

Prudential (AN) Limited

Incorporated in England and Wales Registered No. 1347088

Registered Office : Laurence Pountney Hill, London, EC4R OHH

Annual FSA Insurance Returns for the year ended

31 December 2008

Appendices 9.1, 9.3, 9.4, 9.6

Contents

Appendix 9.1

Form 2	Statement of solvency - long-term insurance business	1
Form 3	Components of capital resources	3
Form 13	Analysis of admissible assets	6
Form 14	Long term insurance business liabilities and margins	12
Form 15	Liabilities (other than long term insurance business)	13
Form 16	Profit and loss account (non-technical account)	14

Appendix 9.3 Long Term Insurance Business

Form 40	Revenue account	15
Form 41	Analysis of premiums	16
Form 42	Analysis of claims	17
Form 43	Analysis of expenses	18
Form 46	Summary of new business	19
Form 47	Analysis of new business	20
Form 48	Assets not held to match linked liabilities	23
Form 50	Summary of mathematical reserves	24
Form 51	Valuation summary of non-linked contracts (other than accumulating with-profits contracts)	25
Form 52	Valuation summary of accumulating with-profits contracts	27
Form 53	Valuation summary of property linked contracts	29
Form 54	Valuation summary of index linked contracts	32
Form 58	Distribution of surplus	34
Form 60	Long-term insurance capital requirement	35

Appendix 9.4

Abstract of the Valuation Report	36
Supplementary notes to the return	45

Appendix 9.6

Directors' Certificate	49
Auditor's Report	50
Additional information on derivative contracts	52
Additional information on controllers	53
Statement of information on the with-profits actuary	54

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

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R2	1347088	GL	31	12	2008	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11	5368	3163
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	8933	19434
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	14301	22597

Guarantee fund

Guarantee fund requirement	21	2518	2231
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	11783	20366

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	4522	5423
Resilience capital requirement	32	500	200
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	5022	5623
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	5022	5623
Excess (deficiency) of available capital resources to cover 50% of MCR	37	11790	19786
Excess (deficiency) of available capital resources to cover 75% of MCR	38	10535	18380

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	5022	5623

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	5022	5623
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	9279	16974

Contingent liabilities

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

Form 2

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

Global business

Financial year ended **31 December 2008**

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N E T Prettejohn Chief Executive

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D J Belsham Director

.....

A S E Allen Director

Date 27th March 2009

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1347088	GL	31	12	2008	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Core tier one capital

Permanent share capital	11		18000	18000	18000
Profit and loss account and other reserves	12		6526	6526	5244
Share premium account	13				
Positive valuation differences	14		103	103	
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		24629	24629	23244

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		24629	24629	23244
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				647
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				647
Total tier one capital after deductions (31-37)	39		24629	24629	22597

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	1347088	GL	31	12	2008	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Tier two capital

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

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

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

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1347088	GL	31	12	2008	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		24629	24629	22597
Inadmissible assets other than intangibles and own shares	73				
Assets in excess of market risk and counterparty limits	74		10328	10328	
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		14301	14301	22597

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		14301	14301	22597
Available capital resources for 50% MCR requirement	82		14301	14301	22597
Available capital resources for 75% MCR requirement	83		14301	14301	22597

Financial engineering adjustments

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

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

Global business

Financial year ended **31 December 2008**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	2008	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		1863
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43		12062
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	2303
	Other	46	5000
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		339
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		2
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

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

Global business

Financial year ended **31 December 2008**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	2008	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

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

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	584	4732
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84		263
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	10089	19778
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Analysis of admissible assetsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2008**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	2008	£000	1
						As at end of this financial year	As at end of the previous year
						1	2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	10089	19778
Admissible assets in excess of market and counterparty limits	92	10328	
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
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 101)	102	20417	19778
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	1863	

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

Global business

Financial year ended **31 December 2008**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	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	3675	3184
	Other	46	5000	2993
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		2500
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

Financial year ended **31 December 2008**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	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		4
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	1619	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	485	3248
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	412	1912
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	24	493
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	11215	14334
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Analysis of admissible assetsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2008**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	2008	£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 of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	11215	14334
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	180083	224631
Other asset adjustments (may be negative)	101	(275)	(318)
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 101)	102	191023	238647
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and margins

Name of insurer **Prudential (AN) Limited**
Global business
Financial year ended **31 December 2008**
Total business/Sub fund **10 Ordinary Long Term Business**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	5479	6859	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	5368	3163	
Long term insurance business fund carried forward (11 to 13)	14	10847	10022	
Claims outstanding	Gross	15	368	1786
	Reinsurers' share	16		
	Net (15-16)	17	368	1786
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38		2526
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	368	4312	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	11215	14334	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		13
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	5847	11171
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	180083	224631
Other adjustments to liabilities (may be negative)	74	(172)	(965)
Capital and reserves and fund for future appropriations	75	5265	3810
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	191023	238647

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

Global business

Financial year ended **31 December 2008**

R15	Company registration number	GL/UK/CM	day month year			Units
			31	12	2008	
	1347088	GL				£000
			As at end of this financial year		As at end of the previous year	
			1		2	

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	1156	344
	Foreseeable dividend	48		
	Other	49		
Accruals and deferred income		51		
Total (19 to 51)		59	1156	344
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	1156	344

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	19261	19434
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	20417	19778

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

Global business

Financial year ended **31 December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2008	£000
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20		11				
	Equalisation provisions		12				
Transfer from the long term insurance business revenue account			13				
Investment income	Income		14			619	1030
	Value re-adjustments on investments		15				
	Gains on the realisation of investments		16				
Investment charges	Investment management charges, including interest		17				
	Value re-adjustments on investments		18			2	180
	Loss on the realisation of investments		19				
Allocated investment return transferred to the general insurance business technical account			20				
Other income and charges (particulars to be specified by way of supplementary note)			21				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			617	850
Tax on profit or loss on ordinary activities			31			790	115
Profit or loss on ordinary activities after tax (29-31)			39			(173)	735
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41				
Tax on extraordinary profit or loss			42				
Other taxes not shown under the preceding items			43				
Profit or loss for the financial year (39+41-(42+43))			49			(173)	735
Dividends (paid or foreseeable)			51				7000
Profit or loss retained for the financial year (49-51)			59			(173)	(6265)

Long-term insurance business : Revenue account

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(5)	(6)
Investment income receivable before deduction of tax	12	1504	2341
Increase (decrease) in the value of non-linked assets brought into account	13	525	(204)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	2024	2131

Expenditure

Claims incurred	21	503	332
Expenses payable	22	696	1028
Interest payable before the deduction of tax	23		10
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	1199	1370

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	825	761
Fund brought forward	49	10022	9261
Fund carried forward (39+49)	59	10847	10022

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11		451		451	600
Single premiums	12	35	1996		2031	3188

Reinsurance - external

Regular premiums	13					
Single premiums	14		2		2	3

Reinsurance - intra-group

Regular premiums	15		30		30	
Single premiums	16	35	2420		2455	3791

Net of reinsurance

Regular premiums	17		421		421	600
Single premiums	18		(426)		(426)	(606)

Total

Gross	19	35	2447		2482	3788
Reinsurance	20	35	2452		2487	3794
Net	21		(5)		(5)	(6)

Long-term insurance business : Analysis of claims

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 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	901	548		1449	1597
Disability periodic payments	12					
Surrender or partial surrender	13	10812	13886		24698	6169
Annuity payments	14		5813		5813	5634
Lump sums on maturity	15		3037		3037	1349
Total	16	11713	23284		34997	14749

Reinsurance - external

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

Reinsurance - intra-group

Death or disability lump sums	31	901	531		1432	1564
Disability periodic payments	32					
Surrender or partial surrender	33	10812	16452		27264	7234
Annuity payments	34		5798		5798	5619
Lump sums on maturity	35					
Total	36	11713	22781		34494	14417

Net of reinsurance

Death or disability lump sums	41		17		17	33
Disability periodic payments	42					
Surrender or partial surrender	43		(2566)		(2566)	(1065)
Annuity payments	44		15		15	15
Lump sums on maturity	45		3037		3037	1349
Total	46		503		503	332

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Commission - acquisition	11		5	5	
Commission - other	12		4	4	
Management - acquisition	13				
Management - maintenance	14		586	586	988
Management - other	15		101	101	40
Total	16		696	696	1028

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41		5	5	
Commission - other	42		4	4	
Management - acquisition	43				
Management - maintenance	44		586	586	988
Management - other	45		101	101	40
Total	46		696	696	1028

Long-term insurance business : Summary of new business

Name of insurer **Prudential (AN) Limited**
 Total business
 Financial year ended **31 December 2008**
 Units **£000**

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

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

Regular premium business	11				
Single premium business	12		88	88	113
Total	13		88	88	113

**Amount of new regular
premiums**

Direct insurance business	21		30	30	21
External reinsurance	22				
Intra-group reinsurance	23				
Total	24		30	30	21

**Amount of new single
premiums**

Direct insurance business	25	35	1994	2029	3182
External reinsurance	26				
Intra-group reinsurance	27		2	2	6
Total	28	35	1996	2031	3188

Long-term insurance business : Analysis of new business

Name of insurer

Prudential (AN) Limited

Total business

Financial year ended

31 December 2008

Units

£000

UK Life / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
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 2008

Units

£000

UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
400	Annuity non-profit (CPA)			87	1623
405	Annuity non-profit (CPA impaired life)			1	104
730	Individual pensions property linked - increments		30		267

Long-term insurance business : Analysis of new business

Name of insurer

Prudential (AN) Limited

Total business

Financial year ended

31 December 2008

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				2

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Prudential (AN) Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 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	3699	3699	117	3.18	
Other fixed interest securities	13	5000	5000	252	5.03	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	2516	2516	12	0.48	
Total	19	11215	11215	381	3.40	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **10 Ordinary Long Term Business**
 Financial year ended **31 December 2008**
 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		65722	65722	67864
Form 52	13	45977		45977	54439
Form 53 - linked	14		72500	72500	104038
Form 53 - non-linked	15		5511	5511	6896
Form 54 - linked	16		1016	1016	1057
Form 54 - non-linked	17				
Total	18	45977	144749	190726	234294

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25		32	32	37
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28		32	32	37

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		65722	65722	67864
Form 52	33	45977		45977	54439
Form 53 - linked	34		72500	72500	104038
Form 53 - non-linked	35				
Form 54 - linked	36		1016	1016	1057
Form 54 - non-linked	37				
Total	38	45977	139238	185215	227398

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42				
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45		5479	5479	6859
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48		5479	5479	6859

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 2008**
 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)	2482	5697 pa					65473
405	Annuity non-profit (CPA impaired life)	5	25 pa					249

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 2008**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA)		5697 pa					65473
405	Annuity non-profit (CPA impaired life)		25 pa					249

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 2008**
 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	1463	47032		46567	45977		45977

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 2008**
Units **£000**
UK Life / Reinsurance ceded intra-group

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
500	Life UWP single premium		47032		46567	45977		45977

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 2008**
 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
725	Individual pensions property linked	7118	77885	442	77885	72477	5048	77525
770	Term assurance rider		1868	7			42	42
785	Income protection rider		45 pa	1			7	7
795	Miscellaneous property linked		23		23	23	10	33
800	Additional reserves property linked						404	404

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 2008**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
770	Term assurance rider		1472	5			32	32
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 2008**
 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		72477	442	72477	72477		72477
795	Miscellaneous property linked		23		23	23		23

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 2008**
 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	37	80 pa		1016	1016		1016

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 2008**
 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		80 pa		1016	1016		1016

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 2008**
Units **£000**

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

Valuation result

Fund carried forward	11	10847	10022
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	10847	10022
Mathematical reserves	21	5479	6859
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	5368	3163

Composition of surplus

Balance brought forward	31	3163	3062
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	2205	101
Total	39	5368	3163

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		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	5368	3163
Total (48+49)	59	5368	3163

Percentage of distributed surplus allocated to policyholders

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

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

Global business

Financial year ended **31 December 2008**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%	1826	386	3	3
Classes III, VII and VIII	15	0.3%	1574	1574	5	5
Total	16		3400	1960	7	9

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					
--	----	--	--	--	--	--

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	111748	17	0.85	950
Classes III, VII and VIII (investment risk)	33	1%	6478	5462	0.85	55
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	54085		0.85	460
Classes III, VII and VIII (other)	35	25%				35
Class IV (other)	36	1%				
Class V	37	1%				
Class VI	38	1%				
Total	39					1500

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	111748	17	0.85	2850
Classes III, VII and VIII (investment risk)	43	3%	6478	5462	0.85	165
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	54085			
Classes III, VII and VIII (other)	45	0%	18415			
Class IV (other)	46	3%				
Class V	47	0%				
Class VI	48	3%				
Total	49		190726	5479		3015

Long term insurance capital requirement	51					4522
						5423

PRUDENTIAL (AN) LIMITED

Appendix 9.4

VALUATION REPORT ON PRUDENTIAL (AN) LIMITED

INTRODUCTION

1. (1) The investigation relates to 31 December 2008.
- (2) The previous investigation related to 31 December 2007.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2007.

PRODUCT RANGE

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

DISCRETIONARY CHARGES AND BENEFITS

3. (1) Accumulating with-profits policies were written from 2002 to 2004. Market Value Reductions were applied throughout 2008 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 1.670% in 2007 and 1.568% in 2008. 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.

VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

4. At 31 December 2008 the total gross mathematical reserves amounted to £191m. The lesser of £10m and 1.0% of the total gross mathematical reserves was therefore equal to £1.9m.

(1) Linked policies

The liability has been taken as the sum of:

- (i) The value of created units at a bid basis 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.

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

(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.

Annuities in payment

The mathematical reserve for annuities in payment is the present value of the annuities and expenses allowing for inflation.

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

Product		Valuation Interest rate
Linked policies	2008	3.25%
	2007	4.00%
Annuities in payment (reassured to PAL)	2008	5.78%
	2007	5.31%
Annuities in payment (reassured to PRIL)	2008	5.89%
	2007	5.25%
Index-Linked Annuities in payment (reassured to PAL)	2008	1.99%
	2007	1.79%
Index-Linked Annuities in payment (reassured to PRIL)	2008	2.18%
	2007	1.55%
Accumulating with-profits bonds	2008	1.60%
	2007	1.60%

(3) Not applicable.

PRUDENTIAL (AN) LIMITED

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.

Product description	31 December 2008	31 December 2007
Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to PAL)		
Mortality table	Modified 102% PNMA00/ 88% PNFA00	Modified 106% PNMA00/ 84% PNFA00
Expectation of life age 65	23.6 (M), 25.3 (F)	23.1(M), 25.6 (F)
Expectation of life age 75	14.3 (M), 16.1 (F)	13.8 (M), 16.4 (F)
Annuity non-profit (CPA impaired life) - individual annuities in payment (reassurance ceded to PAL)		
Mortality table	Modified 102% PNMA00/ 88% PNFA00	Modified 106% PNMA00/ 84% PNFA00
Expectation of life age 65	23.6 (M), 25.3 (F)	23.1(M), 25.6 (F)
Expectation of life age 75	14.3 (M), 16.1 (F)	13.8 (M), 16.4 (F)
Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to PRIL)		
Mortality table	Modified 97% PNMA00/ 88% PNFA00	Modified 99% PNMA00/ 85% PNFA00
Expectation of life age 65	24.1 (M), 25.3 (F)	23.7 (M), 25.5 (F)
Expectation of life age 75	14.6 (M), 16.1 (F)	14.3 (M), 16.3 (F)
Annuity non-profit (CPA impaired life) – individual annuities in payment (reassurance ceded to PRIL)		
Mortality table	Modified 97% PNMA00/ 88% PNFA00	Modified 99% PNMA00/ 85% PNFA00
Expectation of life age 65	24.1 (M), 25.3 (F)	23.7 (M), 25.5 (F)
Expectation of life age 75	14.6 (M), 16.1 (F)	14.3 (M), 16.3 (F)

Mortality bases used at 31 December 2008 and 31 December 2007

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 future improvement factors are in line with 100% of the CMI medium cohort projections, subject to future improvement factors not being less than 2.25% p.a. until age 90, tapering linearly to zero at age 120. 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 1.25% p.a. until age 90, tapering linearly to zero at age 120. For impaired lives, an adjustment is made to the annuitant’s age to allow for impairment.

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

(5) Not applicable.

(6)

Product description	31 December 2008	31 December 2007
UL Pension (725)		
1) Executive Pensions	Renewal expenses (gross):- - Single premium business £22.12 p.a. per policy - Regular premium business (premium paying) £252.20 p.a. per policy - Regular premium business (non premium paying) £22.12 p.a. per policy	Renewal expenses (gross):- - Single premium business £19.29 p.a. per policy - Regular premium business (premium paying) £219.90 p.a. per policy - Regular premium business (non premium paying) £19.29 p.a. per policy
2) Other UL pensions	Renewal expenses (gross):- - Single premium business £8.46 p.a. per policy - Regular premium business (premium paying) £26.53 p.a. per policy - Regular premium business (non premium paying) £8.46 p.a. per policy Investment expenses: 0.25% p.a.	Renewal expenses (gross):- - Single premium business £7.38 p.a. per policy - Regular premium business (premium paying) £23.13 p.a. per policy - Regular premium business (non premium paying) £7.38 p.a. per policy Investment expenses: 0.25% p.a.
Annuities in payment (Reassurance ceded to PRIL) (400)	£18.89 p.a.	£17.92 p.a.
Annuities in Payment (Reassurance ceded to PAL) (400)	£19.60 p.a.	£22.11 p.a.

Expense figures for UL policies are per policy attributable expenses only.

PRUDENTIAL (AN) LIMITED

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	5.00%
Expense inflation rate	3.50%
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 are no other material assumptions.

- (11) Not applicable.

- (12) There have been no changes to the mathematical reserves at the current valuation date as a result of the changes to the INSPRU rules at 31 December 2006.

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 2008 was £4.4m. 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	-	£117,557	£100,673	£341,715	£559,946
Unit linked single premium	-	£46,514	£13,969	£51,953	£112,436
Total	-	£164,071	£114,642	£393,668	£672,382

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

- (2) Not applicable.
- (3) Maintenance expenses shown at line 14 of Form 43 are £586,000. The total expense loadings expected to arise in 2009 as calculated in 6.(1) exceed this amount due to the inclusion of prudent margins in the valuation expense assumptions.
- (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 Form 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 15% 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 31 December 2008, an additional reserve of £101,617 was held for the impact of closing to new business.

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 75 basis points in the annual yield obtainable on fixed interest securities.
- (5) Not applicable.
- (6) A Resilience Capital Requirement of £500,000 has been established.

There was a £421,000 increase in the aggregate amount of the long term liabilities.

The assets allocated to match such liabilities decreased in value by £219,000 from the amount of assets shown in F13.

- (7) No reserve is required for cashflow mismatching under INSPRU 1.1.34R(2).

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

OTHER SPECIAL RESERVES

8. At 31 December 2008 the total gross mathematical reserves amounted to £191m. The lesser of £10m and 0.1% of the total gross mathematical reserves was therefore equal to £0.19m.

At 31 December 2008, there were no special reserves which met the above criteria.

REINSURANCE

9. (1) No premiums were paid in 2008 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 2008.

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

Reinsurance treaties:

(d) Reinsurer	(e) Nature of cover	(f) Premiums £'000	(h) Open / Closed	(j) Reserves Ceded £'000	(k) Retention
Prudential Annuities Limited	Reinsurance of policies issued by the Company where there is an option to purchase an annuity on death or retirement. The business is covered by a pari passu charge on assets.	Nil	Open	57,094	Nil
The 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	45,977	Nil
Prudential Retirement Income Limited	Two related treaties for annuity liabilities for relevant annuities issued by the Company. One covering annuities business between 1 July 2004 and 25 November 2004. The other covering annuities after 25 November 2004. Under the terms of the agreement Prudential Retirement Income Limited will meet the liability of the Company to pay the benefits due under the reassured policies. This business is covered by a pari passu charge on assets.	1,727	Open	9,644	Nil
Prudential Assurance Company Limited	Reinsurance of unit linked liability written by the Company. The business is covered by a pari passu charge on assets.	723	Open	72,500	Nil

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

PRUDENTIAL (AN) LIMITED

Appendix 9.4 (continued)

REVERSIONARY BONUS

10.

Bonus series	Mathematical reserves	Annual bonus rate for		UWP unit price increase during the year	Guaranteed bonus rate during the year
		2008	2007		
	£m	%	%	%	%
Prudence Bond – optimum return	8.7	3.50	3.25	3.50	
Prudence Bond – optimum bonus	37.2	4.25	4.00	4.25	

Notes to the Return

Form 3

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

	2008	2007
	£'000	£'000
Form 13 Line 89 (Long term) Grand total of admissible assets	11,215	14,334
Form 14 Line 11 Mathematical reserves	(5,479)	(6,859)
Form 14 Line 49 Total other insurance and non-insurance liabilities	(368)	(4,312)
Form 13 Line 89 (Other than long term) Grand total of admissible assets	10,089	19,778
Form 15 Line 69 Total	(1,156)	(344)
	<u>14,301</u>	<u>22,597</u>
Form 3 Line 79 Capital resources after deductions	14,301	22,597
Difference	<u>0</u>	<u>0</u>

0310 Details of positive and negative valuation differences

	2008	2007
	£'000	£'000
Additional reserves held in the long term fund	204	917
Sterling reserves applicable to FSA valuation only	633	266
Deferred income reserve not included in FSA valuation	(983)	(291)
Deferred tax on difference between MSB and FSA	43	(245)
Form 3 Line 14 Other negative valuation differences	<u>(103)</u>	<u>647</u>

0313 Reconciliation of profit and loss account change

	2008
	£000
Profit and loss account and reserves b/fwd (Form 3 Line 12)	5,244
Profit and loss account and reserves c/fwd (Form 3 Line 12)	6,526
Movement	<u>1,282</u>
Movement in additional reserves held for FSA	713
Movement in sterling reserves held for FSA	(367)
Movement in deferred income reserve not held for FSA	692
Movement in deferred tax	(288)
Movement in unallocated surplus	<u>(2,205)</u>
Form 16 Line 59 Loss retained for the financial year	<u>(173)</u>

Form 13

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

1301 Assets specified in instruction 5

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

1304 Statement on Set-Off

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

Notes to the Return (continued)

1305 Maximum Counterparty Limits

The Company's investment guidelines set maximum counterparty limits in order to maintain the admissibility of assets in accordance with INSPRU 2.1.22. The balances are reviewed daily and compared to expected cashflows to ensure the Company is technically solvent. During the financial year the balance exceeded the maximum counterparty limit. This was due to an intragroup loan with The Prudential Assurance Company Ltd amounting to £12,191k at 2008 year end of which £10,328k was over the counterparty limit.

1306 Counterparty exposures at year end

One counterparty exposure was held at year end that was 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. This was an intragroup loan with The Prudential Assurance Company Ltd amounting to £12,191k. As stated in note 1305 above, £10,328k exceeded the limits set by INSPRU 2.1.22 at year end 2008.

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.

1312 Counterparty Exposures at Year End

No 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.

1318 Other asset adjustments

Line 101 (£275,000) is comprised of a tax debtor of (£318,000) held in the long term fund, included within the net tax liability in the financial statements and a deferred tax asset of £43,000.

1319 Maximum Counterparty Limits

The Company's investment guidelines set maximum counterparty limits in order to maintain the admissibility of assets in accordance with INSPRU 2.1.22. The limits were not breached at any time in the year.

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

	2008	2007
	£'000	£'000
Tax debtor held in the long term fund included within the net tax liability in the financial statements	(318)	(318)
Additional reserves held in the long term fund	(204)	(917)
Sterling reserves applicable to FSA valuation only	(633)	(266)
Deferred Income Reserve not included in FSA valuation	983	291
Deferred tax on difference between MSB and FSA	-	245
Form 14 line 74	<u>(172)</u>	<u>(965)</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.

Notes to the Return (continued)

Form 16

***1601* Foreign Currencies**

Revenue account items are translated at rates ruling on the transaction date.

No dividend was paid in the year (2007: £7,000,000).

Form 17

1700 Form 17 has been omitted, as no such contracts were used.

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, Prudential Distribution Limited, Prudential Services Ltd and The Prudential Assurance Company Limited (PAC).

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

The Company has an agreement with PAC under which it reassures the risk associated with all of its unit-linked pension business to PAC. For 2008 the Company has ceded £0.7m of premium to PAC and recovered £17.0m 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 £11.7m 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 recovered under this reinsurance agreement amounted to £5.1m for the year.

The Company has a reinsurance agreement with a related company, Prudential Retirement Income Limited. Earned premiums for the year which were ceded under this reinsurance agreement amount to £1.7m. Also claims recovered under this reinsurance agreement amounted to £660k for the year.

The net rebate of fund management charge from PAC for the year amounted to £837,000 (2007: £1,215,000).

Form 49

4900 Form 49 has been omitted on account of de minimis limits.

PRUDENTIAL (AN) LIMITED

Financial year ended 31 December 2008

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

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N E T Prettejohn
Chief Executive

.....

D J Belsham
Director

.....

A S E Allen
Director

27th March 2009

PRUDENTIAL (AN) LIMITED

Financial year ended 31 December 2008

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 16, 40 to 43, 48, 58 and 60, (including the supplementary notes) on pages 1 to 35 ('the Forms') and pages 45 to 48;
- the statement required by IPRU(INS) rule 9.29 on page 52 ('the Statement'); and
- the valuation report required by rule IPRU(INS) 9.31(a) ("the valuation report") and

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

- Forms 46 and 47 on pages 19 to 22 and forms 50 to 54 (including the supplementary notes) on pages 24 to 33;
- the statement required by IPRU(INS) rules 9.30 on page 53 and 9.36 on page 54; or
- the certificate required by IPRU(INS) rule 9.34 on pages 49 ('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 2008

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 2009

PRUDENTIAL (AN) LIMITED

Financial year ended 31 December 2008

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 2008, 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) 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.

(e) 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 2008

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

Additional information on shareholder controllers

Throughout 2008 The Prudential Assurance Company Limited was the immediate holding company of 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 100% of the issued share capital and voting power of The Prudential Assurance Company Limited throughout the year.

PRUDENTIAL (AN) LIMITED

Financial year ended 31 December 2008

Statement of information on the actuary who has been appointed to perform the with-profits actuary function pursuant to Rule 9.36 of the Interim 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 actuary function of the Company, was requested to furnish and has provided the following information:

- (a) (i) He had an interest in 7,891 shares in the share capital of the holding company, Prudential plc, at the end of the year.
- (ii) He had an interest under the Prudential Restricted Share Plan in shares in Prudential plc held in trust, representing the maximum award that could be made if performance requirements of the Plan were met, of 6,673 shares at the end of the year.
- (iii) He had an interest under the Prudential Share Incentive Plan in 1,340 shares in Prudential Plc, held in trust at the end of the year.
- (iv) He held the following options granted under the Prudential Savings-Related Share Option Scheme to subscribe for shares in Prudential plc:
- | Number of Shares | Exercise Price | Exercise Dates |
|------------------|----------------|----------------|
| 2,593 | 551p | June 2013 |
- (v) He had an interest under the 2007 Prudential Group Performance Share Plan and the 2007 Prudential UK Business Unit Performance Plan in shares in Prudential plc, representing the maximum award that could be made if the performance requirements of the plans were met, of 5,287 shares payable in 2010.
- (vi) He had an interest under the 2008 Prudential Group Performance Share Plan and the 2008 Prudential UK Business Unit Performance Plan in shares in Prudential plc, representing the maximum award that could be made if the performance requirements of the plans were met, of 5,210 shares payable in 2011.
- (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 2007 Prudential UK Business Unit Performance Plan, he had a potential cash award payable in 2010, ranging from nil to a maximum of £19,500 dependent on the growth in the appraisal value of Prudential's UK and Europe business.
- (d) Under the 2008 Prudential UK Business Unit Performance Plan, he had a potential cash award payable in 2011, ranging from nil to a maximum of £20,700 dependent on the growth in the appraisal value of Prudential's UK and Europe business.
- (e) His total remuneration for the year was £257,335.
- (f) He is a member of the Prudential Staff Pension Scheme and contributions in respect of the year were paid by the Company.