

# **Prudential (AN) Limited**

**Incorporated in England and Wales Registered No. 1347088**

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

**Annual FSA Insurance Returns for the year ended**

**31 December 2006**

**(Appendices 9.1, 9.3, 9.4, 9.6)**

**PRUDENTIAL (AN) LIMITED**  
**Year ended 31 December 2006**

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

Global business

Financial year ended **31 December 2006**

Solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units	
	<b>R2</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
				<b>As at end of this financial year</b>		<b>As at end of the previous year</b>	
				<b>1</b>		<b>2</b>	

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>		3062	4912
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>		25699	20329
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>		28761	25241

**Guarantee fund**

Guarantee fund requirement	<b>21</b>		2139	2199
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>		26622	23042

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>		5651	6596
Resilience capital requirement	<b>32</b>		10	154
Base capital resources requirement	<b>33</b>		2139	2030
Individual minimum capital requirement	<b>34</b>		5661	6750
Capital requirements of regulated related undertakings	<b>35</b>			
Minimum capital requirement (34+35)	<b>36</b>		5661	6750
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>		25931	21866
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>		24515	20178

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>			
Enhanced capital requirement	<b>40</b>		5661	6750

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>		5661	6750
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>		23100	18491

**Contingent liabilities**

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

**Form 2**

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

Global business

Financial year ended      **31 December 2006**

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**N E T Prettejohn      Director**

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**D J Belsham      Director**

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**M Sheppard      Director**

**London,      March 2007**

**Components of capital resources**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	<b>R3</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>		

**Core tier one capital**

Permanent share capital	<b>11</b>		18000	18000	18000
Profit and loss account and other reserves	<b>12</b>		10796	10796	7706
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>				
Fund for future appropriations	<b>15</b>				
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		28796	28796	25706

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		28796	28796	25706
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>		35	35	465
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>		35	35	465
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		28761	28761	25241

**Components of capital resources**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R3</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
		General insurance business  <b>1</b>	Long-term insurance business  <b>2</b>	Total as at the end of this financial year <b>3</b>	Total as at the end of the previous year <b>4</b>	

**Tier two capital**

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

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

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

**Components of capital resources**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		28761	28761	25241
Inadmissible assets other than intangibles and own shares	<b>73</b>				
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		28761	28761	25241

**Available capital resources for GENPRU/INSRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>		28761	28761	25241
Available capital resources for 50% MCR requirement	<b>82</b>		28761	28761	25241
Available capital resources for 75% MCR requirement	<b>83</b>		28761	28761	25241

**Financial engineering adjustments**

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

**Analysis of admissible assets**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	<b>R13</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>1</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
						<b>1</b>	<b>2</b>	
Land and buildings				<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>			
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	11641	11176	
Rights under derivative contracts	<b>44</b>			
Fixed interest securities	Approved	<b>45</b>	3822	2716
	Other	<b>46</b>	5000	
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>	607	859	
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>	47	60	
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>		2500
	More than one month withdrawal	<b>55</b>	5500	4000
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		



**Analysis of admissible assets**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

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

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	694	2231
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	215	169
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	27526	23711
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**Analysis of admissible assets**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1347088	GL	31	12	2006	£000	1
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	<b>91</b>	27526	23711
Assets in excess of market and counterparty limits	<b>92</b>		
Capital resources requirement deduction of regulated related undertakings	<b>93</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>94</b>		
Inadmissible assets of regulated related insurance undertakings	<b>95</b>		
Book value of related ancillary services undertakings	<b>96</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>97</b>		
Deferred acquisition costs excluded from line 89	<b>98</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>99</b>		
Other asset adjustments (may be negative)	<b>100</b>		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	<b>101</b>	27526	23711
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>102</b>		

**Analysis of admissible assets**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	<b>R13</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>10</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
						<b>1</b>	<b>2</b>	
Land and buildings				<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>			
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>			
Rights under derivative contracts	<b>44</b>			
Fixed interest securities	Approved	<b>45</b>	1850	3353
	Other	<b>46</b>	8786	12492
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>			
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	3500	1000
	More than one month withdrawal	<b>55</b>		
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		394197

**Analysis of admissible assets**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	<b>R13</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>10</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
						<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	95	
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	2599	2227
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	483	473
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	173	269
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	17486	414011
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**Analysis of admissible assets**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1347088	GL	31	12	2006	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	17486	414011
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	252344	125533
Other asset adjustments (may be negative)	100	(317)	(2227)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	269513	537317
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

**Long term insurance business liabilities and margins**

Name of insurer **Prudential (AN) Limited**  
 Global business  
 Financial year ended **31 December 2006**  
 Total business/Sub fund **21 Ordinary Long Term Business**  
 Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	6199	403880
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus/(valuation deficit)	<b>13</b>	3062	4912
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	9261	408792
Claims outstanding	Gross	<b>15</b>	705
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	705
Provisions	Taxation	<b>21</b>	
	Other risks and charges	<b>22</b>	941
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	
	Reinsurance accepted	<b>32</b>	
	Reinsurance ceded	<b>33</b>	
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>		
Creditors	Taxation	<b>37</b>	
	Other	<b>38</b>	7520
Accruals and deferred income	<b>39</b>		
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	8225	5219
Excess of the value of net admissible assets	<b>51</b>		
Total liabilities and margins	<b>59</b>	17486	414011

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	2481	2464
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		394360

Total liabilities (11+12+49)	<b>71</b>	14424	409099
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	252344	125533
Other adjustments to liabilities (may be negative)	<b>74</b>	(352)	(2692)
Capital and reserves and fund for future appropriations	<b>75</b>	3097	5377
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>	269513	537317

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

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/UK/CM	day	month	year	Units
<b>R15</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
					<b>1</b>	<b>2</b>

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>	1826	3382
	Declared dividend	<b>48</b>		
	Other	<b>49</b>		
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>	1826	3382
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
Total (59 to 63)		<b>69</b>	1826	3382

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Reinsurers' share of DAC	<b>81</b>		
Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>		
Capital and reserves	<b>84</b>	25699	20329
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	<b>85</b>	27525	23711

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

Global business

Financial year ended **31 December 2006**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		<b>R16</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		<b>11</b>					
	Equalisation provisions		<b>12</b>					
Transfer from the long term insurance business revenue account			<b>13</b>			5000		
Investment income	Income		<b>14</b>			555	834	
	Value re-adjustments on investments		<b>15</b>			290	39	
	Gains on the realisation of investments		<b>16</b>					
Investment charges	Investment management charges, including interest		<b>17</b>					
	Value re-adjustments on investments		<b>18</b>					
	Loss on the realisation of investments		<b>19</b>					
Allocated investment return transferred to the general insurance business technical account			<b>20</b>					
Other income and charges (particulars to be specified by way of supplementary note)			<b>21</b>					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			<b>29</b>			5845	873	
Tax on profit or loss on ordinary activities			<b>31</b>			476	2174	
Profit or loss on ordinary activities after tax (29-31)			<b>39</b>			5369	(1301)	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			<b>41</b>					
Tax on extraordinary profit or loss			<b>42</b>					
Other taxes not shown under the preceding items			<b>43</b>					
Profit or loss for the financial year (39+41-(42+43))			<b>49</b>			5369	(1301)	
Dividends (paid or declared)			<b>51</b>				3000	
Profit or loss retained for the financial year (49-51)			<b>59</b>			5369	(4301)	



**Analysis of derivative contracts**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>1</b>
		As at the end of this financial year			As at the end of the previous year				
		Assets		Liabilities		Assets		Liabilities	
		<b>1</b>		<b>2</b>		<b>3</b>		<b>4</b>	
<b>Derivative contracts</b>									
Futures contracts	Fixed-interest securities	<b>11</b>							
	Equity shares	<b>12</b>							
	Land	<b>13</b>							
	Currencies	<b>14</b>							
	Other	<b>15</b>							
Options	Fixed-interest securities	<b>21</b>							
	Equity shares	<b>22</b>							
	Land	<b>23</b>							
	Currencies	<b>24</b>							
	Other	<b>25</b>							
Contracts for differences	Fixed-interest securities	<b>31</b>							
	Equity shares	<b>32</b>							
	Land	<b>33</b>							
	Currencies	<b>34</b>							
	Other	<b>35</b>							
Adjustment for variation margin		<b>41</b>							
Total (11 to 41)		<b>49</b>							

**Analysis of derivative contracts**Name of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2006**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>1347088</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2006</b>	<b>£000</b>	<b>10</b>
			As at the end of this financial year			As at the end of the previous year			
			Assets <b>1</b>	Liabilities <b>2</b>	Assets <b>3</b>	Liabilities <b>4</b>			
<b>Derivative contracts</b>									
Futures contracts	Fixed-interest securities	<b>11</b>							
	Equity shares	<b>12</b>							
	Land	<b>13</b>							
	Currencies	<b>14</b>							
	Other	<b>15</b>							
Options	Fixed-interest securities	<b>21</b>							
	Equity shares	<b>22</b>							
	Land	<b>23</b>							
	Currencies	<b>24</b>							
	Other	<b>25</b>							
Contracts for differences	Fixed-interest securities	<b>31</b>							
	Equity shares	<b>32</b>							
	Land	<b>33</b>							
	Currencies	<b>34</b>							
	Other	<b>35</b>							
Adjustment for variation margin		<b>41</b>							
Total (11 to 41)		<b>49</b>							

**Long-term insurance business : Revenue account**

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **21 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	(108076)	24952
Investment income receivable before deduction of tax	12	5362	12317
Increase (decrease) in the value of non-linked assets brought into account	13	119	83
Increase (decrease) in the value of linked assets	14	17836	56346
Other income	15		
<b>Total income</b>	<b>19</b>	<b>(84759)</b>	<b>93698</b>

**Expenditure**

Claims incurred	21	304218	61457
Expenses payable	22	5535	3613
Interest payable before the deduction of tax	23	19	11
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26	5000	
<b>Total expenditure</b>	<b>29</b>	<b>314772</b>	<b>65081</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(399531)	28617
Fund brought forward	49	408792	380175
Fund carried forward (39+49)	59	9261	408792

**Long-term insurance business : Analysis of premiums**

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **21 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Regular premiums	11		764		764	1028
Single premiums	12	35	16879		16914	25674

**Reinsurance - external**

Regular premiums	13					
Single premiums	14		2		2	

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16	35	125717		125752	1750

**Net of reinsurance**

Regular premiums	17		764		764	1028
Single premiums	18		(108840)		(108840)	23924

**Total**

Gross	19	35	17643		17678	26702
Reinsurance	20	35	125719		125754	1750
Net	21		(108076)		(108076)	24952

**Long-term insurance business : Analysis of claims**

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **21 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	539	637		1177	1876
Disability periodic payments	12					
Surrender or partial surrender	13	4060	148930		152989	28946
Annuity payments	14		5550		5550	5411
Lump sums on maturity	15		174559		174559	33590
<b>Total</b>	<b>16</b>	<b>4599</b>	<b>329676</b>		<b>334275</b>	<b>69823</b>

**Reinsurance - external**

Death or disability lump sums	21		113		113	
Disability periodic payments	22					
Surrender or partial surrender	23		(278)		(278)	
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>		<b>(165)</b>		<b>(165)</b>	

**Reinsurance - intra-group**

Death or disability lump sums	31	539	227		766	345
Disability periodic payments	32					
Surrender or partial surrender	33	4060	19862		23922	2625
Annuity payments	34		5534		5534	5396
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>	<b>4599</b>	<b>25623</b>		<b>30223</b>	<b>8366</b>

**Net of reinsurance**

Death or disability lump sums	41		297		297	1531
Disability periodic payments	42					
Surrender or partial surrender	43		129345		129345	26321
Annuity payments	44		16		16	15
Lump sums on maturity	45		174559		174559	33590
<b>Total</b>	<b>46</b>		<b>304218</b>		<b>304218</b>	<b>61457</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **21 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		5385	5385	3474
Management - other	15		150	150	139
<b>Total</b>	<b>16</b>		<b>5535</b>	<b>5535</b>	<b>3613</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
<b>Total</b>	<b>26</b>				

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		5385	5385	3474
Management - other	45		150	150	139
<b>Total</b>	<b>46</b>		<b>5535</b>	<b>5535</b>	<b>3613</b>

**Long-term insurance business : Linked funds balance sheet**

Name of insurer **Prudential (AN) Limited**  
 Total business  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Internal linked funds (excluding cross investment)**

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

**Directly held linked assets**

Value of directly held linked assets	21		
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**Total**

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

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

Name of insurer **Prudential (AN) Limited**  
 Total business  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Value of total creation of units	11	34622	25208
Investment income attributable to the funds before deduction of tax	12	3442	11117
Increase (decrease) in the value of investments in the financial year	13	18351	56345
Other income	14		
<b>Total income</b>	<b>19</b>	<b>56415</b>	<b>92670</b>

**Expenditure**

Value of total cancellation of units	21	448421	60297
Charges for management	22	1446	3758
Charges in respect of tax on investment income	23		
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26		
<b>Total expenditure</b>	<b>29</b>	<b>449867</b>	<b>64055</b>

Increase (decrease) in funds in financial year (19-29)	39	(393452)	28615
Internal linked fund brought forward	49	393452	364837
Internal linked funds carried forward (39+49)	59	0	393452



**Long-term insurance business : Summary of new business**

Name of insurer **Prudential (AN) Limited**  
 Total business  
 Financial year ended **31 December 2006**  
 Units **£000**

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

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

Regular premium business	11				21
Single premium business	12		113	113	99
<b>Total</b>	<b>13</b>		113	113	120

**Amount of new regular  
premiums**

Direct insurance business	21		22	22	14
External reinsurance	22				
Intra-group reinsurance	23				
<b>Total</b>	<b>24</b>		22	22	14

**Amount of new single  
premiums**

Direct insurance business	25	35	7134	7169	3964
External reinsurance	26				
Intra-group reinsurance	27		9745	9745	21710
<b>Total</b>	<b>28</b>	35	16879	16914	25674

**Long-term insurance business : Analysis of new business**

Name of insurer **Prudential (AN) Limited**  
Total business  
Financial year ended **31 December 2006**  
Units **£000**  
UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				35

**Long-term insurance business : Analysis of new business**

Name of insurer

Prudential (AN) Limited

Total business

Financial year ended

31 December 2006

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			113	2621
730	Individual pensions property linked - increments		22		4513

**Long-term insurance business : Analysis of new business**

Name of insurer

Prudential (AN) Limited

Total business

Financial year ended

31 December 2006

Units

£000

UK Pension / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
725	Individual pensions property linked				9745

**Long-term insurance business : Non- linked assets**

Name of insurer **Prudential (AN) Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	1850	1850	46	2.51	
Other fixed interest securities	13	8959	8959	461	5.14	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	6677	6677	179	2.68	
<b>Total</b>	<b>19</b>	<b>17486</b>	<b>17486</b>	<b>686</b>	<b>3.93</b>	

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

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

**Overall return on with-profits assets**

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

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **10 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11				
Form 51 - non-profit	12		69578	69578	70888
Form 52	13	56950		56950	58954
Form 53 - linked	14		127638	127638	393452
Form 53 - non-linked	15		6247	6247	10486
Form 54 - linked	16		988	988	931
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>	56950	204451	261401	534711

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25		48	48	58
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>		48	48	58

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32		69578	69578	70888
Form 52	33	56950		56950	58954
Form 53 - linked	34		127638	127638	
Form 53 - non-linked	35				
Form 54 - linked	36		988	988	931
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>	56950	198204	255154	130773

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42				
Form 52	43				
Form 53 - linked	44				393452
Form 53 - non-linked	45		6199	6199	10428
Form 54 - linked	46				
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>		6199	6199	403880

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

Name of insurer **Prudential (AN) Limited**  
Total business / subfund **10 Ordinary Long Term Business**  
Financial year ended **31 December 2006**  
Units **£000**  
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA)	2373	5489 pa					69435
405	Annuity non-profit (CPA impaired life)	3	15 pa					143

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

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **10 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
400	Annuity non-profit (CPA)		5489 pa					69435
405	Annuity non-profit (CPA impaired life)		15 pa					143

30



**Long-term insurance business : Valuation summary of accumulating with-profits contracts**

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **10 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	1795	57519		56949	56864		56864
610	Additional Reserves UWP						86	86

**Long-term insurance business : Valuation summary of accumulating with-profits contracts**

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **10 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium		57519		56949	56864		56864
610	Additional Reserves UWP						86	86

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

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **10 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**  
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	10072	131976	751	131976	126863	5673	132535
770	Term assurance rider	58	2859	11			62	62
785	Income protection rider		74 pa	2			8	8
795	Miscellaneous property linked				27	27		27
800	Additional reserves property linked				748	748	505	1253

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

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **10 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
770	Term assurance rider		2283	8			48	48
785	Income protection rider		3 pa					

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

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **10 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked			751	126863	126863		126863
795	Miscellaneous property linked				27	27		27
800	Additional reserves property linked				748	748		748

**Long-term insurance business : Valuation summary of index linked contracts**

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **10 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**  
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	35	71 pa		988	988		988

**Long-term insurance business : Valuation summary of index linked contracts**

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **10 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity		71 pa		988	988		988

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

Total business

Financial year ended **31 December 2006**Units **£000**

<b>Fund name</b>	<b>Type of fund</b>	<b>Net assets</b>	<b>Main series</b>	<b>Unit management charge</b>	<b>Price at previous valuation date</b>	<b>Price at current valuation date</b>	<b>Change in price during year</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
	- -						



**Long-term insurance business : Distribution of surplus**

Name of insurer **Prudential (AN) Limited**  
 Total business / subfund **10 Ordinary Long Term Business**  
 Financial year ended **31 December 2006**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	9261	408792
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	5000	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	14261	408792
Mathematical reserves	21	6199	403880
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	8062	4912

**Composition of surplus**

Balance brought forward	31	4912	
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	3150	4912
Total	39	8062	4912

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	5000	
Total distributed surplus (46+47)	48	5000	
Surplus carried forward	49	3062	4912
Total (48+49)	59	8062	4912

**Percentage of distributed surplus allocated to policyholders**

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

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

Global business

Financial year ended **31 December 2006**Units **£000**

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

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%					
Classes I (other), II and IX	13	0.15%			0.50		
Classes I (other), II and IX	14	0.3%	2798	1399		4	5
Classes III, VII and VIII	15	0.3%	4216	4216	1.00	13	19
<b>Total</b>	<b>16</b>		<b>7014</b>	<b>5615</b>		<b>17</b>	<b>24</b>

**Insurance health risk and life protection reinsurance capital component**

Class IV supplementary classes 1 and 2 and life protection reinsurance	21						
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	126597	22	0.85	1076	1104
Classes III, VII and VIII (investment risk)	33	1%	7165	6178	0.86	62	104
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	94148		0.85	800	1122
Classes III, VII and VIII (other)	35	25%				283	616
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					<b>2221</b>	<b>2947</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	126597	22	0.85	3228	3313
Classes III, VII and VIII (investment risk)	43	3%	7165	6178	0.86	185	312
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	94148				
Classes III, VII and VIII (other)	45	0%	33490				
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		<b>261401</b>	<b>6199</b>		<b>3414</b>	<b>3625</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>5651</b>	<b>6596</b>
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## **PRUDENTIAL (AN) LIMITED**

**Financial Year ended 31 December 2006**

### **Appendix 9.4**

#### **VALUATION REPORT ON PRUDENTIAL (AN) LIMITED**

##### **INTRODUCTION**

1. (1) The investigation relates to 31 December 2006.
- (2) The previous investigation related to 31 December 2005.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2005.

##### **PRODUCT RANGE**

2. From 13 May 2006, the unit linked business written in PANL has been reassured to The Prudential Assurance Company Limited (PACL). Also, effective from the same date, the unit liabilities under PACL's pension policies ceased to be reassured to PANL.

##### **DISCRETIONARY CHARGES AND BENEFITS**

3. (1) Accumulating with-profits policies were written from 2002 to 2004. Market Value Reductions were applied throughout 2006 for entry years 2002 and 2004.
- (2) Not applicable.
- (3) Not applicable.
- (4) There have been no changes to service charges on linked policies.
- (5) There have been no changes to benefit charges on linked policies.
- (6) The implicit fund charge for accumulating with-profits business reported in Form 52 was 1.596% in 2005 and 1.738% in 2006. The whole of this business is affected by the change.
- (7) The unit pricing methods are described in the regulatory return for PACL with which the linked liabilities are wholly reassured.
- (8) Not applicable.
- (9) Not applicable.
- (10) The unit pricing methods are described in the regulatory return for PACL with which the linked liabilities are wholly reassured.

## PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2006

### Appendix 9.4 (continued)

#### VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

4. At 31 December 2006 the total gross mathematical reserves amounted to £261m. The lesser of £10m and 1% of the total gross mathematical reserves was therefore equal to £2.6m.

##### (1) Linked policies

The liability has been taken as the sum of:

- (i) The value of created units at expense free bid price plus the value of investments in the Guaranteed Fund with accrued interest. The created units would be lower than the face value of units for products where actuarial funding is used.
- (ii) A non-unit reserve for mortality and attributable expenses.
- (iii) An additional reserve for non-attributable expenses calculated at a homogenous risk group level.

The non-unit reserve is calculated as the value of future attributable expenses and renewal commission less the value of future management charges and the value of that portion of future premiums not allocated to units. Where necessary, the reserve is adjusted to ensure that for an individual policy both currently and at any future date it is not less than the value of created units. In the case of regular premium contracts, premiums are assumed to continue in payment for the remaining term of the contract unless a higher reserve is obtained by assuming immediate cessation of premiums.

The additional reserve for non-attributable expenses is calculated as described in section 6.(6)

##### Annuities in payment

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

- (2) The valuation interest rates used are as follows:

Product		Valuation Interest rate
Linked policies	2006	4.00%
	2005	3.75%
Annuities in payment (reassured to PAL)	2006	4.66%
	2005	4.30%
Annuities in payment (reassured to PRIL)	2006	4.73%
	2005	4.29%

- (3) Not applicable.

**PRUDENTIAL (AN) LIMITED**

**Financial Year ended 31 December 2006**

**Appendix 9.4 (continued)**

- (4) The mortality basis used for UWP bonds issued by PANL is described in the regulatory return for PACL with which the liabilities are wholly reassured.

<b>Product description</b>	<b>31 December 2006</b>	<b>31 December 2005</b>
<b>Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to PAL)</b>		
Mortality table	Modified 106% PNMA00 / 84% PNFA00	Modified 93% PMA92 / 84% PFA92 (C=2004)
Expectation of life age 65	21.8 (M), 25.1 (F)	21.6 (M), 25.0 (F)
Expectation of life age 75	13.2 (M), 16.1 (F)	13.0 (M), 16.3 (F)
<b>Annuity non-profit (CPA impaired life) - individual annuities in payment (reassurance ceded to PAL)</b>		
Mortality table	Modified 106% PNMA00 / 84% PNFA00	Modified 93% PMA92 / 84% PFA92 (C=2004)
Expectation of life age 65	21.8 (M), 25.1 (F)	21.6 (M), 25.0 (F)
Expectation of life age 75	13.2 (M), 16.1 (F)	13.0 (M), 16.3 (F)

<b>Product description</b>	<b>31 December 2006</b>	<b>31 December 2005</b>
<b>Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to PRIL)</b>		
Mortality table	Modified 99% PNMA00/ 85% PNFA00	Modified 89% PMA92/ 84% PFA92 (C=2004)
Expectation of life age 65	22.4 (M), 25.0 (F)	22.1 (M), 24.9 (F)
Expectation of life age 75	13.7 (M), 16.0 (F)	13.4 (M), 16.2 (F)
<b>Annuity non-profit (CPA impaired life) – individual annuities in payment (reassurance ceded to PRIL)</b>		
Mortality table	Modified 99% PNMA00/ 85% PNFA00	Modified 89% PMA92/ 84% PFA92 (C=2004)
Expectation of life age 65	22.4 (M), 25.0 (F)	22.1 (M), 24.9 (F)
Expectation of life age 75	13.7 (M), 16.0 (F)	13.4 (M), 16.2 (F)

**PRUDENTIAL (AN) LIMITED**

**Financial Year ended 31 December 2006**

**Appendix 9.4 (continued)**

**Mortality bases used at 31 December 2006**

Annuities are generally valued using a percentage of the 00 series (year of birth) tables for annuitants and pensioners (normal retirements). In order to allow for mortality improvement, improvement factors are applied from 2001. For males these are in line with 100% of the CMI medium cohort projections, subject to future improvement factors not being less than 1.25% p.a. For females, future improvement factors are in line with 75% of the CMI medium cohort projections, subject to future improvement factors not being less than 0.75% p.a. For impaired lives, an adjustment is made to the annuitant's age to allow for impairment.

**Mortality bases used at 31 December 2005**

Annuities were generally valued using a percentage of the 92 series (year of birth) tables for annuitants and pensioners. In order to allow for mortality improvement, the CMIR17 mortality improvement factors were applied up to and including 2004. Future improvement factors were applied from 2005, and for males were in line with 100% of the CMI medium cohort projections, subject to future improvement factors not being less than 1.25% p.a. For females, future improvement factors were in line with 75% of the CMI medium cohort projections, subject to future improvement factors not being less than 0.75% p.a. For impaired lives, an adjustment was made to the annuitant's age to allow for impairment.

- (5) Not applicable

**PRUDENTIAL (AN) LIMITED**

**Financial Year ended 31 December 2006**

**Appendix 9.4 (continued)**

(6)

<b>Product description</b>	<b>31 December 2006</b>	<b>31 December 2005</b>
UL Pension (725) 1) Executive Pensions	Renewal expenses (gross):- - Single premium business £3.45 p.a. per policy  - Regular premium business (premium paying) £19.08 p.a. per policy  - Regular premium business (non premium paying) £3.45 p.a. per policy	Renewal expenses (gross):- - Single premium business £111.98 p.a. per policy  - Regular premium business (premium paying) £571.62 p.a. per policy  - Regular premium business (non premium paying) £111.98 p.a. per policy
2) Other UL pensions	Renewal expenses (gross):- - Single premium business £1.31 p.a. per policy  - Regular premium business (premium paying) £2.28 p.a. per policy  - Regular premium business (non premium paying) £1.31 p.a. per policy  Investment expenses: 0.25% p.a.	Renewal expenses (gross):- - Single premium business £41.20 p.a. per policy  - Regular premium business (premium paying) £71.28 p.a. per policy  - Regular premium business (non premium paying) £41.20 p.a. per policy  Investment expenses: 0.26% p.a. in respect of direct written business.
Annuities in payment (Reassurance ceded to PRIL) (400)	£23.25 (equivalent to 2.51% of annuity amounts)	£24 p.a. (equivalent to 2.3% of annuity amount)
Annuities in Payment (Reassurance ceded to PAL) (400)	£22.33 (equivalent to 2.41% of annuity amounts)	£20 p.a. (equivalent to 1.7% of annuity amount)

Figures for 2006 are per policy attributable expenses only. Figures for 2005 are per policy total expenses.

**PRUDENTIAL (AN) LIMITED**

**Financial Year ended 31 December 2006**

**Appendix 9.4 (continued)**

- (7) The unit growth rates (before management charges) and the inflation rates assumed for future expenses and future increases in policy charges are as follows:

Unit growth rate	5.25%
Expense inflation rate	3.75%
Policy charge inflation rate	Nil

- (8) For unitised with profits business future bonus rates are assumed to be zero.

- (9)

		Average lapse/surrender/paidup rates for the policy years			
		1-5	6-10	11-15	16-20
UL individual pension regular premium	PUP	9.0%	6.8%	4.8%	4.2%
UL individual pension regular premium	Surrender	2.2%	2.2%	2.2%	2.2%
UL individual pension single premium	Surrender	2.2%	2.2%	2.2%	2.2%

- (10) There were no other material assumptions not stated elsewhere.

- (11) Not applicable

- (12) The effect of changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006 was to reduce mathematical reserves as at the valuation date by £1.9m. This includes the effect of allowing for lapses and attributable expenses in the valuation of unit linked business.



## PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2006

### Appendix 9.4 (continued)

#### OPTIONS AND GUARANTEES

5. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) All linked products are able to invest in the Guaranteed Fund which is a non-unitised fund currently invested in short dated securities and loans. A rate of interest is published daily. The basic reserve for the Guaranteed Fund at 31 December 2006 was £5.5m. As there is close matching of the assets and the liabilities no further reserve is required for the guarantee.

#### EXPENSE RESERVES

6. (1)

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
Unit linked regular premium	-	£218,258	£36,055	£435,295	£689,608
Unit linked single premium	-	£87,147	£4,606	£97,645	£189,398
Total	-	£305,405	£40,661	£532,940	£879,006

- (2) Not applicable.
- (3) The amount of maintenance expenses in Form 43 is different to that shown in 6(1). This is because the loadings mentioned in 6(1) exclude the annual management charge rebated to PACL up to 13 May 2006, where the amount due to PACL is that arising from the associated linked funds and also the cost of creating a provision against debits on control accounts in the balance sheet which cannot be substantiated. In 2006 the amount of annual management charge rebated was £1,223,000 and the amount of the accounting provision was £3,603,000 both of which are included in line 14 of Form 43.
- (4) The company is closed to new business.
- (5) In the first instance, expense reserves are calculated on the assumption that Prudential's UK insurance operations will continue to write new business indefinitely and hence that there will be no loss of economies of scale. In this scenario, the expense loadings over the remaining lifetime of the contracts in force at the valuation date are included in the reserves reported in Forms 50.

In order to allow for the possibility that the firm will cease to transact new business twelve months after the valuation date, the expense loading is recalculated on the assumption that, over a two year period, unit costs would be reduced by 25% and thereafter loss of economies of scale would result in overall expenses being cut more slowly than the rate at which policies run off. If this revised calculation results in a higher reserve than described in the paragraph above, then the difference is held as an additional reserve. In addition the costs associated with closing to new business, such as redundancy costs or the costs of terminating management agreements, are estimated. To the extent that these costs exceed the projected surplus on prudent assumptions from existing business a further additional reserve is held. At

## **PRUDENTIAL (AN) LIMITED**

### **Financial Year ended 31 December 2006**

31 December 2006, an additional reserve of £200,000 was held for the impact of closing to new business.

- (6) The additional reserve for non-attributable expenses at a homogenous risk group level is calculated as the present value of all futures expenses less charges, subject to a maximum of the non-attributable expenses for policies in that risk group. All future charges and expenses are projected allowing for lapses on a prudent basis. Any future valuation strain is removed at the homogenous risk group level. An additional reserve for non-attributable expenses was not required at 31 December 2006.

### **MISMATCHING RESERVES**

7. (1) and (2) All assets and liabilities are denominated in sterling. There is no currency mismatching.
- (3) There is no reserve for currency mismatching.
- (4) For the purpose of calculating the resilience capital requirement under INSPRU 3.1.10R, the most onerous scenario is a combination of a fall in unit prices of 25% and an immediate rise of 93 basis points in the annual yield obtainable on fixed interest securities.
- (5) Not applicable.
- (6) A Resilience Capital Requirement of £10,000 has been established.

There was a £1,000 decrease in the aggregate amount of the long term liabilities.

The assets allocated to match such liabilities including the resilience capital requirement decreased in value by £11,000.

- (7) No reserve is required for cashflow mismatching under INSPRU1.1.34R(2).

### **OTHER SPECIAL RESERVES**

8. At 31 December 2006 the total gross mathematical reserves amounted to £261m. The lesser of £10m and 0.1% of the total gross mathematical reserves was therefore equal to £0.26m.

At 31 December 2006, there were no special reserves which met the above criteria.

### **REINSURANCE**

9. (1) No premiums were paid in 2006 in respect of reinsurance business ceded on a facultative basis to reinsurers not authorised to carry on business in the United Kingdom.
- (2) The reinsurance treaties shown in the table below meet the FSA criteria for being reported in this section and were in force as at 31 December 2006.

## Appendix 9.4 (continued)

Reinsurance treaties:

(d) Reinsurer	(e) Nature of cover	(f) Premiums £'000	(h) Open / Closed	(j) Reserves Ceded £'000	(k) Retention
Prudential Annuities Limited	Reinsurance of policies issued by the Company where there is an option to purchase an annuity on death or retirement. The business is covered by a pari passu charge on assets.	Nil	Open	65,090	Nil
Prudential Assurance Company Limited	Reinsurance of all With Profits Bond business written by the Company. The business is covered by a pari passu charge on assets.	35	Open	56,950	Nil
Prudential Retirement Income Limited	Two related treaties for annuity liabilities for relevant annuities issued by PAC. One covering annuities business between 1 July 2004 and 25 November 2004. The other covering annuities after 25 November 2004. Under the terms of the agreement Prudential Retirement Income Limited will meet the liability of the Company to pay the benefits due under the reassured policies. This business is covered by a pari passu charge on assets.	2,621	Open	5,475	Nil
Prudential Assurance Company Limited	Reinsurance of unit linked liability written by the Company. Prudential Assurance Company Limited is a member of the Prudential Group. This business is covered by a pari passu charge on assets.	123,096	Open	127,638	Nil

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

Appendix 9.4 (continued)

10 (1)

Bonus series	Mathematical reserves	Annual bonus rate for		UWP unit price increase during the year	Guaranteed bonus rate during the year
		2006	2005		
	£m	%	%	%	%
Prudence Bond – optimum return	9.9	3.25	3.25	3.25	
Prudence Bond – optimum bonus	46.9	4.00	4.00	4.00	

## PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2006

### Notes to the Return

#### Form 3

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

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Form 13 Line 89 (Long term) Grand total of admissible assets	17,486	414,011
Form 14 Line 11 Mathematical reserves	(6,199)	(403,880)
Form 14 Line 49 Total other insurance and non-insurance liabilities	(8,225)	(5,219)
Form 13 Line 89 (Other than long term) Grand total of admissible assets	27,525	23,711
Form 15 Line 69 Total	(1,826)	(3,382)
	<hr/> 28,761	<hr/> 25,241
Form 3 Line 79 Capital resources after deductions	28,761	25,241
Difference	<hr/> 0	<hr/> 0

\*0310\* Details of positive and negative valuation differences

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Additional reserves held in the long term fund	305	664
Sterling reserves applicable to FSA valuation only	186	
Deferred Income Reserve not included in FSA valuation	(437)	
Deferred tax on difference between MSB and FSA	(19)	(199)
Form 3 Line 35 Other negative valuation differences	<hr/> 35	<hr/> 465
Form 13 Line 100 (Long term) Tax debtor included in the net tax liability in the financial statements	317	2,227
Form 14 Line 74 Other adjustments to liabilities	<hr/> 352	<hr/> 2,692

#### Form 13

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

\*1301\* Assets specified in instruction 5

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

\*1304\* Statement on Set-Off

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

\*1305\* Maximum Counterparty Limits

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

## **PRUDENTIAL (AN) LIMITED**

**Financial Year ended 31 December 2006**

### **Notes to the Return (continued)**

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

Counterparty exposures were held at year end that were greater than five percent of the sum of the base capital resources requirement and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These cash on deposit with Bank of Ireland £2.5m, Bank of America £2.0m and Bradford & Bingley £1m.

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

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

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

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

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

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

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

**\*1311\* Maximum Counterparty Limits**

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

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

Counterparty exposures were held at year end that were greater than five percent of the sum of the base capital resources requirement and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These were: Scandinavian Bank £2.0m; Bank of Ireland £1.0m; Yorkshire Building Society £2.0m; Norddeutsche £1.8m; Allied Irish Bank £2.0m; Northern Rock £1.0m; Landesbank Hessen £1.5m; Dexia Banque Int £1.5m; Alliance & Leicester £2.0m; Anglo Irish Bank £2.0m; Nationwide £1.0m; and KBC Bank £1.5m. These exposures were all certificates of deposit and cash on deposit.

**\*1318\* Other asset adjustments**

Line 100 (£317,000) represents a tax debtor held in the long term fund, included within the net tax liability in the financial statements.

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

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

## PRUDENTIAL (AN) LIMITED

Financial Year ended 31 December 2006

### Notes to the Return (continued)

#### Form 14

\*1401\* Provision for Adverse Changes

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

\*1402\* Details of charges over assets, etc.

- a) There are no charges over assets.
- b) The long term fund does not attract tax, and therefore no provision, potential or otherwise, has been made for any liability to tax which might arise if the Company disposed of its assets at the values stated in this return.
- c) There were no contingent liabilities at the year end.
- d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business in respect of related companies.
- e) There were no fundamental uncertainties.

\*1405\* Other adjustments to liabilities

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Tax debtor held in the long term fund included within the net tax liability in the financial statements	(317)	(2,227)
Additional reserves held in the long term fund	(305)	(664)
Sterling reserves applicable to FSA valuation only	(186)	
Deferred Income Reserve not included in FSA valuation	437	
Deferred tax on difference between MSB and FSA	19	199
Form 14 line 74 ; Other adjustments to liabilities	<u>(352)</u>	<u>(2,692)</u>

#### Form 15

\*1501\* Provision for Adverse Changes

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

\*1502\* Details of charges over assets, etc.

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

## **PRUDENTIAL (AN) LIMITED**

**Financial Year ended 31 December 2006**

### **Notes to the Return (continued)**

#### **Form 16**

##### **\*1601\* Foreign Currencies**

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

#### **Form 40**

##### **\*4008\* Provision of Management Services**

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

##### **\*4009\* Details of material connected party transactions**

At the start of the year the Company had a reinsurance agreement with a related company, The Prudential Assurance Company Limited (PAC). PAC reassured its unit linked business to the Company. Included in earned premiums for the year is an amount of £9.7m received under this reinsurance agreement. Also included within claims incurred is an amount of £20.2m arising from unit linked claims under this reinsurance agreement.

On 13 May 2006 this reinsurance arrangement that agreement was terminated and as the arrangement unwound the Company settled a claim to PAC of £267.0m.

On 13 May 2006 the Company entered into an alternative agreement with PAC under which it ceded it ceded the risk associated with all of its unit-linked pension business to PAC. The Company paid for this reinsurance with a one-off premium to PAC of £120.7m. Since 13 May 2006 the Company has ceded £2.4m of premium to PAC and recovered £20.1m of claims.

The Company has an agreement with Abbey National Plc for Abbey National to sell a with-profits product through the Abbey National sales network. The Company reassures this with-profits business to PAC. With profits premiums earned for the year which were ceded under this reinsurance agreement amounted to £35k. Included within claims incurred is an amount of £4.2m arising from with profit claims under this reinsurance agreement.

The Company has a reinsurance agreement with a related company, Prudential Annuities Limited. Earned premiums for the year which were ceded under this reinsurance agreement amount to £Nil. Also claims ceded under this reinsurance agreement amounted to £5.2m for the year.

The Company has a reinsurance agreement with a related company, Prudential Retirement Income Limited. Earned premiums for the year which were ceded under this reinsurance agreement amount to £2.6m. Also claims ceded under this reinsurance agreement amounted to £304k for the year.

The net rebate of fund management charge to PAC for the year amounted to £797,000 (2005: £2,342,000).



**PRUDENTIAL (AN) LIMITED**

**Financial Year ended 31 December 2006**

**Notes to the Return (continued)**

**Form 44**

\*4401\* Valuation of Linked Assets

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

**Form 48**

\*4804\* Line 18, column 1 includes a non interest bearing tax debtor of £317,000.

**PRUDENTIAL (AN) LIMITED**

**Financial year ended 31 December 2006**

**Directors' Certificate required by rule 9.34 of the Accounts and Statements Rules**

We certify:

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

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N E T Prettejohn  
Chief Executive

March 2007

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D J Belsham  
Director

.....

M Sheppard  
Director

## **PRUDENTIAL (AN) LIMITED**

**Financial year ended 31 December 2006**

### **Report of the auditor to the Directors pursuant to rule 9.35 of IPRU (INS) the Interim Prudential Sourcebook for Insurers**

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

- Forms 2, 3, 13 to 17, 40 to 45, 48, 58 and 60, (including the supplementary notes) on pages 1 to 40 ('the Forms') and pages 51 to 55;
- the statement required by IPRU(INS) rule 9.29 on page 59 ('the Statement'); and
- the valuation report required by rule IPRU(INS) 9.31(a) ("the valuation report").

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

- Forms 46 and 47 on pages 23 to 26 and forms 50 to 55 (including the supplementary notes) on pages 28 to 38;
- the statement required by IPRU(INS) rules 9.30 on page 60 and 9.36 on page 61; or
- the certificate required by IPRU(INS) rule 9.34 on pages 56 ('the certificate').

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

### **Respective responsibilities of the Company and its auditors**

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

The methods and assumptions determined by the Company and used to perform the actuarial investigation as set out in the valuation report, prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2.

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

## **PRUDENTIAL (AN) LIMITED**

**Financial year ended 31 December 2006**

### **Report of the auditor to the Directors pursuant to rule 9.35 of IPRU (INS) the Interim Prudential Sourcebook for Insurers (continued)**

#### **Basis of opinion**

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

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

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

#### **Opinion**

In our opinion:

- i) the Forms, the Statement and the valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the Company and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2.

KPMG Audit Plc  
Registered Auditor

London

March 2007

**PRUDENTIAL (AN) LIMITED**

**Financial year ended 31 December 2006**

**Statement required by Rule 9.29 of IPRU (INS) the Interim Prudential Sourcebook for Insurers**

**(a) Investment guidelines**

As requested by Rule 9.29 of IPRU (INS) the Interim Prudential Sourcebook for Insurers the investment guidelines for the use of derivative contracts for both long term and other than long term funds are set out below.

During 2006, the investment guidelines allowed the use of derivative contracts in the Fixed Interest, Index Linked Gilts and Managed internal linked funds. The derivatives and use thereof was restricted to that permitted by Appendix 3.2. The use of derivatives was not permitted in the non-linked funds.

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

**(b) Derivatives where exercise is unlikely.**

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

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

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

**(d) Effect on form 13 at 31 December 2006 of exercising derivatives where it would be prudent to assume options would be exercised. Decreases are shown in brackets**

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

**(e) Effect on form 13 at 31 December 2006 of exercising all derivatives. Decreases are shown in brackets**

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

**(f) Effect on form 13 under the conditions noted in (d) and (e) above at any other time during the year. Decreases are shown in brackets**

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

**(g) Maximum exposure**

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

**(h) Derivatives not covered by the definition of an admissible derivative contract in the Integrated Prudential Sourcebook.**

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

**(i) Consideration for granting rights under derivative contracts**

No rights under derivative contracts have been granted.

## **PRUDENTIAL (AN) LIMITED**

**Returns for the year ended 31 December 2006**

**Statement in accordance with Rule 9.30 of IPRU (INS) the Interim Prudential Sourcebook for Insurers**

### Additional information on shareholder controllers

On 1 January 2006 Prudential Financial Services Limited was the immediate holding company of the Prudential (AN) Limited, holding 100% of its issued share capital and voting power. During the year Prudential Financial Services Limited transferred all of its shares in Prudential (AN) Limited to Prudential Assurance Company Limited.

On 31 December 2006 Prudential Assurance Company Limited was the immediate holding company of the Prudential (AN) Limited, holding 100% of its issued share capital and voting power.

Prudential plc was the ultimate holding company through out the year holding the 100% of the issued share capital and voting power of both Prudential Financial Services Limited and Prudential Assurance Company Limited through out the year.

## PRUDENTIAL (AN) LIMITED

Financial year ended 31 December 2006

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

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

- (a) (i) He had an interest in 5,891 shares in the share capital of the holding company, Prudential plc, at the end of the year.
- (ii) He had an interest under the Prudential Restricted Share Plan in shares in Prudential plc held in trust, representing the maximum award that could be made if the performance requirements of the Plan were met, of 14,206 shares at the end of the year.
- (iii) He had an interest under the Prudential Share Incentive Plan in 666 shares in Prudential plc held in trust, at the end of the year.
- (ii) He held the following options granted under the Prudential Savings-Related Share Option Scheme to subscribe for shares in Prudential plc:

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

- (b) He was interested in a general insurance policy issued by the Company, being a home insurance policy covering buildings, household contents, travel and personal effects.
- (c) Under the 2005 UK Long-Term Incentive Plan, he had a potential cash award payable in 2008, ranging from nil to a maximum of £33,000 dependent on the growth in the appraisal value of Prudential's UK and Europe business.
- (d) His total remuneration for the year was £161,420.
- (e) He is a member of the Prudential Staff Pension Scheme and contributions in respect of the year were paid by the Company.