Asia continues to develop rapidly with the region accounting for almost 50 per cent of the Group's 2006 new business profits. One of the key priorities in the region in 2006 was to continue to build our distribution capability. Agency remains the major channel in the region and during the year we added 115,000 agents, to total 285,000 agents by the end of the year. Building the agency force in a disciplined way in developing markets such as India, China and Indonesia is critical to success, whereas in some of the more developed markets in the region such as Hong Kong and Singapore where agency numbers are more stable, the main focus is on increasing productivity. Non-agency distribution is also developing strongly and accounted for 30 per cent of new business in 2006 (26 per cent in 2005) as we established a number of new and important relationships during the year. As well as experiencing rapid growth Asia became cash positive in 2006, in line with our previous forecast, with a net remittance of £28 million to the Group.

In 2007 and beyond, Asia offers significant potential for profitable growth and we are on track to deliver on our target to at least double 2005 new business profits by 2009. We are in all the region's major markets and see further opportunity to build distribution, improve productivity and efficiency and increase sales of our market leading unit-linked products. We also see scope to increase sales to our seven million existing customers; to use our regional and Group expertise to play a key role as the retirement market develops in a number of Asian countries; to extend our direct distribution capabilities and to increase selectively our presence in the Accident and Health product sector across a number of markets in the region.

Our strategy in the US is to focus on the opportunities that exist in the growing retirement market as the US baby boomers retire, with a particular emphasis on variable annuities. We have market-leading product flexibility and high levels of product innovation, a focus on advice-based distribution and on maintaining high service levels at low cost. As a result our retail sales in 2006 grew at more than double the rate of the market overall. Variable annuity sales increased by 48 per cent over 2005, and we have achieved compound growth of 45 per cent over a five-year period.

In 2007, our aim is to capitalise on the market position that the Jackson team have built, growing distribution and further developing the product range to address both existing and new market areas. For example, in January 2007, we launched a new simplified retirement annuity aimed at mutual fund representatives, extending our distribution reach. We remain confident that we can continue to outperform the market and gain profitable market share.

In the UK, retail insurance new business increased by 14 per cent in 2006 and overall new business sales were up one per cent. We continued to focus on writing for value across the UK business with average margins increasing to 30 per cent (27 per cent in 2005). Returns on new business improved to 15 per cent and remain high compared with the rest of the UK market.

Notwithstanding this strong performance, we have continued to assess the positioning of our UK insurance operations, examining a broad range of potential options with a clear goal of maximising value for our shareholders. We are confident that there are profitable opportunities for the Group in the retirement income and savings market.

We have significant competitive advantages in the retirement income market, in particular our flow of internal vestings from our back book of personal pensions, and this market remains very attractive. We therefore see retail annuities and equity release and the nurturing of our existing policyholders as key parts of our strategy. In the wholesale annuity market we also have distinct competitive advantages but we will only write business that meets our required returns.

Much of our Wealth and Health business is low margin and our strategy will be to improve returns through a much narrower business, exiting segments that are unprofitable and concentrating our effort only where we have a material and sustainable competitive advantage and where we can achieve returns significantly in excess of the cost of capital. We have withdrawn from provision of front-end commission individual pensions and will also exit front-end commission unit-linked bonds, segments of the market where we do not see that adequate returns can be made.

We believe there is an opportunity in the retirement savings market for us to capitalise on our proven low risk multi-asset investment capabilities. We will bring a new range of products to the market based on these capabilities and with improved returns through a focus on trail, rather than front-end commission. We will concentrate our advice-based distribution activity on the significant number of investors approaching retirement who have substantial assets outside personal or corporate pension plans, or have investments in poorly performing funds, and require inflation protection.

We also see opportunity to develop further our already strong position in the corporate pensions market and we will improve returns by focusing on schemes with higher case sizes and holding costs as volumes grow.

We will participate in the health market through our existing joint venture with Discovery, which will be expanded to include our new Flexible Protection product. A combination of the strength of the Prudential brand in the UK, clearly differentiated products and the operational capabilities of Discovery, provide an excellent base to deliver profitable growth in these markets. The joint venture will be led by Discovery.

EEV basis operating profit from long-term business from continuing operations

+28%

2006 £2,209m
2005 £1,722m*

EEV basis new business profit

+20%

2006 £1,039m
2005 £869m*

Asset management business IFRS operating profit

+46%

2006 £254m
2005 £174m*

*Comparison at constant exchange rates (CER).

Actions are in place to realise 65 per cent of the previously announced cost savings target of £115 million* for the UK insurance business. We have increased our annualised target cost savings to £195 million by 2010 and our current estimate is that these savings will lead to a £60 million positive impact on embedded value. Total restructuring costs are estimated to be up to £165 million*.

We have initiated discussions with the regulator on the possible reattribution of the inherited estate of the Group's main with-profits fund in the UK, Prudential Assurance Company. An Independent Policyholder Advocate has been nominated to represent policyholders should a decision be taken to proceed. We will only proceed if there are clear benefits to both policyholders and shareholders. If a decision is taken to proceed a formal appointment of the Policyholder Advocate could be expected to take place later this year.

With a focused strategy in the UK based on our competitive advantages, we see opportunities for growth in the retail market at high margins and returns relative to the overall market. In the wholesale annuity market we will write business that meets our required returns and by definition the flows will be lumpy year on year. We are maintaining our 14 per cent IRR target for new business and we expect the UK's shareholder-backed business to become a net capital generator for the Group by 2010.

Asset management

Maintaining superior investment performance is the key factor in the continuing growth and success of the Group's asset management businesses. In 2006, the performance of M&G in the UK and Europe and our asset management businesses in Asia has again been very strong, adding value to our insurance businesses worldwide, supporting record net inflows and continuing the growth of the Group's external funds under management.

In 2007, we will continue to build on the strong growth over recent years in both M&G and in Asia. In addition, Jackson will enter the US retail mutual fund market for the first time, a significant market that continues to gain momentum, especially among the baby boomers.

Group

As a Group we are continuing to increase the level of co-operation and the exchange of ideas across our businesses.

The Group's asset management businesses are using their global presence, exchanging information to support their investment decisions and to enable the efficient management of over £6 billion of cross-border money.

In our insurance businesses, which remain predominantly market specific, collaboration is taking place where there is a commercial benefit. Product development teams are working across the Group to access existing skills and expertise. In distribution, the UK business has utilised the very successful techniques developed by Jackson in the US, to segment the independent financial adviser market, saving time and cost and improving returns.

Work is ongoing to consolidate our technology infrastructure in particular across the UK and the US. A single Customer Service Desktop is now under development and will be launched in 2007.

Central to the management of the Group is capital efficiency and capital allocation. During 2006, we have made significant progress in the assessment of, and management of, risk on a Group-wide basis. This understanding provides a solid foundation as we continue to embed decision making on a risk-adjusted basis.

Summary

The Group goes into 2007 with strong momentum. I continue to see tremendous scope for the Group to build sustainable profitable growth and secure superior growth in value for our shareholders.

(*Previously announced UK cost savings target of £150 million by 2009 included £35 million in relation to Egg, which was acquired by Citi in January 2007. Previously announced restructuring costs of £110 million included £25 million related to Egg.)

Prudential at a glance

Our brands

JACKSON NATIONAL LIFE INSURANCE COMPANY

Jackson National Life Insurance Company (Jackson) is one of the largest life insurance companies in the United States with three million policies and contracts in force.

PRUDENTIAL

Prudential is a leading life and pensions provider in the United Kingdom.

Financial highlights

Comparisons are quoted at constant exchange rates

Jackson

- Record APE sales of £614 million were up 21 per cent on prior year. New business profit margin (% of APE) of 42 per cent up from 41 per cent in the prior year.
- EEV operating profit on continuing operations of £718 million, up 19 per cent on prior year in underlying terms.
- IFRS operating profit on continuing operations of £408 million, up 14 per cent on prior year.

Prudential

- APE sales grew one per cent in 2006 to £900 million.
- New business EEV grew nine per cent to £266 million.
- IFRS operating profit increased 25 per cent to £500 million in 2006.

Operations and products

Jackson

Jackson offers variable, fixed and fixed index annuities, as well as term and permanent life insurance and institutional products. Through its affiliates and subsidiaries, Jackson also provides asset management and retail brokerage services.

Jackson markets products in 50 states and the District of Columbia (in the State of New York through Jackson National Life Insurance Company of New York) through independent broker-dealers, independent agents, banks, regional broker-dealers and the registered investment adviser channel.

Jackson's investment portfolio manager, PPM America Inc., manages over US$74 billion of assets.

Customers
Three million policies and contracts in force

Staff
2,700

Location
Headquartered in Lansing, Michigan

Prudential

Retail products
- Annuities
- Corporate pensions
- With-profits and unit-linked bonds
- Savings and investments
- Protection
- Equity release
- Health insurance

Wholesale products
- Bulk annuities
- Annuity back-books

Product distribution channels
- Business to business (consulting actuaries and benefit advisers)
- Partnerships (affinities and banks)
- Independent financial advisers
- Multi-tie panels
- Direct to customers (telephone, internet and mail)

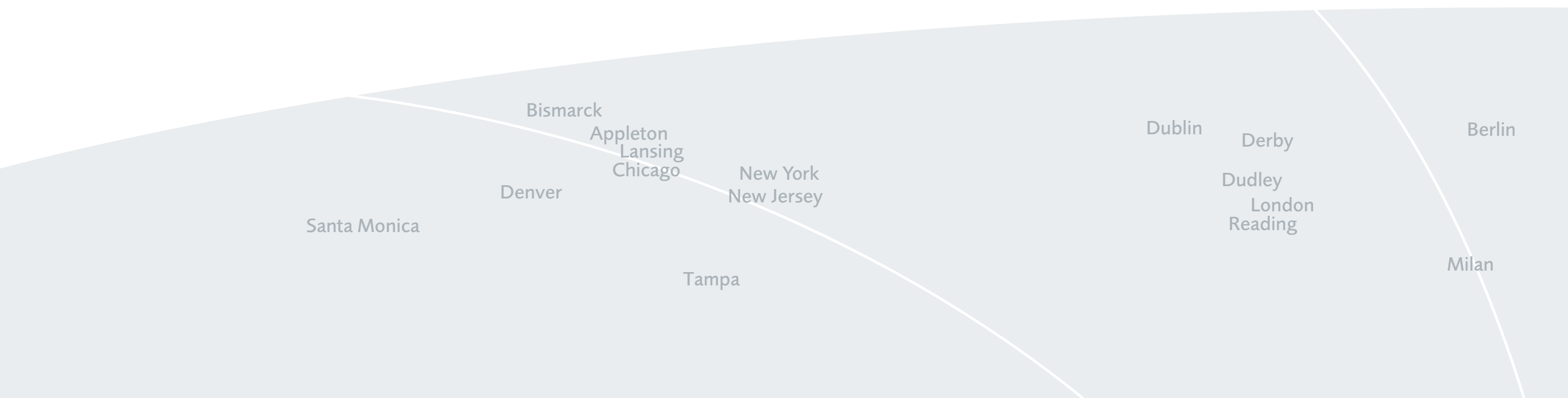
Customers
More than seven million

Staff
6,000

Locations
Dublin, London, Mumbai, Reading, Stirling

egg™

On 29 January 2007 we announced that we had entered into a binding agreement to sell Egg Banking plc, our UK banking business, to Citi. Under the terms of the Agreement, the consideration payable is £575 million in cash subject to adjustment to reflect any change in net asset value between 31 December 2006 and completion. The transaction is subject to regulatory approvals and is expected to complete by the end of April 2007. Details of Egg's performance during 2006 can be found in this Annual Review.



M&G INVESTMENTS

PRUDENTIAL 英國保誠集團

M&G is Prudential's UK and European fund manager with £164 billion of funds under management as at 31 December 2006.

- In 2006 operating profit grew 25 per cent to £204 million and underlying profits grew 28 per cent to £177 million.
- Gross fund inflows increased by 70 per cent to £13.5 billion. Net fund inflows increased by 58 per cent to £6.1 billion.

M&G independently manages assets on behalf of a wide range of retail and institutional investors. M&G also acts as fund manager on many of the life and pensions products sold by Prudential in the UK and Europe, as well as managing Prudential's balance sheet for profit.

Retail business
- Open Ended Investment Companies (OEICs) and Unit Trusts (UTs)
- Investment Trusts (ITs)
- Individual Savings Accounts (ISAs) and Personal Equity Plans (PEPs)

M&G and Prudential branded mutual funds are distributed to retail investors in the UK, Europe, Asia and South Africa. M&G manages £19.2 billion of retail assets, invested in equities, fixed income and property.

In the UK M&G is the fourth largest retail fund manager, with approximately one million unit holder accounts.

Institutional business
- Segregated fixed interest, pooled pension funds, structured and private finance
- Segregated, pooled and global macro strategy mandates
- Institutional customers include pension funds, insurance companies and other financial institutions

M&G manages £25.8 billion of institutional assets, invested in equities, fixed income, property and private equity.

Internal business
M&G manages assets on behalf of Prudential's long-term business funds, including with-profits and unit-linked funds, annuities and corporate pension products.

M&G manages £119 billion of assets for Prudential customers, invested in equities, fixed income, property and private equity.

Prudential Finance
- Manages Prudential's balance sheet
- Leverages Prudential and M&G's positioning and skills for profit

Activities include bridging transactions, property financing and securities lending.

Staff
1,500

Locations
UK: London, Chelmsford **Europe:** Austria, France, Germany, Italy, Luxembourg, Spain, Switzerland
Other: South Africa

Also part of M&G
- Prudential Property Investment Managers (PRUPIM)
- PPM Capital
- PPM South Africa

Prudential has life insurance and fund management operations in 12 markets.

Life insurance

- Sales on an APE basis grew 30 per cent
- Represents 49 per cent of total Group new business profit
- IFRS operating profit of £189 million, up 11 per cent on 2005, excluding exceptional items of net positive £30 million in 2005.

Prudential is the leading European-based life insurer in Asia in terms of market coverage and number of top five market positions.

Prudential Corporation Asia provides a comprehensive range of savings, protection and investment products tailored to the needs of each local market.

It pioneered unit-linked products in Singapore, Malaysia, Indonesia, the Philippines and Taiwan.

In 2006, our operation in China was awarded eight new life licences, making a total of 18.

Currently, Prudential Corporation Asia has a network of over 284,000 agents serving more than seven million customers across the region.

Major strategic partnerships
- CITIC Group in China
- ICICI Bank in India
- In addition, Prudential Corporation Asia has a number of distribution partnerships that include a number of leading banks such as Standard Chartered Bank.

Staff
12,500

Locations
China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Vietnam

Fund management

- In 2006 operating profit grew 85 per cent to £50 million, excluding 2005 exceptional costs of £16 million.
- Prudential Corporation Asia's Fund Management manages £29.2 billion of assets, which includes £6.2 billion of assets from the Group, £10.6 billion from Prudential Corporation Asia's Life Funds and £12.3 billion from the retail operations. This is an increase of 22 per cent from end 2005. Retail assets increased by 33 per cent.
- Retail mutual fund net inflows increased by 90 per cent to £2.5 billion.

Prudential Asia Fund Management independently manages assets on behalf of a wide range of retail and institutional investors in Asia. Prudential Asia Fund Management is also a fund manager for life and pension products sold by Prudential UK and Prudential Corporation Asia.

Retail business
Prudential branded mutual funds are distributed to retail investors across Asia. Prudential Asia Fund Management manages £12.3 billion of retail assets investing in equities, fixed income and structured products. Prudential also manages collective investment schemes under Luxemburg domiciled Société d'investissement à capital variable (SICAV) under UCITS III.

In Asia Prudential Asia Fund Management is the second largest retail fund manager for Asian sourced assets ex-Japan as at June 2006 (source: Asia Asset Management Magazine) with approximately two million unit holder accounts.

Institutional and internal business
Prudential Asia Fund Management manages £16.8 billion of institutional and internal assets, investing in equities, fixed income, property and private equity. Institutional investors include pension funds, government and quasi government entities and other financial institutions.

Major strategic partnerships
- Bank of China International in Hong Kong
- CITIC Group in China
- ICICI Bank in India

Staff
1,350 (100% of ventures)

Locations
China, Hong Kong, India, Japan, Korea, Malaysia, Singapore, Taiwan, United Arab Emirates, Vietnam

M&G

Powerful positions in all key asset classes

M&G launched the UK's first unit trust in 1931 and today manages £164 billion on behalf of its investors. M&G has scale in all key asset classes: it is one of the largest active managers in the UK stock market, one of the largest bond investors in the UK and one of the UK's largest property investors.

United States

Creating value through innovation

Jackson leverages its low-cost, flexible technology platform to manufacture innovative and customisable products that can be brought to the market quickly and efficiently. In 2006, 81 per cent of Jackson's retail sales were from products and features developed and launched in the current and previous year. Jackson also has a statutory general expense to asset ratio that is significantly lower than its top 25 individual annuity peer competitors.

Asia

A comprehensive understanding of the long-term value drivers

Prudential actively manages its product portfolio in Asia to optimise returns on capital. It has a relatively high proportion of capital-efficient unit-linked products – 64 per cent in 2006 – and this, combined with higher relative proportions of regular premium policies and Accident and Health riders, has enabled the business to achieve strong new business profit margins as a percentage of weighted sales.

United Kingdom

Maximising profitable growth

Prudential has pursued a strategy focusing on those areas where it has competitive advantage, targeting capital-efficient returns through selective participation within its chosen markets, Retirement Income, Wealth and Health and Wholesale. As a result, margin increased in 2006 to 30 per cent and the overall internal rate of return (IRR) increased to 15 per cent.

We continue to maintain a relentless focus on profitability and value, concentrating resources where we can generate the best returns for shareholders

United Kingdom

Fast growth in health insurance and equity release

PruHealth celebrated its second anniversary in 2006 and already covers around 100,000 customers. At the heart of PruHealth lies a totally new approach to private medical insurance that recognises that the healthier people are, the less likely they are to need medical treatment. Prudential UK is also looking to grow the equity release business it started in 2006, having written over £100 million of new business in its first year.

M&G

Rapid sales growth and expansion into new markets

In the retail marketplace, M&G delivered record fund inflows in 2006 with gross fund inflows increasing by 75 per cent to £6.7 billion and net fund inflows more than doubling to £3.1 billion. Product innovation has remained key for opening up new markets for M&G and 66 per cent of gross mutual fund inflows in 2006 through UK and European distribution channels were into funds launched or re-engineered within the past six years.

United States

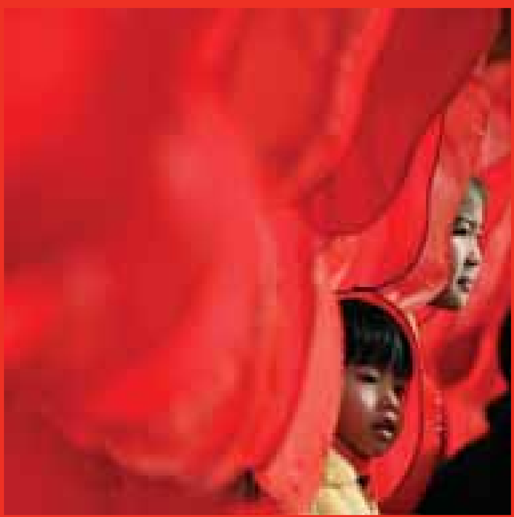
Record variable annuity sales growth

Jackson delivered record variable annuity sales in 2006 of £3.8 billion, up 48 per cent on the previous year. This reflects its distinct competitive advantages: an innovative product offering; an efficient and flexible technology platform; a relationship-driven distribution model; and award-winning service. Jackson increased its variable annuity market share to 4.6 per cent in 2006, and maintained its ranking of twelfth in total variable annuity sales.

Asia

Consistent outperformance in headline growth

Life new business has grown at a CAGR of 22 per cent over the last five years and funds under management at a CAGR of 25 per cent. In 2006, Prudential's funds under management ranking against international fund managers in Asia increased from fourth to second. The bottom line is also growing, strongly reflecting our increasing scale and efficiency. On a like-for-like basis operating IFRS profits for the life business were up 11 per cent and for the funds business up 85 per cent.



Our strong positions in the markets in which we operate mean we are well placed to capture an increasing share of profitable growth in each

Asia

Well placed to leverage proven platform for long-term profitable growth

Prudential Corporation Asia has a productive, scale agency force, strong partnerships, innovative products and a respected brand. Going forward, Prudential will also be exploring new initiatives in the retirement space, developing more direct distribution, launching new health products and implementing a disciplined and systematic cross-sell and up-sell programme with its over seven million existing customers.

United Kingdom

Significant opportunities in retirement savings and income

Prudential is strongly positioned to benefit from the predicted growth in the UK retirement savings and income markets, driven by increasing longevity and the number of baby boomers heading towards retirement over the next few years. Prudential will also be looking to maximise value from the steadily increasing flow of vestings from its mature pensions book over the coming years.

M&G

A fast-growing industry and increasingly accessible markets

The asset management sector continues to benefit from the increasing shift by retail investors from opaque to transparent investment products, such as unit trusts, and M&G's range of market-leading funds has positioned it very strongly to benefit from this trend. European cross-border distribution has accelerated and the trend in favour of 'Open Architecture' in both the UK and Europe has continued to open up significant bank and life company distribution opportunities.

United States

78 million baby boomers reaching retirement

In the US, the first members of the 78 million baby boomer generation turned 60 (the average retirement age) in 2006. The ageing demographics of the US are expected to increase annual retirement distributions from $0.5 trillion in 2004 to more than $1 trillion per year by 2012.

As we look ahead, we see enormous opportunities in all three of our regions, and we feel confident we have the skills and resources to take advantage of them

United States

Sustained increases in both sales and market share

Up to the end of 2006 Jackson experienced five consecutive years of variable annuity sales growth, 11 consecutive quarters of market share increases, and 17 consecutive quarters of variable annuity asset growth. Jackson has only experienced a quarterly decline in variable annuity assets five times since the first quarter of 1998.

Asia

Asia becomes cash positive while delivering rapid growth

The Group's position in Asia continues to develop rapidly with the region accounting for almost 50 per cent of the Group's 2006 new business profits. As well as experiencing rapid growth, Asia has become cash positive in 2006, in line with our previous forecast, with a net remittance of £28 million to the Group. In 2007 and beyond, Asia offers significant potential for profitable growth and we are on track to deliver on our target to at least double 2005 new business profits by 2009.

United Kingdom

Continued focus on core strengths to drive profitable growth

In 2006, Prudential UK's retail business increased sales by 14 per cent and new business profits by 67 per cent. Going forward, Prudential UK will focus on its core strengths, including its longevity expertise and its multi-asset allocation capabilities, to drive profitable growth in the retirement income and savings markets. In addition, it will continue to safeguard embedded value in its mature life and pensions business, through targeted cost reduction programmes.

M&G

Significant and sustained profit growth

M&G delivered significant profit growth during 2006 on the back of rising market levels, strong net inflows and continued business diversification. Operating profits, which include performance-related fees, increased 25 per cent to £204 million. Underlying profits were £177 million, an increase of 28 per cent compared to the previous year. Over the past four years, underlying profits have grown by 38 per cent per year.

The momentum we have built can be seen in the growth of our insurance and asset management businesses around the world

Corporate responsibility review

Acting responsibly

Corporate Responsibility (CR) is fundamental to how Prudential operates and is a philosophy that is now embedded in the business.

Prudential recognises that its stakeholders, which include its customers, people, shareholders and the communities around its businesses, increasingly support those companies that define and exhibit sound values around trust, ethics and environmental responsibility.

Prudential also believes that its performance in key areas of conduct such as corporate governance, environmental management and employment practices can have a significant and positive impact on the Group's financial performance.

Prudential's main focus in 2006 was to ensure that its CR strategy continued to align with its business objectives and with its stakeholder concerns.

Management and policy

Prudential has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures, for example its Group Code of Business Conduct, its CR Policy and its Health and Safety Policy. Prudential sets its own codes and policies that often go further than legislative requirements.

Prudential also operates a Group Risk Framework which focuses on reputation issues. The controls, which are applicable across the Group, are clearly set out in the Group Governance Manual.

Prudential's Group Finance Director, Philip Broadley, has Board level responsibility for social, environmental and ethical risk management. The Board discusses Prudential's performance on these areas at least once a year. The Board also reviews and approves Prudential's CR report and strategy.

Below the Board, the Corporate Responsibility Committee is a specialist Group-wide committee chaired by the Group Finance Director. It is responsible for reviewing business conduct and social and environmental policy and ensures consistency across the Group's international businesses.

The Corporate Responsibility team, which is located in Group Head Office, develops its strategy, provides training across the Group, and works closely with individual business units to provide advice, ensuring that the Group's core values are maintained and assisting with the development and adaptation of Group-wide initiatives so that they not only fit the overall Group principles but also meet local needs.

Group Code of Business Conduct

Prudential's Group Code of Business Conduct (the Code) sets out the ethical standards the Board requires of itself, its employees, agents and others working on behalf of the Group, in their dealings with employees, customers, shareholders, suppliers, competitors, the wider community and the environment. This policy is now in force across the Group and compliance by all business units is mandatory. The Code is published both internally on the Group Head Office intranet and externally on the Prudential website. It is also integrated within the Group Governance Manual and is covered by the annual compliance certification process. In 2006, we translated the Code into Chinese, Korean and Thai. These translations are now available on Prudential's internet site.

As part of the Corporate Responsibility strategy, Prudential engaged KPMG in 2006 to review, at the Group Head Office level, the Group Code of Business Conduct, the process by which Prudential communicates the Code and the systems in place for monitoring the Code. Prudential is currently in the process of reviewing the findings from this review and formulating a plan for implementing improvements.

Stakeholder dialogue

Stakeholder engagement enables employees and relevant external groups to help shape what Prudential does and ensure that their reasonable expectations are translated into business value. This means listening to and working with its stakeholders and being very clear about its intentions and priorities.

During 2006, Prudential commissioned research organisation Ipsos Mori to help it gauge which CR issues are important to its key stakeholders. The results indicated that good environmental management and climate change are, perhaps unsurprisingly, very high on the agenda for companies in general. Issues such as ethical investment and transparent product information are also highlighted as important for financial services companies. In response, the CR team is working with the Group Health, Safety and Environment team and Prudential Property Investment Managers Limited (PRUPIM), part of M&G, to ensure that Prudential is effectively addressing and aligning its environmental management practices.

Assisting people to manage their investments is fundamental to the Group's business. Prudential UK has therefore continued to hold monthly MeetPru events, which give its customers the opportunity to meet members of the UK executive team and ask questions about both their own policies and broader issues, including the

CR programme. M&G has developed a number of spin-free guides for investors which provide straight-forward, easy-to-understand information on a range of investment options, including bonds and equities, while also tackling subjects such as 'understanding risk'.

Improving financial capability

The Group's core financial education programme is based on the need to play its part in enabling consumers to make the right decisions for their individual needs. Such decisions range from debt management to savings needs. Informing and empowering consumers to make such decisions will, Prudential believes, build better and more permanent relationships between consumers and providers.

Prudential began developing its Financial Literacy programme in the United Kingdom in 2001. Six years later, Prudential is seeing significant continued progress, both in the UK and internationally.

In the UK, via partnerships with diverse organisations such as Citizens Advice; the Personal Finance Education Group (pfeg); Specialist Schools and Academies Trust and National Institute of Adult Continuing Education, thousands of adults and children are now benefiting from learning how to make decisions that will have a profound effect on their financial wellbeing.

Prudential extended its initiative to Asia in 2004, with an innovative programme called Investing in Your Future, which focuses on women, who are often responsible for planning their family's financial needs. This was first launched in China and rolled out in Vietnam in 2005. During 2006, Prudential extended this programme into India and piloted a project in Malaysia. To date, more than 10,000 women have graduated from the programme in Asia.

Investing in our communities

In 2006, Prudential invested £4.7 million in a wide range of projects around its business, supporting education, welfare and environmental initiatives. This total includes the significant contribution made by many of the people around the Group through volunteering, often linked with professional skills development. It also includes direct donations to charitable organisations of £3.15 million.

In December 2005, The Chairman's Award, the Group's international employee volunteering programme was launched across the Group.

The programme is managed by the Group CR team and is co-ordinated by local business unit champions around the world.

Prudential recognises that many employees already make a significant contribution to charities as volunteers in their own free time. The Chairman's Award was set up to recognise this involvement in the community and to give all the Group's employees the opportunity to get involved with a local charitable project and to increase the value of the community support they offer through additional contributions.

The charities that Prudential supports were selected following a Group-wide survey of its employees, which identified a preference for projects that address the needs of children and the elderly within their local community. Prudential has identified sustainable projects which, where possible, have education at their core. This lies at the heart of the Group CR programme aiming to raise levels of financial capability worldwide.

In 2006, over 1,600 employees registered to volunteer and The Chairman's Award supported over 50 projects around the world. For example, over 180 pre-school children in Thailand will be able to attend new child care centres thanks to the volunteering efforts of Prudential's employees, where The Chairman's Award is funding the redevelopment and refurbishment of four centres in the Srirattana district in the Srisaket province. Similarly, employees from Jackson in Denver have been volunteering through Junior Achievement's schools programme, helping to educate and inspire young people to value free enterprise, business and economics to improve the quality of their lives. Over 160 students have benefited from the volunteering efforts of the Group's employees.

Responsible investment (RI)

M&G's approach to responsible investment (RI) is set out in the booklet Issues Arising from Share Ownership, available at www.mandg.co.uk. RI has focused principally on equity markets. However, with more than £19 billion (as at 31 December 2006) of funds under management, PRUPIM, is one of the UK's largest commercial property investment managers and accounts for over 80 per cent of Prudential's direct environmental impact in the UK. Through participation in the Institutional Investor's Group on climate change and its participation on the property working group of the United Nations Environment Programme Finance Initiative (UNEP FI), PRUPIM is creating awareness of the implications of climate change for property investment and how Prudential should address this.

Employees

The following information is given principally in respect of employees of the Group in the UK. The policy towards employees overseas is the same but the practical application of the policy varies according to local requirements.

Equal opportunity

Prudential recognises, respects and values difference and diversity. Its equal opportunities policy is to be fair, responsible and caring in all aspects of the business. The Group seeks to ensure all employees and applicants to its businesses are given equal opportunity in all aspects of employment to ensure that the Group's businesses attract, retain and promote the best available talent. All the businesses work to embed these principles in all aspects of their management practices and to ensure that this is evident to employees in their day-to-day work.

It is Group policy to give full and fair consideration and encouragement to the employment of applicants with suitable aptitudes and abilities, and to continuing the employment of staff who become disabled, and to providing training and career development opportunities to disabled employees.

Employee involvement

The Group has effective communication channels through which employees' views can be sought on issues which concern them. Throughout the Group there is close consultation between management and other employees on appropriate matters of concern, with a view to keeping employees informed about the progress of the Group's business and the economic factors affecting it. Communication with employees is achieved in a number of ways, including one-to-one staff briefings and through the Group's intranet site.

M&G's Staff Consultative Committee and UK Insurance Operations' Employee Forum promote communication and consultation throughout their respective businesses and provide for dialogue on a range of issues of interest to their staff.

Following the creation of PGDS in 2006, which brought together IT infrastructure staff into one Group business, PGDS in the UK commenced the development of a staff consultative forum with the election of representatives. It is intended that this forum, along with effective direct consultation, will deliver an excellent two-way dialogue between staff and PGDS management.

In 2006, employees were again invited to participate in the Prudential Savings-Related Share Option Scheme. The Scheme has now been operating for 23 years and 40 per cent of UK staff currently participate. The Prudential International Savings-Related Share Option Scheme (ISSOS) for employees has been operating since 2000 in Hong Kong, Malaysia and Singapore; since 2001 in Taiwan and India; and since 2003 in Korea. On average 15 per cent of employees in those countries covered by the ISSOS currently participate. In addition, since 2002 Prudential has operated the International Savings-Related Share Option Scheme for Non-Employees (ISSOSNE) for its agents in Hong Kong. Currently 11 per cent of agents participate.

Following shareholder agreement in 2000 to authorise the Board to introduce a Share Incentive Plan, The Prudential UK Share Incentive Plan (SIP) was introduced in 2004 for employees of Prudential UK Services Limited and The Prudential Assurance Company Limited, and in 2005 for employees of Prudential Services Limited. This plan enables employees to buy Prudential shares on a tax-efficient basis. For every four Partnership shares bought, an additional Matching share is granted. Currently 12 per cent of eligible staff participate.

The trustees of each of the Group's UK pension schemes include elected individuals.

Training and development

In the UK, Prudential is a member of the Employers' Forum on Disability, the Employers in the Community Network, set up by the National Centre for Volunteering, Race for Opportunity and the Work Foundation. These organisations aim to share best practice, promote the benefits of a diverse workforce and make discrimination in the workplace a thing of the past.

Engaging with employees and understanding their expectations about corporate values, transparency, career development, performance management, diversity and work-life balance is essential. This understanding helps the Group to attract, retain and motivate its employees.

Prudential recognises that it will benefit from the opportunity for its employees to develop their talents and achieve satisfying and rewarding careers. Prudential is therefore committed to promoting individual development and regularly assesses employees' abilities, progress and individual training needs.

In Asia, employee education is provided across the Group's Asian markets through PRUuniversity, which is available to all staff and is offered in multiple languages. Programmes are centrally credited and many are endorsed by external learning institutions. The courses cover CR, management and leadership, technical and business skills as well as a comprehensive range of self-improvement material including language courses.

Treating customers fairly

The financial services industry is working with the UK regulator, Government and consumers to improve the way they treat customers. Prudential now has more than seven million customers in Asia, over three million policies and contracts in force across the US through Jackson, and over seven million customers in the UK through Prudential UK. Prudential is committed to providing a high level of customer service, communicating openly with customers, providing clear information and to monitoring levels of satisfaction.

Prudential UK has signed up to the Association of British Insurers' (ABI) Customer Impact Scheme. This Scheme is part of the industry's commitment to continuously build on customers' experiences, and Prudential will participate in an annual customer survey, to measure changes in its customers' experiences and attitudes. Jackson measures its customer service quality through annual benchmarking surveys. Prudential Corporation Asia surveyed a sample of its customers in each of its 16 retail businesses in Asia, to assess the likelihood of its customers recommending Prudential Corporation Asia to their family and friends.

Environment/sustainable development

Protecting the environment is essential for the quality of life of current and future generations. The challenge is to combine continuing economic growth with long-term sustainable development. Prudential will endeavour to ensure its policies and business actions promote the consideration of the environment.

The CR team is working with its peers in other companies to develop an industry-wide approach to climate change. Prudential is part of the Forge Group, a consortium of financial institutions formed to address the CR issues facing the financial services industry and to develop a consistent approach towards their management. In November 2006, the Forge Group agreed that its focus in 2007 will be climate change and its strategic implications for the financial services sector.

In the US, Jackson has carefully monitored and worked to minimise any negative environmental impact since it moved to its current headquarters in 2000, working with State and local authorities on new projects which protect the environment.

Supply chain management

Prudential recognises that its own social, environmental and economic impacts are associated not only with the products and services it supplies but also with the performance of its suppliers and contractors.

It is Prudential's policy to work in partnership with its suppliers to help them reduce their impact on the environment and to manage the challenges of sustainable growth. The number of suppliers engaged on a business as usual basis is very high. Prudential has therefore chosen to focus on those suppliers that potentially pose the greatest risk to the environment. As a result, Prudential has identified 55 suppliers to work with on the programme.

Donations

Prudential is committed to supporting the communities where it is an employer. In 2006, the Group spent £4.7 million in support of the community. Within this, direct donations to charitable organisations amounted to £3.15 million, of which £2.35 million came from European (EU) operations. This is broken down as follows: Education £1,068,000; Social and Welfare £809,000; Environment and Regeneration £82,000; Cultural £149,000 and Staff Volunteering £242,000. The aggregate figure for charitable donations from Prudential's non-EU subsidiaries (Jackson and Prudential Corporation Asia) amounted to £0.8 million. It is the Group's policy not to make donations to political parties or to incur political expenditure, within the meaning of those expressions as defined in the Political Parties, Elections and Referendums Act 2000, and the Group did not make any such donations or incur any such expenditure in 2006.

Further information can be found in Acting Responsibly, the Group's Corporate Responsibility Report 2006/7, accessed at www.prudential.co.uk/prudential-plc/cr/
Hard copies of the report are available from the Group's CR team: Laurence Pountney Hill, London EC4R 0HH. Tel: 020 7548 3706

Non-financial key performance table

The table below summarises key programme areas against our commitments, and outlines some of the Group's achievements to date and Prudential's priorities for 2007.

Progamme areas	Key performance Indicator	Measurement
Financial Literacy	Continue to invest and help people to become more informed about their financial well-being and build the long-term capacity of community organisations to provide financial education.	Monitor progress with charity partners. All charity partners to complete a post-donation evaluation form.
Customers	Continue to maintain high standards of customer service.	Tracking systems in place to monitor customer satisfaction.
		To provide information for customers in a variety of ways.
	To continue being a responsible investor on behalf of our clients.	Contribute to the investment performance of M&G funds.
	To gain a comprehensive understanding of the costs and benefits of sustainable property investments.	To implement relevant sustainable property investment techniques across our PRUPIM property portfolio in a way that will increase sustainability, while protecting and enhancing investor returns.
Community	Make a measurable and positive impact in the communities where we operate.	Annual community spend as a percentage of pre-tax profit.
		Level of colleague volunteering.
Employees	Communicate internally about the value and benefit of CR, the goals and purpose of the organisation and the Group Code of Business Conduct.	Use a variety of communication channels e.g. CR e-learning module, employee magazines, Group intranet site, news updates, videos and webcasts.
	Maintain our commitment to health and safety management across the Group.	Total number of recordable health and safety incidents (under RIDDOR: Reporting of Injuries and Diseases and Dangerous Occurrences Regulations). Currently only measured in the UK.
Supply chain	Work with suppliers to maximise the beneficial social impact of our business, and reduce the environmental impact.	Total number of suppliers with whom we have discussed environmental or CR issues.
Environment	Minimise our environmental impact, prevent pollution and unnecessary damage to the environment from our operations.	Periodically review our environmental impact.
		Ongoing measurement of building energy efficiency, water efficiency, waste recycling of our actively managed property portfolio.
Shareholders	Focus on maximising long-term shareholder value, thereby delivering returns to investors.	Dialogue with investors. Dialogue with investment analysts responsible for ethical investment funds. Inclusion in socially responsible indices e.g. FTSE4Good.

Progress in 2006	Looking forward – in 2007 we plan to:
Prudential extended the financial literacy programme to India. Piloted the programme in Malaysia during December 2006.	Continue implementing the financial literacy programme in China, India and Vietnam, and we will review the pilot programme in Malaysia.
Prudential Corporation Asia has developed a detailed Customer Satisfaction model in Malaysia for its sales and service process. Jackson measures its customer service quality through annual benchmarking surveys. Prudential UK is accredited to the Association of British Insurers (ABI's) Customer Impact Scheme.	Roll out the Customer Satisfaction model in Asia to other parts of its business and use feedback to improve customer service. Prudential UK plans to work closely with the ABI on the Customer Impact Scheme.
Prudential regularly updates customers on products and important financial topics through MeetPru events, Plan from the Pru, Pru News, the Prudential Magazine, and the M&G Spin-Free guides.	Continue to provide customers with clear and responsible marketing information.
M&G manages two ethical investment funds: Prudential M&G Light Green Fund and the Prudential Ethical Trust Fund.	Continue to maintain active dialogue with our investee companies.
Worked with the United Nations Environment Programme Finance Initiative (UNEP FI) to establish a Socially Responsible Property Investment Working Group.	Play a central role in the activities of both the Investment Property Forum/Institutional Investors Group on Climate Change, Responsible Property Investment Working Group and the UNEP FI Responsible Property Investment Workstream.
Based on IFRS statutory operating profit, Prudential's community spend equates to 0.53 per cent.	Continue to make a measurable and positive impact in the communities where we operate.
Successfully launched the new employee volunteering programme, The Chairman's Award and created appropriate relationships with charities in each of our markets to support this. Over 1,600 employees volunteered.	Ensure we have community investment programmes running in most of our markets.
Continued to update employees on CR initiatives and the Group Code of Business Conduct through the annual CR report, the annual CR webcast and fortnightly news updates.	Update and roll out the CR e-learning module to all new employees. Continue to review and communicate our CR report and policies.
We have recorded four RIDDOR accidents in the UK.	Continue to work with business units to ensure compliance with the Group H&S Framework. Ensure each business unit produces an H&S action plan.
Rolled out UK CR supply chain programme to 55 suppliers.	Continue to work in partnership with our suppliers to help them reduce their social and environmental impacts.
Prudential developed a new Environmental Policy Statement which has been approved at Group level. A pilot scheme for an improved building management system is being tested in Reading, UK. If successful, this will reduce energy consumption and be introduced in other business units. Reviewed performance data.	Provide environmental performance data across the Group. Establish an Environment Network initially in the UK and the US.
We have achieved ISO14001 certification for 10 actively managed properties.	We are continuing to roll out ISO14001 certification across our entire managed portfolio by the end of 2007. We are developing our monitoring and targeting system to measure environmental performance.
The Company has continued with a programme of dialogue with shareholders, across a broad geographic spread.	Further dialogue with the investment community.
Dialogue with investment analysts, CR rating agencies and research organisations responsible for ethical investment funds.	Continue dialogue with the investment community.
Met FTSE4Good global CR criteria and awarded continued membership.	Continue to monitor progress and engage with the FTSE4Good co-ordinators.

Board of directors

Chairman

1

Executive directors

2

3

4

5

6

7

1. Sir David Clementi FCA MBA
Chairman and Chairman of the Nomination Committee
Sir David Clementi has been Chairman of Prudential since December 2002. In 2005, he was appointed as President of the Investment Property Forum. In 2003, he joined the Financial Services Authority's Financial Capability Steering Group, and was appointed by the Secretary of State for Constitutional Affairs to carry out a review of the regulation of legal services in England and Wales, which was completed in 2004. In 2003, he also joined the Financial Reporting Council, and became a non-executive director of Rio Tinto plc. He is also a board member of the Royal Opera House. From 1997 to 2002 he was Deputy Governor of the Bank of England. During this time, he served as a member of the Monetary Policy Committee and as a non-executive director of the Financial Services Authority. From 1975 to 1997 he worked for the Kleinwort Benson Group, latterly as Chief Executive.

2. Mark Tucker ACA
Group Chief Executive
Mark Tucker was re-appointed as an executive director in May 2005, when he also became Group Chief Executive. From May 2004 to March 2005 he was Group Finance Director, HBOS plc and director of Halifax plc. Previously, he was an executive director of Prudential from 1999 to 2003, and from 1993 to 2003 he was Chief Executive of Prudential Corporation Asia, and also held senior positions in Prudential's businesses in the UK and the US. He first joined Prudential in 1986, having previously been a tax consultant at PriceWaterhouse UK in London.

3. Philip Broadley FCA
Group Finance Director
Philip Broadley has been an executive director of Prudential and Group Finance Director since May 2000. He is currently Chairman of the 100 Group of Finance Directors and a member of the Insurance Advisory Group of the International Accounting Standards Board. He is also President of the Przezornosc Charitable Foundation, which has been established in Poland in recognition of former policyholders with whom the Company lost contact. Previously, he was with the UK firm of Arthur Andersen, where he became a partner in 1993.

4. Clark Manning FSA MAAA
Executive director
Clark Manning has been an executive director of Prudential since January 2002. He is also President and Chief Executive Officer of Jackson National Life Insurance Company. He was previously Chief Operating Officer, Senior Vice President and Chief Actuary of Jackson National Life Insurance Company, which he joined in 1995. Prior to that, he was Senior Vice President and Chief Actuary for SunAmerica Inc, and prior to that Consulting Actuary at Milliman & Robertson Inc. He has more than 25 years' experience in the life insurance industry, and holds both a bachelor's degree in actuarial science and an MBA from the University of Texas. He also holds professional designations of Fellow of the Society of Actuaries (FSA) and Member of the American Academy of Actuaries (MAAA).

5. Michael McLintock
Executive director
Michael McLintock has been an executive director of Prudential since September 2000. He is also Chief Executive of M&G, a position he held at the time of M&G's acquisition by Prudential in 1999. He joined M&G in 1992. He is also a non-executive director of Close Brothers Group plc.

6. Nick Prettejohn
Executive director
Nick Prettejohn has been an executive director of Prudential and Chief Executive, Prudential UK and Europe since 1 January 2006. He is also a board member of the ABI, Deputy Chairman of the Financial Services Practitioner Panel, and a board member of the Royal Opera House. Previously, he was Chief Executive of Lloyd's of London from 1999 until 2005. He joined the Corporation of Lloyd's in 1995 as Head of Strategy, and played a key role in the Reconstruction and Renewal process, which reorganised Lloyd's after the losses of the late 1980s and early 1990s. Following the successful completion of the reorganisation in 1996, he became Managing Director of Lloyd's Business Development Unit and in 1998 he also assumed responsibility for Lloyd's North America business unit. Prior to his appointment to Lloyd's, he was responsible for corporate strategy at National Freight Corporation plc, and prior to that he was a partner at management consultants Bain and Co and a director of private equity company Apax Partners.

7. Barry Stowe
Executive director
Barry Stowe has been an executive director of Prudential since 1 November 2006, and Chief Executive, Prudential Corporation Asia since 9 October 2006. Previously, he was President, Accident & Health Worldwide for AIG Life Companies. He joined AIG in 1995, and prior to that was President and CEO of NISUS, a subsidiary of Pan-American Life, from 1992-1995. Prior to NISUS, Barry spent 12 years at Willis Corroon in the US.

8. Keki Dadiseth FCA
Independent non-executive director and member of the Audit and Remuneration Committee
Keki Dadiseth has been an independent non-executive director of Prudential since April 2005. During 2006, he was appointed as a non-executive director of ICICI Prudential Life Assurance Company Limited and Prudential ICICI Trust Limited. He is also a member of the Advisory Board of Marsh & McLennan Companies Inc. and an International Advisor to Goldman Sachs. In addition, he is a director of Nicholas Piramal Limited, Siemens Limited, Britannia Industries Limited and The Indian Hotels Company Limited, all quoted on the Bombay Stock Exchange. He is also a director of the Indian School of Business and acts as a trustee of a number of Indian charities. Before he retired from Unilever in 2005, he was Director, Home and Personal Care, responsible for the HPC business of Unilever worldwide, a Board member of Unilever

Non-executive directors


8


9


10


11


12


13


14

PLC and Unilever N.V. and a member of Unilever's Executive Committee. He joined Hindustan Lever Ltd in India in 1973.

9. Michael Garrett
Independent non-executive director and member of the Remuneration Committee
Michael Garrett has been an independent non-executive director of Prudential since September 2004. He worked for Nestlé from 1961, becoming Head of Japan (1990 - 1993), and then Zone Director and Member of the Executive Board, responsible for Asia and Oceania, and in 1996 his responsibilities were expanded to include Africa and the Middle East. He retired as Executive Vice President of Nestlé in 2005. In addition, he served the Government of Australia as Chairman of the Food Industry Council and as a Member of the Industry Council of Australia, and was also member of the Advisory Committee for an APEC (Asia-Pacific Economic Cooperation) Food System, a Member of The Turkish Prime Minister's Advisory Group and the WTO (World Trade Organization) Business Advisory Council in Switzerland. He remains a director of Nestlé companies in India and Japan, and was appointed Chairman of the Evian Group in 2001, a think tank and forum for dialogue promoting free trade. He also serves as a non-executive director on the Boards of the Bobst Group Switzerland and Hasbro Inc. in the US, and is a member of the Finance and Performance Review Committee of The Prince of Wales International Business Leaders Forum (IBLF).

10. Bridget Macaskill
Independent non-executive director, Chairman of the Remuneration Committee and member of the Nomination Committee
Bridget Macaskill has been an independent non-executive director of Prudential since September 2003. She rejoined the Board of Prudential having previously resigned due to a potential conflict of interest in 2001. She has been a member of the Remuneration Committee since 2003 and became Chairman of the Remuneration Committee on 18 May 2006. She is a non-executive director of the Federal National Mortgage Association (Fannie Mae), and from 1 April 2007 she will also serve as a non-executive director on the board of Scottish & Newcastle PLC. She was previously a non-executive director of J Sainsbury Plc. Prior to that she spent 18 years at OppenheimerFunds Inc, a major New York based investment management company, the final 10 years of which she was Chief Executive Officer.

11. Roberto Mendoza
Independent non-executive director and member of the Remuneration Committee
Roberto Mendoza has been an independent non-executive director of Prudential since May 2000. He served as Chairman of the Remuneration Committee from 2002 until 18 May 2006. He is also Chairman of the Trinsum Group, and a non-executive director of Western Union Inc and of Paris Re. Previously, he was the non-executive Chairman of Egg plc and a non-executive director of The BOC Group plc, and prior to that he was Vice Chairman and director of JP Morgan & Co. Inc., a non-executive director of Reuters Group PLC, and a managing director of Goldman Sachs.

12. Kathleen O'Donovan ACA
Independent non-executive director and Chairman of the Audit Committee
Kathleen O'Donovan has been an independent non-executive director of Prudential since May 2003. She has been a member of the Audit Committee since 2003 and became Chairman of the Audit Committee on 18 May 2006. She is a non-executive director and Chairman of the Audit Committee of Great Portland Estates PLC and a non-executive director of ARM Holdings plc. She is also Chairman of the Invensys Pension Scheme. Previously, she was a non-executive director and Chairman of the Audit Committees of the EMI Group plc and the Court of the Bank of England, and a non-executive director of O_2 plc. Prior to that, she was Chief Financial Officer of BTR and Invensys, and before that she was a partner at Ernst & Young.

13. James Ross
Senior independent non-executive director and member of the Audit and Nomination Committee
James Ross has been an independent non-executive director since May 2004 and the Senior Independent Director since May 2006. He holds non-executive directorships with McGraw Hill and Datacard in the United States and Schneider Electric in France. He is also Chairman of the Leadership Foundation for Higher Education. He was previously Chairman of National Grid plc and Littlewoods plc.

He was also Chief Executive of Cable and Wireless plc and Chairman and Chief Executive of BP America Inc., and a Managing Director of the British Petroleum Company plc.

14. Lord Turnbull KCB CVO
Independent non-executive director and member of the Audit Committee
Lord Turnbull has been an independent non-executive director of Prudential since 18 May 2006, and a member of the Audit Committee since 1 January 2007. He entered the House of Lords as a Life Peer in 2005. In 2002 he became Secretary of the Cabinet and Head of the Home Civil Service until he retired in 2005. Prior to that, he held a number of positions in the civil service, including Permanent Secretary at HM Treasury; Permanent Secretary at the Department of the Environment (later Environment, Transport and the Regions); Private Secretary (Economics) to the Prime Minister; and Principal Private Secretary to Margaret Thatcher and then John Major. He joined HM Treasury in 1970. Lord Turnbull is a non-executive director of Frontier Economics Ltd, The British Land Company PLC and the Arup Group. He also works part-time as a Senior Adviser to the London partners of Booz Allen Hamilton (UK).

Summary directors' remuneration report

For year ended 31 December 2006

Dear Shareholders,

I am pleased to present a summary of the 2006 directors' remuneration report for Prudential. Last year following an extensive period of consultation, we launched two new long term incentive plans, which over 95 per cent of you approved. These plans are now a key part of Prudential's remuneration policy.

The primary focus of our remuneration policy is to attract, motivate and retain executives of the highest calibre and provide rewards, in relation to individual contributions, for enhancing shareholder value.

The comprehensive review of remuneration which we undertook last year reaffirmed a strong set of remuneration principles:

- a high proportion of total remuneration will be delivered through performance-related reward;
- the total remuneration package for each executive director will be set in relation to the relevant local employment market;
- a significant element of performance-related reward will be provided in the form of shares;
- performance for business unit executives will be measured at both a business unit and Group level; and
- performance measures will include both absolute financial measures and comparative measures as appropriate, to provide a clear alignment between the creation of shareholder value and reward.

These principles will continue to provide a solid basis for the Remuneration Committee in setting the remuneration policy and the rewards for Prudential's executive directors.

The members of the Remuneration Committee during 2006, listed below, are all independent non-executive directors:

Bridget Macaskill (Chairman – member throughout 2006, Chairman since 18 May 2006).
Roberto Mendoza (member throughout 2006, Chairman until 18 May 2006).
Keki Dadiseth
Michael Garrett

During last year, the Committee sought the views and assistance of Priscilla Vaccasin, Group Human Resources Director. The Committee also requested the assistance of Deloitte & Touche in their capacity to provide consultancy and market data, Towers Perrin and McLagan in their capacity to provide market data and Freshfields Bruckhaus Deringer and Slaughter and May in their capacity to provide advice on legal matters.

During last year, the Committee focused on consulting with investors leading up to the Annual General Meeting and in the latter part of the year on ensuring the remuneration principles were operated in practice.

This year, the Committee will continue to keep the remuneration policy under review to ensure it is effectively aligned with the performance and development of Prudential's business. The Committee will consult with major shareholders before making any material changes. I am confident the Committee's approach aligns with shareholder interests, as well as rewarding Prudential's executive directors appropriately for their performance.

Bridget Macaskill
Chairman, Remuneration Committee
14 March 2007

The terms of reference of the Remuneration Committee are available on the Company's website and a copy may be obtained from the Company Secretary.

Summary 2006 directors' remuneration report

This report summarises the remuneration arrangements for the Company's directors. The full directors' remuneration report contained in the 2006 Annual Report is available on our website and contains further details on our policies and incentive arrangements. The report has been approved by the Board and complies with The Directors' Remuneration Report Regulations 2002.

Remuneration policy

To achieve the aims of the Company's remuneration policy, Prudential must continue to use remuneration practices relevant to the different markets in which the Company does business around the world. The Remuneration Committee considers remuneration within the context of the UK's regulatory framework and shareholder views, and is guided by UK corporate governance standards.

The remuneration policy is described below together with details of our incentive plans.

Remuneration policy

Executive directors are provided with salaries, annual bonuses and long-term incentive arrangements that are tailored to their respective roles and employment markets. These elements are normally reviewed each year. The policy on salaries is to review individuals with respect to the relevant market, taking into account total remuneration. Annual bonus arrangements depend on financial and individual performance while the long-term arrangements depend on Group and, where relevant, business unit performance, with a portion being share-based.

All current executive directors have contracts that require the Company to provide one year's notice. Non-executive directors do not have service contracts; they receive fees, are not eligible for any incentive plans and are not members of any company pension scheme.

Salary

The annual salaries of the executive directors effective 1 January 2007 are:

Philip Broadley	£567,100
Clark Manning	US$1,000,000
Michael McLintock	£320,000
Nick Prettejohn	£615,250
Barry Stowe	£500,000
Mark Tucker	£907,200

Annual incentive plans

Annual bonuses are based on a combination of Group and business unit financial measures and the individual strategic targets set for each individual director. Payouts are not pensionable.

In 2007, the levels of award as a percentage of salary are as follows:

	Target %	Maximum %
Philip Broadley	50	110
Clark Manning*	100	120
Michael McLintock	300**	500**
Nick Prettejohn	50	110
Barry Stowe	50	110
Mark Tucker	75	125

The portion of the award for performance above target is made in the form of Prudential shares deferred for three years. Deferred share award values are included in the figures in the remuneration table.

*Clark Manning also receives a percentage share of a bonus pool geared to the profits of Jackson National Life Insurance Company (Jackson).

**These figures are annual bonus levels for Michael McLintock in 2006. During 2007, we will be consulting with our investors regarding his long-term incentives and his remuneration structure for 2007. Any resulting changes will be reported in the 2007 directors' remuneration report.

Long-term incentive plans

All our long-term incentive plans for executive directors have three-year performance periods and are designed to drive the underlying financial performance of the business.

At least half of any shares that vest from long-term incentive plans are held until the guideline shareholdings set out below have been reached.

Group Performance Share Plan

The new Group Performance Share Plan replaced the Restricted Share Plan which expired in 2006.

The Group Performance Share Plan delivers shares subject to performance measured over three years. Participants will be entitled to receive the value of reinvested dividends over the performance period for those shares that vest.

The plan rewards the achievement of Total Shareholder Return (TSR) outperformance of an index comprised of peer group companies representing the international industry in which Prudential operates. In 2006 the group consisted of Aegon; Allianz; Aviva; Axa; Friends Provident; Generali; ING; Legal & General; Manulife and Old Mutual. For 2007 awards the comparator group is the same, but with the addition of Standard Life. The Remuneration Committee will keep the group of companies under review.

Awards vest on the basis of the schedule set out below:

TSR relative to the index at the end of the third year	Percentage of award that vests
Index performance	25%
Index performance x 110%	75%
Index performance x 120%	100%

Vesting between each performance point is on a straight-line sliding scale basis.

The Remuneration Committee must also be satisfied that the quality of the underlying financial performance justifies the level of award delivered at the end of the performance period and may adjust awards accordingly at its discretion.

Business Unit long-term incentive plans

The Business Unit Performance Plan provides a common framework under which awards will be made to the chief executives of Prudential UK & Europe, Jackson National Life Insurance Company and Prudential Corporation Asia.

The Group Chief Executive, the Group Finance Director and the M&G Chief Executive will not participate in this plan.

Under the plan half of the awards will be denominated and delivered in shares. The remaining half will be paid in cash. Participants will be entitled to receive the value of reinvested dividends over the performance period for those shares that vest.

The performance condition for the awards under the Business Unit Performance Plan will be based on growth in Shareholder Capital Value, which is defined as shareholders' capital and reserves on a European Embedded Value (EEV) basis.

Shareholder Capital Value will be based on the figure disclosed in the Annual Report, on a constant exchange rate basis for the relevant business and adjusted for capital injections and dividends in the period.

The growth parameters for the awards will be relevant to each region. For 2006 and 2007 awards under the Business Unit Performance Plan, the proposed targets were as follows:

	Growth in shareholder capital value p.a.		
Percentage of award that vests	UK	Jackson	Asia
0%	<8%	<8%	<15%
30%	8%	8%	15%
75%	11%	10%	22.5%
100%	14%	12%	30%

Vesting between each performance point is on a straight-line sliding scale basis.

The Remuneration Committee must also be satisfied that the quality of the underlying financial performance justifies the level of award delivered at the end of the performance period and may adjust awards accordingly at its discretion.

2007 Long-term incentive awards

The awards for 2007 under the new schemes are set out below.

	Group Performance Share Plan	Business Unit Performance Plan
Group Chief Executive	200%	n/a
Group Finance Director	160%	n/a
Chief Executive, Prudential Corporation Asia	130%	130%
Chief Executive, Jackson National Life Insurance Company	230%	230%
Chief Executive, M&G	100%*	Cash LTIP*
Chief Executive, Prudential UK & Europe	130%	130%

* During 2007, we will be consulting with our investors regarding Michael McLintock's 2007 long-term incentives and his remuneration structure. Any resulting changes will be reported in the 2007 directors' remuneration report.

In 2006, equivalent awards under the plans were made to the incumbents, apart from the Chief Executive for Prudential Corporation Asia whose 2006 award was 140 per cent of salary under each plan.

Shareholding guidelines

Executive directors should hold a substantial number of shares according to the following schedule. The executive directors will be encouraged to build up their shareholding over a five-year period.

Group Chief Executive and Chief Executive M&G	2 x salary
Other executive directors	1 x salary

Shares earned and deferred under the annual incentive plan are included in the guideline.

Directors' remuneration for 2006

	Salary/fees £000	Bonus £000	Other payments £000	Benefits* £000	Cash supplements for pension purposes £000	Total emoluments 2006 £000	Total emoluments 2005 as reported in 2005 £000	Cash supplements for pension purposes in 2005 £000	Total emoluments 2005 including cash supplements for pension purposes £000
Chairman									
Sir David Clementi	**473**			**46**	**113**	**632**	479	83	562
Executive directors									
Jonathan Bloomer (until 5 May 2005)							455	95	550
Philip Broadley	**530**	**477**		**60**	**107**	**1,174**	1,000		1,000
Clark Manning	**502**	**1,412**		**29**		**1,943**	1,751		1,751
Michael McLintock	**320**	**1,515**		**59**	**44**	**1,938**	1,878	27	1,905
Mark Norbom (until 14 December 2006; notes 1 and 2)	**491**	**412**	**91**	**196**	**155**	**1,345**	1,174	150	1,324
Nick Prettejohn (from 1 January 2006)	**575**	**368**		**87**	**89**	**1,119**			
Barry Stowe (from 26 September 2006; note 2)	**133**	**95**		**86**	**33**	**347**			
Mark Tucker (from 6 May 2005)	**840**	**913**		**126**	**210**	**2,089**	1,130	127	1,257
Mark Wood (until 17 October 2005)							865		865
Total executive directors	**3,391**	**5,192**	**91**	**643**	**638**	**9,955**	8,253	399	8,652
Non-executive directors									
Keki Dadiseth (from 1 April 2005)	**71**					**71**	37		37
Michael Garrett	**56**					**56**	50		50
Bridget Macaskill	**65**					**65**	50		50
Roberto Mendoza (note 3)	**73**					**73**	135		135
Kathleen O'Donovan	**83**					**83**	60		60
James Ross	**80**					**80**	60		60
Rob Rowley (until 18 May 2006)	**35**					**35**	90		90
Lord Turnbull (from 18 May 2006)	**34**					**34**			
Total non-executive directors	**497**					**497**	482		482
Overall total	**4,361**	**5,192**	**91**	**689**	**751**	**11,084**	9,214	482	9,696

*Benefits include cash allowances for cars.

Notes

1 Mark Norbom's directorship ended on 14 December 2006 but he remained an employee of the Company until 31 January 2007.

2 Benefits include allowances in respect of expatriate status.

3 Roberto Mendoza's fees include fees from Egg plc.

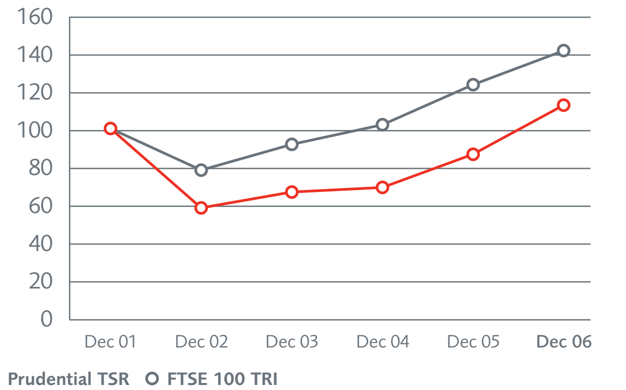
Performance graph

The line graph opposite shows the Total Shareholder Return (TSR) of the Company during the five years from 1 January 2002 to 31 December 2006 against the FTSE 100.

Total Shareholder Return over the performance period is the growth in value of a share plus the value of dividends paid, assuming that the dividends are reinvested in the Company's shares on the day on which they were paid.

Prudential TSR v FTSE 100 Total Returns Index (TRI)

Total shareholder return %



Other corporate and statutory information

Post balance sheet events

On 29 January 2007, the Company announced that it had entered into a binding agreement to sell Egg Banking plc, Prudential's UK banking business, to Citi.

Under the terms of the agreement, the consideration payable to the Company by Citi is £575 million in cash, subject to adjustments to reflect any change in net asset value between 31 December 2006 and completion.

In addition, the Company has agreed in principle outline terms with Citi with respect to a UK distribution agreement through which Prudential will provide life and pensions products to Egg's customer base for a five-year period.

The Company has also been selected as a strategic provider to Citi for the distribution of life insurance products to Citi's consumer banking customers in Thailand, Indonesia and the Philippines.

The transaction is subject to regulatory approval and is expected to complete by the end of April 2007.

Dividends

The directors recommend a final dividend for 2006 of 11.72 pence per share payable on 22 May 2007 to shareholders on the register at the close of business on 13 April 2007. The interim dividend for 2006 was 5.42 pence per share. The total dividend for the year, including the interim dividend and the recommended final dividend, amounts to 17.14 pence per share compared with 16.32 pence per share for 2005. The total cost of dividends in respect of 2006 is £418 million.

Directors

As at 31 December 2006, the Board comprised the Chairman, six executive directors and seven independent non-executive directors, as set out on pages 22 and 23. Nick Prettejohn, Lord Turnbull and Barry Stowe were appointed as directors on 1 January 2006, 18 May 2006 and 1 November 2006 respectively. Rob Rowley and Mark Norbom ceased to be directors of the Company on 18 May 2006 and 14 December 2006 respectively. In accordance with the Articles of Association, Barry Stowe will retire and offer himself for election at the Annual General Meeting on 17 May 2007. Philip Broadley, Michael Garrett, Bridget Macaskill and Clark Manning will retire by rotation at the Annual General Meeting and offer themselves for re-election.

Annual General Meeting

The Company's Annual General Meeting will be held in the Churchill Auditorium at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on 17 May 2007 at 11.00am.

Summary financial statement and auditor's report

The auditor's report on the Group's 2006 full Annual Report and Accounts for the year ended 31 December 2006 was unqualified and did not include a statement under Section 237(2) (inadequate accounting records or returns not agreeing with records and returns) or Section 237(3) (failure to obtain necessary information and explanations) of the Companies Act 1985.

The summary financial statement on pages 33 to 40 and the summary European Embedded Value basis supplementary information on pages 30 to 32 were approved by the Board of directors on 14 March 2007 and signed on its behalf by Sir David Clementi, Mark Tucker and Philip Broadley.

Independent auditor's statements

Statement of the independent auditor to the members of Prudential plc pursuant to Section 251 of the Companies Act 1985

We have examined the summary financial statement set out on pages 33 to 40.

This statement is made solely to the Company's members, as a body, in accordance with Section 251 of the Companies Act 1985. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Annual Review and Summary Financial Statement (Summarised Annual Report) in accordance with applicable United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement set out on pages 33 to 40 of the Summarised Annual Report with the full annual financial statements, directors' report and the directors' remuneration report and its compliance with the relevant requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The Auditor's Statement on the Summary Financial Statement' issued by the Auditing Practices Board for use in the United Kingdom. Our report on the Group's full annual financial statements describes the basis of our audit opinion on those financial statements.

Opinion

In our opinion the summary financial statement set out on pages 33 to 40 is consistent with the full annual financial statements, directors' report and directors' remuneration report of Prudential plc for the year ended 31 December 2006 and complies with the applicable requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
London
Registered Auditor
14 March 2007

Statement of the independent auditor to Prudential plc

We have examined the summary European Embedded Value (EEV) basis supplementary information set out on pages 30 to 32.

This statement is made solely to the Company in accordance with our terms of engagement. Our work has been undertaken so that we might state to the Company those matters we have been engaged to state in this statement 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 for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors have accepted responsibility for preparing the summary EEV basis supplementary information within the Summarised Annual Report. Under the terms of our engagement our responsibility is to report to the Company our opinion on the consistency of the summary EEV basis supplementary information with the full EEV basis supplementary information set out in the Group's Annual Report and prepared in accordance with the European Embedded Value principles issued in May 2004 by the CFO Forum as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 (together 'the EEV principles').

We also read the other information contained in the Annual Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary EEV basis supplementary information.

Basis of opinion

We conducted our work having regard to Bulletin 1999/6 'The Auditor's Statement on the Summary Financial Statement' issued by the Auditing Practices Board for use in the United Kingdom. Our report on the Group's full EEV basis supplementary information describes the basis of our audit opinion on that supplementary information.

Opinion

In our opinion the summary EEV basis supplementary information set out on pages 30 to 32 is consistent with the full EEV basis supplementary information in the Group's Annual Report ended 31 December 2006.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
London
14 March 2007

European Embedded Value (EEV) basis – summary results

Year ended 31 December 2006

Summarised consolidated income statement

	2006 £m	2005 £m
UK insurance operations	**686**	426
M&G	**204**	163
Egg	**(145)**	44
UK operations	**745**	633
US operations	**718**	755
Asian operations	**864**	568
Other income and expenditure	**(298)**	(244)
UK restructuring costs	**(53)**	–
Operating profit from continuing operations based on longer-term investment returns	**1,976**	1,712
Goodwill impairment charge	**–**	(120)
Short-term fluctuations in investment returns	**745**	1,068
Mark to market value movements on core borrowings	**85**	(67)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**207**	(47)
Effect of changes in economic assumptions and time value of cost of options and guarantees	**59**	(302)
Profit from continuing operations before tax (including actual investment returns)	**3,072**	2,244
Tax	**(859)**	(653)
Profit from continuing operations for the financial year after tax before minority interests	**2,213**	1,591
Discontinued operations (net of tax)	**–**	3
Total profit for the year	**2,213**	1,594
Attributable to:		
Equity holders of the Company	**2,212**	1,582
Minority interests	**1**	12
Total profit for the year	**2,213**	1,594

Earnings per share – EEV basis

Year ended 31 December 2006

	2006	2005
Continuing operations		
From operating profit, based on longer-term investment returns, after related tax and minority interests of £1,390m (2005: £1,339m)	**57.6p**	56.6p
Based on profit from continuing operations after minority interests of £2,212m (2005: £1,579m)	**91.7p**	66.8p
Discontinued operations		
Based on profit from discontinued operations after minority interests	**–**	0.1p
Total – based on total profit for the financial year after minority interests of £2,212m (2005: £1,582m)	**91.7p**	66.9p
Average number of shares (millions)	**2,413**	2,365

European Embedded Value (EEV) basis – movement in shareholders' capital and reserves and balance sheet

Year ended 31 December 2006

Movement in shareholders' capital and reserves (excluding minority interests)

	2006 £m	2005 £m
Profit for the year attributable to equity holders of the Company	**2,212**	1,582
Items taken directly to equity:		
Cumulative effect of adoption of IAS 32, IAS 39 and IFRS 4, net of related tax, at 1 January 2005	**–**	(25)
Unrealised valuation movements on Egg securities classified as available-for-sale	**(2)**	(1)
Movement on cash flow hedges	**7**	(4)
Exchange movements	**(359)**	377
Related tax	**(74)**	65
Acquisition of Egg minority interests	**(167)**	–
New share capital subscribed	**336**	55
Dividends	**(399)**	(380)
Reserve movements in respect of share-based payments	**15**	15
Treasury shares:		
Movement in own shares in respect of share-based payment plans	**6**	0
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS	**0**	3
Cumulative adjustments at 31 December 2006, net of related tax, for Jackson assets backing surplus and required capital	**7**	–
Net increase in shareholders' capital and reserves	**1,582**	1,687
Shareholders' capital and reserves at beginning of year (excluding minority interests)	**10,301**	8,614
Shareholders' capital and reserves at end of year (excluding minority interests)	**11,883**	10,301

Summarised consolidated balance sheet – EEV basis

31 December 2006

	2006 £m	2005 £m
Total assets less liabilities, excluding insurance funds	**183,130**	174,231
Less insurance funds*:		
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds	**(177,642)**	(169,037)
Less shareholders' accrued interest in the long-term business	**6,395**	5,107
	(171,247)	(163,930)
Total net assets	**11,883**	10,301
Share capital	**122**	119
Share premium	**1,822**	1,564
Statutory basis shareholders' reserves	**3,544**	3,511
Additional EEV basis retained profit	**6,395**	5,107
Shareholders' capital and reserves (excluding minority interests)	**11,883**	10,301

*Including liabilities in respect of insurance products classified as investment products under IFRS 4.

The EEV basis information on pages 30 to 32 was approved by the Board of directors on 14 March 2007.

Sir David Clementi
Chairman

Mark Tucker
Group Chief Executive

Philip Broadley
Group Finance Director

European Embedded Value (EEV) basis – operating profit from continuing operations based on longer-term investment returns

Year ended 31 December 2006

Results analysis by business area

	2006 £m	2005 £m
UK operations		
New business	**266**	243
Business in force	**420**	183
Long-term business	**686**	426
M&G	**204**	163
Egg	**(145)**	44
Total	**745**	633
US operations		
New business	**259**	211
Business in force	**449**	530
Long-term business	**708**	741
Broker-dealer and fund management	**18**	24
Curian	**(8)**	(10)
Total	**718**	755
Asian operations		
New business	**514**	413
Business in force	**315**	163
Long-term business	**829**	576
Fund management	**50**	12
Development expenses	**(15)**	(20)
Total	**864**	568
Other income and expenditure		
Investment return and other income	**8**	42
Interest payable on core structural borrowings	**(177)**	(175)
Corporate expenditure:		
Group Head Office	**(83)**	(70)
Asia Regional Head Office	**(36)**	(30)
Charge for share-based payments for Prudential schemes	**(10)**	(11)
Total	**(298)**	(244)
UK restructuring costs	**(53)**	–
Operating profit from continuing operations based on longer-term investment returns*	**1,976**	1,712
Analysed as profits (losses) from:		
New business	**1,039**	867
Business in force	**1,184**	876
Long-term business	**2,223**	1,743
Asia development expenses	**(15)**	(20)
Other operating results	**(179)**	(11)
UK restructuring costs	**(53)**	–
Total	**1,976**	1,712

*EEV basis operating profit from continuing operations based on longer-term investment returns excludes goodwill impairment charges, short-term fluctuations in investment returns, the mark to market value movements on core borrowings, the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes, the effect of changes in economic assumptions and changes in the time value of cost of options and guarantees caused by economic factors. The amounts for these items are included in total EEV profit. The directors believe that operating profit, as adjusted for these items, better reflects underlying performance. Profit on ordinary activities and basic earnings per share include these items together with actual investment returns.

Insurance and investment products – new business

Year ended 31 December 2006

Insurance products and investment products*

	Insurance products		Investment products		Total	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
UK operations	**7,192**	7,193	**13,486**	7,916	**20,678**	15,109
US operations	**5,981**	5,023	**–**	–	**5,981**	5,023
Asian operations	**1,921**	1,485	**20,408**	18,457	**22,329**	19,942
Group total	**15,094**	13,701	**33,894**	26,373	**48,988**	40,074

Insurance products – new business premiums and contributions*

	Single		Regular		Annual premium and contribution equivalents	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
UK insurance operations						
Direct to customer						
Individual annuities	**816**	720	**–**	–	**82**	72
Individual pensions and life	**60**	29	**9**	11	**15**	14
Department of Work and Pensions rebate business	**161**	244	**–**	–	**16**	24
Total	**1,037**	993	**9**	11	**113**	110
Business to business						
Corporate pensions	**536**	242	**162**	146	**216**	170
Individual annuities	**264**	212	**–**	–	**26**	21
Bulk annuities	**85**	511	**–**	–	**8**	51
Total	**885**	965	**162**	146	**250**	242
Intermediated distribution						
Life	**961**	1,112	**5**	6	**101**	118
Individual annuities	**919**	995	**–**	–	**92**	100
Individual and corporate pensions	**130**	108	**22**	25	**35**	36
Total	**2,010**	2,215	**27**	31	**228**	254
Partnerships						
Life	**840**	814	**3**	3	**87**	84
Individual and bulk annuities:						
Bulk annuity reinsurance from the Scottish Amicable Insurance Fund*	**560**	–	**–**	–	**56**	–
Individual and other bulk annuities	**1,500**	1,814	**–**	–	**150**	182
Total	**2,900**	2,628	**3**	3	**293**	266
Europe						
Life	**159**	201	**–**	–	**16**	20
Total UK insurance operations	**6,991**	7,002	**201**	191	**900**	892
US operations						
Fixed annuities	**688**	788	**–**	–	**69**	79
Fixed index annuities	**554**	616	**–**	–	**55**	62
Variable annuities	**3,819**	2,605	**–**	–	**382**	261
Life	**8**	11	**17**	14	**18**	15
Guaranteed Investment Contracts	**458**	355	**–**	–	**46**	35
GIC – Medium Term Notes	**437**	634	**–**	–	**44**	63
Total US operations	**5,964**	5,009	**17**	14	**614**	515
Asian operations						
China	**27**	17	**36**	23	**39**	25
Hong Kong	**355**	289	**103**	83	**139**	112
India (Group's 26% interest)	**20**	4	**105**	57	**107**	57
Indonesia	**31**	42	**71**	42	**74**	46
Japan	**68**	30	**7**	4	**14**	7
Korea	**103**	29	**208**	132	**218**	135
Malaysia	**4**	9	**72**	66	**72**	67
Singapore	**357**	284	**72**	58	**108**	86
Taiwan	**92**	124	**139**	150	**148**	162
Other	**15**	9	**36**	33	**37**	34
Total Asian operations	**1,072**	837	**849**	648	**956**	731
Group total	**14,027**	12,848	**1,067**	853	**2,470**	2,138

Insurance and investment products – new business continued

Year ended 31 December 2006

Investment products – funds under management*

2006	1 Jan 2006 £m	Gross inflows £m	Redemptions £m	Market and other movements £m	31 Dec 2006 £m
UK operations	**36,196**	**13,486**	**(7,385)**	**2,649**	**44,946**
Asian operations	**10,132**	**20,408**	**(17,876)**	**(411)**	**12,253**
Group total	**46,328**	**33,894**	**(25,261)**	**2,238**	**57,199**

2005	1 Jan 2005 £m	Gross inflows £m	Redemptions £m	Market and other movements £m	31 Dec 2005 £m
UK operations	28,705	7,916	(4,054)	3,629	36,196
Asian operations	8,538	18,457	(17,130)	267	10,132
Group total	37,243	26,373	(21,184)	3,896	46,328

*The format of the tables shown above is consistent with the distinction between insurance and investment products as applied for previous financial reporting periods. With the exception of some US institutional business, products categorised as 'insurance' refer to those classified as contracts of long-term insurance business for regulatory reporting purposes, i.e. falling within one of the classes of insurance specified in part II of Schedule 1 to the Regulated Activities Order under FSA regulations.

Annual premium and contribution equivalents are calculated as the aggregate of regular new business amounts and one-tenth of single new business amounts.

The tables shown above are provided as an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The amounts shown are not, and not intended to be, reflective of premium income recorded in the IFRS income statement.

The tables above include a bulk annuity transaction with the Scottish Amicable Insurance Fund (SAIF) with a premium of £560 million. The transaction reflects the arrangement entered into in June 2006 for the reinsurance of non-profit immediate pension annuity liabilities of SAIF to Prudential Retirement Income Limited (PRIL), a shareholder-owned subsidiary of the Group. SAIF is a closed ring-fenced sub-fund of the PAC long-term fund established by a Court approved Scheme of Arrangement in October 1997, which is solely for the benefit of SAIF policyholders. Shareholders have no interest in the profits of this fund, although they are entitled to investment management fees on this business. The inclusion of the transaction between SAIF and PRIL as new business in the tables reflects the transfer from SAIF to Prudential shareholders' funds of longevity risk, the requirement to set aside supporting capital and entitlement to surpluses arising on this block of business arising from the reinsurance arrangement. For Group reporting purposes, the amounts recorded by SAIF and PRIL for the premium are eliminated on consolidation.

The details shown above for insurance products include contributions for contracts that are classified under IFRS 4 'Insurance Contracts' as not containing significant insurance risk. These products are described as investment contracts or other financial instruments under IFRS. Contracts included in this category are primarily certain unit-linked and similar contracts written in UK insurance operations and Guaranteed Investment Contracts and similar funding agreements written in US operations.

New business premiums for regular premium products are shown on an annualised basis. Department of Work and Pensions rebate business is classified as single recurrent business. Internal vesting business is classified as new business where the contracts include an open market option.

UK and Asian investment products referred to in the table for funds under management above are unit trusts, mutual funds and similar types of retail fund management arrangements. These are unrelated to insurance products that are classifed as 'investment contracts' under IFRS 4, as described in the preceding paragraph, although similar IFRS recognition and measurement principles apply to the acquisition costs and fees attaching to this type of business. US investment products are no longer included in the table above as they are assets under administration rather than funds under management.

In previous periods, new business premiums for intermediated distribution of UK insurance operations have included Department of Work and Pensions (DWP) rebate business for SAIF. As shareholders have no interest in SAIF, these are now excluded from the table above with comparatives restated accordingly. The amounts of new SAIF DWP rebate business written was £60 million for 2006 and £83 million for 2005.

International Financial Reporting Standards (IFRS) basis – summary results

Year ended 31 December 2006

Consolidated income statement

	2006 £m	2005 £m
Gross premiums earned	**16,157**	15,225
Outward reinsurance premiums	**(171)**	(197)
Earned premiums, net of reinsurance	**15,986**	15,028
Investment income	**17,904**	24,013
Other income	**2,055**	2,084
Total revenue, net of reinsurance	**35,945**	41,125
Benefits and claims and movement in unallocated surplus of with-profits funds	**(28,421)**	(33,100)
Acquisition costs and other operating expenditure	**(5,243)**	(5,552)
Finance costs: interest on core structural borrowings of shareholder-financed operations	**(210)**	(208)
Goodwill impairment charge	**–**	(120)
Total charges	**(33,874)**	(38,980)
Profit before tax*	**2,071**	2,145
Tax attributable to policyholders' returns	**(849)**	(1,147)
Profit before tax attributable to shareholders	**1,222**	998
Tax expense	**(1,196)**	(1,388)
Less: tax attributable to policyholders' returns	**849**	1,147
Tax attributable to shareholders' profits	**(347)**	(241)
Profit from continuing operations after tax	**875**	757
Discontinued operations (net of tax)	**–**	3
Profit for the year	**875**	760
Attributable to:		
Equity holders of the Company	**874**	748
Minority interests	**1**	12
Profit for the year	**875**	760

* Profit before tax represents income, net of post-tax transfers to unallocated surplus of with-profits funds, before tax attributable to policyholders and unallocated surplus of with-profits funds, unit-linked policies and shareholders' profits.

Earnings per share

	2006	2005
Basic (based on 2,413m and 2,365m shares respectively):		
Based on profit from continuing operations attributable to the equity holders of the Company	**36.2p**	31.5p
Based on profit from discontinued operations attributable to the equity holders of the Company	**–**	0.1p
	36.2p	31.6p
Diluted (based on 2,416m and 2,369m shares respectively):		
Based on profit from continuing operations attributable to the equity holders of the Company	**36.2p**	31.5p
Based on profit from discontinued operations attributable to the equity holders of the Company	**–**	0.1p
	36.2p	31.6p

Dividends

	2006 £m	2005 £m
Dividends declared and paid in reporting period		
Parent company:		
Interim dividend (2006: 5.42p, 2005: 5.30p per share)	**131**	126
Final dividend for prior period (2005: 11.02p, 2004: 10.65p per share)	**267**	252
Subsidiary company payment to minority interests	**1**	2
Total	**399**	380
Parent company dividends relating to reporting period:		
Interim dividend (2006: 5.42p, 2005: 5.30p per share)	**131**	126
Final dividend (2006: 11.72p, 2005: 11.02p per share)	**287**	267
Total	**418**	393

A final dividend of 11.72 pence per share was proposed by the directors on 14 March 2007. Subject to shareholders' approval, the dividend will be paid on 22 May 2007 to shareholders on the register at the close of business on 13 April 2007. The dividend will absorb an estimated £287 million of shareholders' funds. A scrip dividend alternative will be offered to shareholders.

Emoluments

The total emoluments of the directors were £11,084,000 (2005: £9,696,000).

International Financial Reporting Standards (IFRS) basis – statement of changes in equity

Year ended 31 December 2006

	2006								
	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Available-for-sale securities reserve £m	Hedging reserve £m	Shareholders' equity £m	Minority interests £m	Total equity £m
Reserves									
Profit for the year			874				874	1	875
Items recognised directly in equity:									
Exchange movements				(224)			(224)		(224)
Movement on cash flow hedges						7	7		7
Unrealised valuation movements on securities classified as available-for-sale:									
Unrealised holding losses arising during the year					(210)		(210)		(210)
Less losses included in the income statement					7		7		7
					(203)		(203)		(203)
Related change in amortisation of deferred income and acquisition costs					75		75		75
Related tax				(74)	50	(2)	(26)		(26)
Total items of income and expense recognised directly in equity				(298)	(78)	5	(371)		(371)
Total income and expense for the year			874	(298)	(78)	5	503	1	504
Dividends			(399)				(399)		(399)
Reserve movements in respect of share-based payments			15				15		15
Change in minority interests arising principally from purchase and sale of venture investment companies and property partnerships of the PAC with-profits fund and of other investments								43	43
Acquisition of Egg minority interests			(167)				(167)	(84)	(251)
Share capital and share premium									
New share capital subscribed	3	333					336		336
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(75)	75						
Treasury shares									
Movement in own shares in respect of share-based payment plans			6				6		6
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS			0				0		0
Net increase (decrease) in equity	3	258	404	(298)	(78)	5	294	(40)	254
At beginning of year	119	1,564	3,236	173	105	(3)	5,194	172	5,366
At end of year	**122**	**1,822**	**3,640**	**(125)**	**27**	**2**	**5,488**	**132**	**5,620**

	2005								
	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Available-for-sale securities reserve £m	Hedging reserve £m	Shareholders' equity £m	Minority interests £m	Total equity £m
Reserves									
Profit for the year			748				748	12	760
Items recognised directly in equity:									
Exchange movements				268			268		268
Movement on cash flow hedges						(4)	(4)	1	(3)
Unrealised valuation movements on securities classified as available-for-sale:									
Unrealised holding losses arising during the year					(773)		(773)		(773)
Less losses included in the income statement					22		22		22
					(751)		(751)		(751)
Related change in amortisation of deferred income and acquisition costs					307		307		307
Related tax				65	152	1	218		218
Total items of income and expense recognised directly in equity				333	(292)	(3)	38	1	39
Total income and expense for the year			748	333	(292)	(3)	786	13	799
Cumulative effect of changes in accounting policies on adoption of IAS 32, IAS 39 and IFRS 4, net of applicable taxes at 1 January 2005		2	(173)		397		226	(3)	223
Dividends			(380)				(380)		(380)
Reserve movements in respect of share-based payments			15				15	(1)	14
Change in minority interests arising principally from purchase and sale of venture investment companies and property partnerships of the PAC with-profits fund								26	26
Share capital and share premium									
New share capital subscribed	0	55					55		55
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(51)	51						
Treasury shares									
Movement in own shares in respect of share-based payment plans			0				0		0
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS			3				3		3
Net increase (decrease) in equity		6	264	333	105	(3)	705	35	740
At beginning of year	119	1,558	2,972	(160)			4,489	137	4,626
At end of year	119	1,564	3,236	173	105	(3)	5,194	172	5,366

International Financial Reporting Standards (IFRS) basis – consolidated balance sheet

31 December 2006

Assets

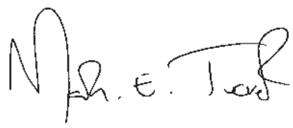
	2006 £m	2005 £m
Intangible assets attributable to shareholders:		
Goodwill	**1,341**	1,341
Deferred acquisition costs and acquired in-force value of long-term business contracts	**2,497**	2,405
Total	**3,838**	3,746
Intangible assets attributable to PAC with-profits fund:		
In respect of acquired venture fund management subsidiaries	**830**	679
Deferred acquisition costs	**31**	35
Total	**861**	714
Total	**4,699**	4,460
Other non-investment and non-cash assets:		
Property, plant and equipment	**1,133**	910
Reinsurers' share of policyholder liabilities	**945**	1,278
Deferred tax assets	**1,012**	755
Current tax recoverable	**404**	231
Accrued investment income	**1,900**	1,791
Other debtors	**1,052**	1,305
Total	**6,446**	6,270
Investments of long-term business, banking and other operations:		
Investment properties	**14,491**	13,180
Investments accounted for using the equity method	**6**	5
Financial investments:		
Loans and receivables	**11,573**	13,245
Equity securities and portfolio holdings in unit trusts	**78,892**	71,985
Debt securities	**81,719**	82,471
Other investments	**5,401**	3,879
Deposits	**7,759**	7,627
Total	**199,841**	192,392
Held for sale assets	**463**	728
Cash and cash equivalents	**5,071**	3,586
Total assets	**216,520**	207,436

Equity and liabilities

	2006 £m	2005 £m
Equity		
Shareholders' equity	**5,488**	5,194
Minority interests	**132**	172
Total equity	**5,620**	5,366
Liabilities		
Banking customer accounts	**5,554**	5,830
Policyholder liabilities and unallocated surplus of with-profits funds:		
Insurance contract liabilities	**123,213**	120,436
Investment contract liabilities with discretionary participation features	**28,733**	26,523
Investment contract liabilities without discretionary participation features	**13,042**	12,026
Unallocated surplus of with-profits funds	**13,599**	11,330
Total	**178,587**	170,315
Core structural borrowings of shareholder-financed operations:		
Subordinated debt (other than Egg)	**1,538**	1,646
Other	**1,074**	1,093
	2,612	2,739
Egg subordinated debt	**451**	451
Total	**3,063**	3,190
Other borrowings:		
Operational borrowings attributable to shareholder-financed operations	**5,609**	6,432
Borrowings attributable to with-profits funds	**1,776**	1,898
Other non-insurance liabilities:		
Obligations under funding, securities lending and sale and repurchase agreements	**4,232**	4,529
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	**2,476**	965
Current tax liabilities	**1,303**	962
Deferred tax liabilities	**3,882**	3,077
Accruals and deferred income	**517**	506
Other creditors	**1,398**	1,478
Provisions	**464**	972
Other liabilities	**1,652**	1,770
Held for sale liabilities	**387**	146
Total	**16,311**	14,405
Total liabilities	**210,900**	202,070
Total equity and liabilities	**216,520**	207,436

The financial statements on pages 33 to 40 were approved by the Board of directors on 14 March 2007.

Sir David Clementi
Chairman



Mark Tucker
Group Chief Executive

Philip Broadley
Group Finance Director

International Financial Reporting Standards (IFRS) basis – supplementary analysis of profit from continuing operations before tax attributable to shareholders

Year ended 31 December 2006

Results analysis by business area

	2006 £m	2005 £m
UK operations		
UK insurance operations	**500**	400
M&G	**204**	163
Egg	**(145)**	44
Total	**559**	607
US operations		
Jackson	**398**	348
Broker-dealer and fund management (including Curian losses of £8m (2005: £10m))	**10**	14
Total	**408**	362
Asian operations		
Long-term business	**189**	195
Fund management	**50**	12
Development expenses	**(15)**	(20)
Total	**224**	187
Other income and expenditure		
Investment return and other income	**58**	87
Interest payable on core structural borrowings	**(177)**	(175)
Corporate expenditure:		
Group Head Office	**(83)**	(70)
Asia Regional Head Office	**(36)**	(30)
Charge for share-based payments for Prudential schemes	**(10)**	(11)
Total	**(248)**	(199)
UK restructuring costs	**(50)**	–
Operating profit from continuing operations based on longer-term investment returns (note i)	**893**	957
Goodwill impairment charge (note ii)	**–**	(120)
Short-term fluctuations in investment returns on shareholder-backed business	**162**	211
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**167**	(50)
Profit from continuing operations before tax attributable to shareholders (including actual investment returns)	**1,222**	998

Notes

(i) Operating profit based on longer-term investment returns

Operating profit based on longer-term investment returns is a supplemental measure of results. For the purposes of measuring operating profit, investment returns on shareholder-financed business are based on expected long-term rates of return. The expected long-term rates of return are intended to reflect historical real rates of return and, where appropriate, current inflation expectations adjusted for consensus economic and investment forecasts. The significant operations that require adjustment for the difference between actual and long-term investment returns are Jackson and certain Asian operations. The amounts included in operating results for long-term capital returns for debt securities comprise two components. These are a risk margin reserve based charge for expected defaults, which is determined by reference to the credit quality of the portfolio, and amortisation of interest-related gains and losses for operating results based on longer-term results to the date when sold bonds would otherwise have matured.

(ii) Goodwill impairment charge

The charge for goodwill impairment of £120 million in 2005 related to the Japanese life business.

Basis of financial reporting

International Financial Reporting Standards (IFRS) basis reporting

The European Union (EU) requires that all listed European groups prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the EU. These statements are set out on pages 33 to 40.

In preparing its IFRS basis results, the Group has chosen to provide on page 40 a supplementary analysis of the profit from continuing operations before tax attributable to shareholders so as to distinguish operating results based on longer-term investment returns, actuarial and other gains and losses on defined benefit pension schemes and goodwill impairment charges.

Total profit before tax includes value movements on derivatives that Jackson uses for economic hedging together with actuarial gains and losses on the Group's defined benefit pension schemes. As a result, total profit before tax may be volatile from period to period. In addition, IFRS basis shareholders' equity may be more volatile from period to period because of market value movements on debt securities of Jackson which are classified as available-for-sale.

European Embedded Value (EEV) basis reporting

Life insurance products are, by their nature, long-term and the profit on this business is generated over a significant number of years. To reflect the inherent value of these future profit streams, the directors publish supplementary value-based financial results. Prudential, together with other listed UK life insurers, is a signatory to the European CFO Forum's EEV Principles. This supplementary information is provided on an EEV basis for the Group's long-term business, including asset management operations and service companies that support the long-term businesses. These results are combined with the IFRS basis results of the Group's other businesses and are set out on pages 30 to 32.

The EEV basis of financial reporting is based on conventional accounting principles and recognises profit as it accrues over the life of an insurance contract. Although total profit from each contract calculated under this method is the same as under the IFRS basis of reporting, the timing of profit recognition is advanced.

The EEV basis can be illustrated by considering an individual contract. Using prudent best estimate assumptions of the main elements of future income and expenditure – investment return, claims, lapses, surrenders and administration expenses – the total profit expected to be earned from the contract can be estimated at the time of its sale. The total profit expected to be earned is then allocated to individual financial years by application of a discount rate, which allows for both the time value of money and the risk associated with the future shareholder cash flows.

Provided that the actual outcome is in line with the original assumptions, profits will be earned in each accounting period as the discount rate unwinds. The balance of profit not allocated to future years is recognised in the year of sale and is known as the profit from new business. The unwind of the discount rate and variances between actual and assumed experience during the remainder of the contract period produce the profit on business in force. The EEV basis is designed to report profit which reflects business performance during the year under review, particularly new business sales and fluctuations between actual and assumed experience.

The additional profit recognised using the EEV profits basis is represented by the shareholders' accrued interest in the long-term business and, when combined with shareholders' funds reported on the IFRS basis, provides an improved measure of total shareholders' funds of the Group.

The use of the EEV basis does not alter either the cash surpluses which are released to shareholders' funds from the long-term funds, which continue to be determined by the directors following statutory actuarial valuations of the funds, or amounts available for dividend payments to shareholders.

The adoption of the EEV basis reporting reflects developments through the CFO Forum to achieve a better level of consistency, an improved embedded value methodology, and is applied by the major European insurance companies in their financial reporting.

The EEV basis results incorporate the following features:

- inclusion of an explicit allowance for the impact of options and guarantees. This will typically require stochastic calculations, under which a large number of simulations are performed that promote a representation of the future behaviour of financial markets;
- active allowance for the combined impact of risk profile, encumbered capital and explicit valuation of options and guarantees in the selection of discount rates; and
- the value of future profits from fund management and service operations that support the long-term business.

On the EEV basis, the shareholders' interest in the Group's long-term businesses comprises:

- the present value of future shareholder cash flows from in-force covered business (value of in-force business), less a deduction for the cost of locked-in (encumbered) capital;
- the locked-in (encumbered) capital; and
- shareholders' net worth in excess of encumbered capital.

A full stochastic valuation has been undertaken to determine the value of in-force business including the cost of capital. A deterministic valuation of the in-force business is also derived using consistent assumptions and the time value of the financial options and guarantees is derived as the difference between the two.

Shareholder information

Analysis of registered shareholder accounts

31 December 2006

Size of shareholding	Number of shareholder accounts	% of total number of shareholder accounts	Number of shares	% of total number of shares
Over 10,000,000	**43**	**0.06**	**1,146,115,227**	**46.89**
1,000,001 – 10,000,000	**302**	**0.38**	**893,517,664**	**36.56**
500,001 – 1,000,000	**159**	**0.20**	**112,240,399**	**4.59**
100,001 – 500,000	**562**	**0.70**	**132,304,239**	**5.41**
10,001 – 100,000	**2,638**	**3.30**	**67,576,527**	**2.76**
5,001 – 10,000	**3,634**	**4.55**	**25,366,369**	**1.04**
1,001 – 5,000	**23,511**	**29.43**	**52,361,471**	**2.14**
1 – 1,000	**49,032**	**61.38**	**14,830,529**	**0.61**
Total	**79,881**	**100**	**2,444,312,425**	**100**

Financial calendar

Annual General Meeting	17 May 2007
Payment of 2006 final dividend	22 May 2007
Announcement of 2007 interim results	1 August 2007
Ex dividend date	15 August 2007
Record date	17 August 2007
Payment of 2007 interim dividend	24 September 2007

Shareholder enquiries

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA
Tel: 0870 600 0190
Fax: 0870 600 3980
Textel: 0870 600 3950 (for hard of hearing)

Dividend mandates

Shareholders may find it convenient to have their dividends paid directly to their bank or building society account. If you wish to take advantage of this facility, please call Lloyds TSB Registrars on 0870 600 0190 and request a dividend mandate form. Alternatively, you may download a form from the Company website www.prudential.co.uk/prudential-plc/investors/shareholder_services/

Evergreen scrip dividend scheme

The Company will be offering an evergreen scrip dividend scheme in respect of the final dividend for the year ending 31 December 2006. The number of new shares each participating shareholder will be entitled to, is calculated by dividing the total cash dividend due at the record date (13 April 2007) by the scrip reference price.

The scrip reference price is calculated as the average of the middle market quotations for the Company's shares as derived from the Daily Official List of the London Stock Exchange for the five business days which commenced on 11 April 2007.

Once signed up to the evergreen scrip, shareholders will automatically receive shares for all future scrip dividends. This election can be cancelled at any time by the shareholder. Further details of the scrip dividend scheme was mailed to shareholders on 30 March 2007, and is also available on the Company website www.prudential.co.uk/prudential-plc/investors/

The evergreen scrip is subject to shareholders' approval, at the 2007 Annual General Meeting, of a resolution authorising directors to offer scrip dividend to shareholders until the 2012 Annual General Meeting (at which time such authorisation will need to be renewed) and a resolution amending the Articles of Association of the Company to accommodate the 'evergreen' nature of the evergreen scrip.

Annual report – future mailings

Under the new Companies Act 2006 provisions, the Company is notifying shareholders this year that they will no longer receive hard copies of the Annual Report, but will instead receive a notification by email/post that the Annual Report is available on the Company website www.prudential.co.uk/prudential-plc/investors/ The Company advises shareholders to register with Shareview (details below) in order to receive email notifications, therefore maximising the environmental benefits of this process. Shareholders can elect to receive hard copies of the Annual Report by completing the card attached to the Form of Proxy or by contacting Lloyds TSB Registrars on 0870 600 0190.

Electronic communications

Shareholders are encouraged to elect to receive shareholder documents electronically by registering with Shareview at www.shareview.co.uk This will save on printing and distribution costs, and create environmental benefits. When you register, you will be sent an email notification to advise when shareholder documents are available on our website and you will be provided with a link to that information. When registering, you will need your shareholder reference number which can be found on your share certificate or Form of Proxy. Please contact Lloyds TSB Registrars if you require any assistance or further information.

Share dealing services

The Company's Registrars, Lloyds TSB Registrars, offer a postal dealing facility for buying and selling Prudential plc ordinary shares, telephone 0870 242 4244. They also offer a telephone and internet dealing service, Shareview, which provides a simple and convenient way of selling Prudential plc shares. For telephone sales call 0870 850 0852 between 8.30am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing

ShareGift

Shareholders who only have a small number of shares whose value makes it uneconomic to sell them may wish to consider donating them to ShareGift (Registered Charity 1052686). The relevant share transfer form may be obtained from Lloyds TSB Registrars or from the Company website www.prudential.co.uk/prudential-plc/investors/shareholder_services/ Further information about ShareGift may be obtained on 020 7337 0501 or from www.ShareGift.org There are no implications for capital gains tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief.

Irish branch register

The Company operates a branch register for Irish shareholders. All enquiries regarding Irish branch register accounts should be directed to Capita Corporate Registrars Plc, Unit 5, Manor Street Business Park, Manor Street, Dublin 7. Telephone: 00 353 1 810 2400.

American Depositary Receipts (ADRs)

The Company's ordinary shares are listed on the New York Stock Exchange in the form of American Depositary Shares, evidenced by ADRs and traded under the symbol PUK. Each American Depositary Share represents two ordinary shares. All enquiries regarding ADR holder accounts should be directed to JP Morgan, the authorised depositary bank, at JP Morgan Service Center, PO Box 3408, South Hackensack, NJ 07606-3408, USA. Telephone: 001 201 680 6630 or log on to www.adr.com

Form 20-F

The Company is subject to the reporting requirements of the Securities and Exchange Commission (SEC) in the USA as such requirements apply to foreign companies and files its Form 20-F with the SEC. Copies of Form 20-F can be found on the Company's website at www.prudential.co.uk or on the SEC's website at www.sec.gov

How to contact us

Prudential plc
Laurence Pountney Hill
London EC4R 0HH
Tel: +44 (0)20 7220 7588
www.prudential.co.uk

Sir David Clementi
Chairman

Mark Tucker
Group Chief Executive

Philip Broadley
Group Finance Director

Rebecca Burrows
Group Communications Director

Peter Maynard
Group Legal Services Director & Company Secretary

Priscilla Vacassin
Group Human Resources Director

Prudential UK & Europe
3 Sheldon Square
London W2 6PR
Tel: +44 (0)20 7334 9000
www.pru.co.uk

Nick Prettejohn
Chief Executive

M&G
Laurence Pountney Hill
London EC4R 0HH
Tel: +44 (0)20 7626 4588
www.mandg.co.uk

Michael McLintock
Chief Executive

Prudential Corporation Asia
13th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong
Tel: +852 2918 6300
Fax: +852 2525 7522
www.prudentialcorporation-asia.com

Barry Stowe
Chief Executive

Jackson National Life Insurance Company
1 Corporate Way
Lansing
Michigan 48951
United States
Tel: +1 517 381 5500
www.jnl.com

Clark Manning
President & Chief Executive Officer

Institutional Analyst and Investor Enquiries
Tel: +44 (0)20 7548 3511
E-mail: investor.relations@prudential.co.uk

Private Shareholder Enquiries
Tel: +44 0870 600 0190
International shareholders' tel:
+ 44 (0) 121 415 7047

Media Enquiries
Tel: +44 (0)20 7548 2007
E-mail: media.relations@prudential.co.uk

Prudential public limited company
Incorporated and registered in England and Wales

Registered office
Laurence Pountney Hill
London EC4R 0HH
Registered number: 1397169

Prudential plc is a holding company, some of whose subsidiaries are authorised and regulated by the Financial Services Authority (FSA)

Forward-Looking Statement

This report may contain certain 'forward-looking statements' with respect to certain of Prudential's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Prudential's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Prudential's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in Prudential's forward-looking statements. Prudential undertakes no obligation to update the forward-looking statements contained in this report or any other forward-looking statements it may make.

This report is printed on Revive 50:50. This paper is produced from 50 per cent recovered waste and 50 per cent virgin fibre, and the pulp is bleached using an Elemental Chlorine Free (ECF) process. The Forest Stewardship Council have given this paper their Mixed Sources accreditation, acknowledging it has been produced from recycled wood or fibre, well-managed forests and other controlled sources. The paper mill and printer are certified to the ISO 14001 environmental management standard. This report can be recycled.

Designed and produced by CGI London. Printed by royle corporate print.

Prudential public limited company
Incorporated and registered in England and Wales

Registered office
Laurence Pountney Hill
London EC4R 0HH
Registered number: 1397169

Prudential plc is a holding company, some of whose subsidiaries are authorised and regulated by the Financial Services Authority (FSA)

www.prudential.co.uk

PRUDENTIAL