



Prudential Annuities Limited

Incorporated and Registered in England and Wales Registered number 2554213
Registered Office Laurence Pountney Hill, London, EC4R 0HH

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
Form 17	Analysis of derivative contracts	15

Appendix 9.3 Long Term Insurance Business

Form 40	Revenue account	17
Form 41	Analysis of premiums	18
Form 42	Analysis of claims	19
Form 43	Analysis of expenses	20
Form 46	Summary of new business	21
Form 47	Analysis of new business	22
Form 48	Assets not held to match linked liabilities	24
Form 49	Fixed and variable interest assets	25
Form 50	Summary of mathematical reserves	26
Form 51	Valuation summary of non-linked contracts (other than accumulating with-profits contracts)	27
Form 54	Valuation summary of index linked contracts	29
Form 56	Index linked business	31
Form 57	Analysis of valuation interest rate	32
Form 58	Distribution of surplus	33
Form 60	Long-term insurance capital requirement	34

Appendix 9.4

Abstract of the Valuation Report	35
Supplementary notes to the return	48

Appendix 9.6

Directors' Certificate	55
Auditor's Report	56
Additional information on derivative contracts	59
Additional information on controllers	61

Statement of solvency - long-term insurance businessName of insurer **Prudential Annuities Limited**

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units
			R2	2554213	GL	
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	50000	33065
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	649965	1103810
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	699965	1136875

Guarantee fund

Guarantee fund requirement	21	166929	178399
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	533036	958476

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	500788	535197
Resilience capital requirement	32		
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	500788	535197
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	500788	535197
Excess (deficiency) of available capital resources to cover 50% of MCR	37	449571	869277
Excess (deficiency) of available capital resources to cover 75% of MCR	38	324374	735477

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	500788	535197

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	500788	535197
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	199177	601678

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51	1675	
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Components of capital resourcesName of insurer **Prudential Annuities Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	2554213	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		550000	550000	550000
Profit and loss account and other reserves	12		999245	999245	1172869
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		1549245	1549245	1722869

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		1549245	1549245	1722869
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		753625	753625	584944
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		753625	753625	584944
Total tier one capital after deductions (31-37)	39		795620	795620	1137925

Components of capital resourcesName of insurer **Prudential Annuities Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	2554213	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 Annuities Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/UK/CM	day month year			Units
R3	2554213	GL	31	12	2008	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		795620	795620	1137925
Inadmissible assets other than intangibles and own shares	73		95655	95655	1050
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		699965	699965	1136875

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		699965	699965	1136875
Available capital resources for 50% MCR requirement	82		699965	699965	1136875
Available capital resources for 75% MCR requirement	83		699965	699965	1136875

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		1675	1675	
Sum of financial engineering adjustments (91+92-93+94+95)	96		1675	1675	

Analysis of admissible assetsName of insurer **Prudential Annuities 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	2554213	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		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	5003		
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44	1033	6391	
Fixed interest securities	Approved	45	628681	902972
	Other	46	103069	96897
Variable interest securities	Approved	47	4873	4874
	Other	48	71858	80037
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	35433	22700
	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 Annuities 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	2554213	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	20758	24
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		2235
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	11235	14784
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	881943	1130914
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Analysis of admissible assetsName of insurer **Prudential Annuities 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	2554213	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	881943	1130914
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	900	
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	(154288)	43
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	728555	1130957
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Prudential Annuities 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	2554213	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		579324	479349	

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	237915		
Other shares and other variable yield participations	42	8	8	
Holdings in collective investment schemes	43	31689	44200	
Rights under derivative contracts	44	131806	65375	
Fixed interest securities	Approved	45	2039305	2603233
	Other	46	7302157	7663387
Variable interest securities	Approved	47		
	Other	48	70899	78865
Participation in investment pools	49			
Loans secured by mortgages	50	131773	149214	
Loans to public or local authorities and nationalised industries or undertakings	51	1140	480	
Loans secured by policies of insurance issued by the company	52			
Other loans	53	13378	52792	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	133663	264429
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	1949216	2064399
	Property linked	59		

Analysis of admissible assetsName of insurer **Prudential Annuities 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	2554213	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	56	84
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	81	33
	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	78325	13747
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	173148	20402
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	215842	214126
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	23370	23586

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	13113095	13737709
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Analysis of admissible assetsName of insurer **Prudential Annuities 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	2554213	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	13113095	13737709
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	94755	1050
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	(6245)	(17594)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	5479	6078
Other asset adjustments (may be negative)	101	(85509)	547
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	13121575	13727790
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		111

Long term insurance business liabilities and margins

Name of insurer **Prudential Annuities Limited**
Global business
Financial year ended **31 December 2008**
Total business/Sub fund **10 Ordinary Branch Long Term**
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	12519721	13379931
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	144755	34115
Long term insurance business fund carried forward (11 to 13)		14	12664476	13414046
Claims outstanding	Gross	15	6508	8190
	Reinsurers' share	16		
	Net (15-16)	17	6508	8190
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	389	
	Reinsurance accepted	32	6015	173
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	251273	261929
Creditors	Taxation	37	4232	3928
	Other	38	270067	50493
Accruals and deferred income		39	4890	
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	543374	324713
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	13207850	13738759

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	914	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		

Total liabilities (11+12+49)		71	13063095	13704644
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	5479	6078
Other adjustments to liabilities (may be negative)		74	(845379)	(601991)
Capital and reserves and fund for future appropriations		75	898379	
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	13121574	13108731

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R15	2554213	GL	31	12	2008	£000
				As at end of this financial year 1		As at end of the previous year 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			200
	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		215638	13385
Creditors	Taxation	47		14528	13468
	Foreseeable dividend	48			
	Other	49		1812	51
Accruals and deferred income		51			
Total (19 to 51)		59		231978	27104
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63			
Total (59 to 63)		69		231978	27104

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			(154288)	43
Capital and reserves	84			650866	1722869
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			728556	1750016

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

Global business

Financial year ended **31 December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	2554213	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			(503664)		
Investment income	Income		14			51391		55149
	Value re-adjustments on investments		15			17905		7772
	Gains on the realisation of investments		16			1655		
Investment charges	Investment management charges, including interest		17			713		635
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19					8240
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			(260)		(310)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			(433686)		53736
Tax on profit or loss on ordinary activities			31			19258		15304
Profit or loss on ordinary activities after tax (29-31)			39			(452944)		38432
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			(452944)		38432
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59			(452944)		38432

Analysis of derivative contractsName of insurer **Prudential Annuities 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	
		R17	2554213	GL	31	12	2008	£000	1
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12							
	Inflation	13		1033		1762			141820
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19							
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51		1033		1762			141820
Adjustment for variation margin		52							
Total (51 + 52)		53		1033		1762			

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Prudential Annuities 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	
		R17	2554213	GL	31	12	2008	£000	10
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	102508		38515		539329		539329
	Inflation	13	29298		19720		278606		189788
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19			210731		447921		481237
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	131806		268966		1265856		1210354
Adjustment for variation margin		52							
Total (51 + 52)		53	131806		268966				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Long-term insurance business : Revenue account

Name of insurer **Prudential Annuities Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(3432)	1503
Investment income receivable before deduction of tax	12	772001	758017
Increase (decrease) in the value of non-linked assets brought into account	13	(1237565)	(593384)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	(468996)	166136

Expenditure

Claims incurred	21	912236	893111
Expenses payable	22	26275	25526
Interest payable before the deduction of tax	23	380	446
Taxation	24	(154653)	(7406)
Other expenditure	25		
Transfer to (from) non technical account	26	(503664)	
Total expenditure	29	280574	911677

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(749570)	(745541)
Fund brought forward	49	13414046	14159587
Fund carried forward (39+49)	59	12664476	13414046

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Annuities Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 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					
Single premiums	12		(3432)		(3432)	1503

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17					
Single premiums	18		(3432)		(3432)	1503

Total

Gross	19		(3432)		(3432)	1503
Reinsurance	20					
Net	21		(3432)		(3432)	1503

Long-term insurance business : Analysis of claims

Name of insurer **Prudential Annuities Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 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		545	545	590
Disability periodic payments	12				
Surrender or partial surrender	13		8933	8933	6047
Annuity payments	14		891920	891920	881068
Lump sums on maturity	15		11092	11092	5668
Total	16		912490	912490	893373

Reinsurance - external

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24		254	254	262
Lump sums on maturity	25				
Total	26		254	254	262

Reinsurance - intra-group

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34				
Lump sums on maturity	35				
Total	36				

Net of reinsurance

Death or disability lump sums	41		545	545	590
Disability periodic payments	42				
Surrender or partial surrender	43		8933	8933	6047
Annuity payments	44		891666	891666	880806
Lump sums on maturity	45		11092	11092	5668
Total	46		912236	912236	893111

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Annuities Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 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				
Commission - other	12				
Management - acquisition	13		21	21	705
Management - maintenance	14		23968	23968	21601
Management - other	15		2286	2286	3220
Total	16		26275	26275	25526

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43		21	21	705
Management - maintenance	44		23968	23968	21601
Management - other	45		2286	2286	3220
Total	46		26275	26275	25526

Long-term insurance business : Summary of new business

Name of insurer **Prudential Annuities 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
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**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11					
Single premium business	12					
Total	13					

**Amount of new regular
premiums**

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

**Amount of new single
premiums**

Direct insurance business	25		(550)		(550)	1416
External reinsurance	26					
Intra-group reinsurance	27		(2882)		(2882)	87
Total	28		(3432)		(3432)	1503

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Annuities 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) - individual annuities in payment				2
401	Annuity non-profit (bulk transfer) - group annuities in payment				52
905	Index linked annuity (CPA) - individual annuities in payment				115
906	Index linked annuity (bulk transfer) - group annuities in payment				(719)

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Annuities 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
400	Annuity non-profit (CPA) - individual annuities in payment (reassurance accepted from PAC)				(2408)
401	Annuity non-profit (bulk transfer) - group annuities in payment (reassurance accepted from PAC)				(635)
906	Index linked annuity (bulk transfer) - group annuities in payment (reassurance accepted from PAC)				161

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

Name of insurer **Prudential Annuities 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	579324	611013	38473	6.30	
Approved fixed interest securities	12	2073238	2073238	101451	3.87	
Other fixed interest securities	13	7480920	7480920	526194	7.42	
Variable interest securities	14	71830	71830	2833	5.64	
UK listed equity shares	15	237915	237915	21130	8.88	
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	720652	688963	18107	2.51	
Total	19	11163879	11163879	708188	6.42	

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 : Fixed and variable interest assets

Name of insurer **Prudential Annuities Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	602560	16.92	3.83	3.83
Other approved fixed interest securities	21	1470678	9.57	3.89	3.80
Other fixed interest securities					
AAA/Aaa	31	486992	8.50	6.22	5.51
AA/Aa	32	1414066	10.03	6.67	5.78
A/A	33	2826192	9.02	7.65	6.41
BBB/Baa	34	1199514	8.22	8.79	7.00
BB/Ba	35	20275	4.71	7.78	2.91
B/B	36	1303	7.12	15.34	5.63
CCC/Caa	37	16880	5.85	18.44	5.13
Other (including unrated)	38	1515698	8.13	6.88	5.71
Total other fixed interest securities	39	7480920	8.85	7.42	6.17
Approved variable interest securities	41				
Other variable interest securities	51	71830	23.52	5.64	4.87
Total (11+21+39+41+51)	61	9625988	9.57	6.64	5.65

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Prudential Annuities Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 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		10468452	10468452	11265353
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		1951071	1951071	2066392
Form 54 - non-linked	17		105764	105764	54392
Total	18		12525287	12525287	13386137

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22		3711	3711	4213
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26		1855	1855	1993
Form 54 - non-linked	27				
Total	28		5566	5566	6206

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38				

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		10464741	10464741	11261140
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		1949216	1949216	2064399
Form 54 - non-linked	47		105764	105764	54392
Total	48		12519721	12519721	13379931

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

Name of insurer **Prudential Annuities Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 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
390	Deferred annuity non-profit - group deferred annuities (DAPA)	14948	34878					360192
390	Deferred annuity non-profit - group deferred annuities (GPDA)	536	1336					21811
390	Deferred annuity non-profit - group deferred annuities (reassurance accepted from PAC) (DAPA)		922					8646
390	Deferred annuity non-profit - group deferred annuities (reassurance accepted from PAC) (GPDA)		10202					85340
400	Annuity non-profit (CPA) - group annuities in payment	23823	37475					508771
400	Annuity non-profit (CPA) - individual annuities in payment	43523	167502					2167142
400	Annuity non-profit (CPA) - individual annuities in payment (reassurance accepted from PAC, P(AN)L & PPL)		582013					6715097
405	Annuity non-profit (CPA impaired life) - individual annuities in payment	2	7					96
405	Annuity non-profit (CPA impaired life) - individual annuities in payment (reassurance accepted from PAC, P(AN)L & PPL)		605					7370
440	Additional reserves non-profit OB - miscellaneous							75469
440	Additional reserves non-profit OB - mismatching							326745
440	Additional reserves non-profit OB - policy related expenses							191773

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

Name of insurer **Prudential Annuities Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 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
400	Annuity non-profit (CPA)		188					3711

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

Name of insurer **Prudential Annuities Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 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
905	Index linked annuity(CPA) - group annuities in payment	17720	32335		483052	483052		483052
905	Index linked annuity(CPA) - group annuities in payment - valued as fixed	15687	18759		299087	299087		299087
905	Index linked annuity(CPA) - individual annuities in payment	6272	23745		406512	406512		406512
905	Index linked annuity(CPA) - individual annuities in payment (reassurance accepted from PAC, P(AN)L & PPL)		28990		415416	415416		415416
907	Index linked deferred annuity - group deferred annuities	17829	15474		138202	138202		138202
907	Index linked deferred annuity - group deferred annuities - valued as fixed	6337	12099		180367	180367		180367
907	Index linked deferred annuity - group deferred annuities (reassurance accepted from PAC)		444		6547	6547		6547
915	Additional reserves index linked - miscellaneous						44619	44619
915	Additional reserves index linked - mismatching						61145	61145
915	Additional reserves index linked - policy related expenses				21888	21888		21888

Long-term insurance business : Index linked business

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

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	227333	16.93
Other variable interest securities	12	1080164	10.42
Approved fixed interest securities	13	87378	8.44
Other fixed interest securities	14	342350	8.30
Cash and deposits	15	78018	
Equity index derivatives	16		
Inflation swaps	17	76936	
Other assets	18	57037	
Variation margin	19		
Total (11 to 19)	20	1949216	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31	14052	6.81
AA/Aa	32	214346	10.36
A/A	33	546103	11.37
BBB/Baa	34	325525	10.14
BB/Ba	35	339	4.71
B/B	36	22	7.12
CCC/Caa	37	277	5.85
Other (including unrated)	38	321850	7.32
Total other fixed interest and other variable interest securities	39	1422514	9.97

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential Annuities Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	12664476	13414046
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	12664476	13414046
Mathematical reserves	21	12519721	13379931
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	144755	34115

Composition of surplus

Balance brought forward	31	34115	50000
Transfer from non-technical account	32	503664	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(393024)	(15885)
Total	39	144755	34115

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	144755	34115
Total (48+49)	59	144755	34115

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 Annuities 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%				
Classes I (other), II and IX	14	0.3%				
Classes III, VII and VIII	15	0.3%				
Total	16					

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%	10468452	10464741	1.00	104647	112611
Classes III, VII and VIII (investment risk)	33	1%	2056835	2054980	1.00	20550	21188
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					125197	133799

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	10468452	10464741	1.00	313942	337834
Classes III, VII and VIII (investment risk)	43	3%	2056835	2054980	1.00	61649	63564
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%					
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		12525287	12519721		375591	401398

Long term insurance capital requirement	51					500788	535197
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PRUDENTIAL ANNUITIES LIMITED

Valuation report pursuant to the Interim Prudential Sourcebook (IPRU (INS)) rule 9.4, 9.31(a) and Appendix 9.4

Valuation Report as at 31 December 2008

1. Introduction

- (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.

2. Product range

(a) New products

No new products have been introduced during the financial year.

(b) New bonus series

No new bonus series have been introduced during the financial year.

(c) Products withdrawn

No products have been withdrawn during the financial year.

(d) Changes to options or guarantees under existing products

No changes have been made to options or guarantees on existing products during the financial year.

(e) With-profits subfunds

There are no with-profit subfunds.

3. Discretionary charges and benefits

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Not applicable
- (5) Not applicable

Valuation Report as at 31 December 2008 (continued)

- (6) Not applicable
- (7) Not applicable
- (8) Not applicable
- (9) Not applicable
- (10) Not applicable

4. Valuation basis (other than for special reserves)

For the purpose of reporting interest rates, mortality and expense bases, the following abbreviations are used:

Description	Abbreviation
Reassurance accepted from The Prudential Assurance Company Limited, Prudential (AN) Limited & Prudential Pensions Limited	Reassurance accepted from PAC, P(AN)L & PPL
Group Pension Deferred Annuity administration system	GPDA
Deferred Annuity Pension Administration system	DAPA

- (1) The mathematical reserve for annuities in payment is the present value of the annuities.

The mathematical reserve for RPI-linked annuities is, in general, determined without an explicit allowance for future increases in annuity payments, which is consistent with the treatment of the matching assets. The treatment of RPI-linked annuities which are subject to maximum and/or minimum percentage increases is as follows:

- (a) RPI-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 5% are, for valuation purposes, treated as being identical to normal RPI-linked annuities.
- (b) RPI-linked annuities subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% are, for valuation purposes, treated as annuities with fixed 5% annual increases.
- (c) RPI-linked annuities subject to a minimum annual increase of 4% and a maximum annual increase of 8.5% are, for valuation purposes, treated as annuities with fixed 8.5% annual increases.
- (d) RPI-linked annuities subject to a minimum annual increase of 3% are, for valuation purposes, treated as annuities with fixed 6% annual increases.

Valuation Report as at 31 December 2008 (continued)

The annuities described under (b), (c) and (d) are included in these returns as linked business. Thus, in particular, Form 56 includes sufficient fixed interest assets to match the corresponding liabilities.

The mathematical reserve for deferred annuities is the present value of the annuity secured to date.

For deferred annuities where benefits include revaluation in deferment in line with RPI, followed by fixed escalation in payment, the revaluation in deferment is generally subject to a minimum annual increase of 0% and a maximum annual increase of 5%. For valuation purposes these are treated as annuities with fixed 5% annual revaluation throughout the deferred period followed by the actual fixed escalation in payment. These annuities are included in these returns as non-linked business.

A separate expense reserve is held. This is calculated as the present value of future expenses, allowing for inflation.

- (2) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU (INS) Appendix 9.3 so that a more appropriate rate of interest will be used for assets taken in combination.

In applying the section 148 waiver, the yield on property is taken to be the lower of the current rental yield and the “redemption yield”, which is the interest rate at which the market value equates to the present value of future rental income and the disposal value. No allowance is made for non-contractual increases in rental income. As an allowance for the risk of falls in value, the disposal value of the property at the end of the lease is taken as 75% of the current market value.

The interest rates used are as follows:

Non-linked

Product code number	Product description	31 December 2008 %	31 December 2007 %
All	All products	5.78	5.31

Valuation Report as at 31 December 2008 (continued)

Index-linked

Product code number	Product description	31 December 2008 %	31 December 2007 %
All	All products (excluding index linked annuities – valued as fixed)	1.99	1.79
All	Index linked annuity – group annuities in payment – valued as fixed Index linked annuity – group deferred annuities – valued as fixed	5.78	5.31

Investment management expenses are allowed for by means of an appropriate deduction from the valuation rate of interest (see 4(6) below). The valuation rates of interest above are shown before the deduction for investment management expenses.

- (3) The allowance for defaults is calculated as the long-term expected level of defaults plus an additional allowance for short-term defaults reflecting the market conditions at the valuation date.

The long-term default allowance is determined from data supplied by our investment manager, which itself is based upon research carried out by one of the major rating agencies. This analysis, based on actual default experience over a 35 year period, produces mean default rates according to credit quality and term to redemption.

In the event of default it may be possible to recover some capital, especially if the loan is secured. The allowance for recovery (or partial recovery) of the loan varies according to the level of security and the following recovery rates are assumed:

First Mortgage Debenture/Senior Secured	75%
Senior Unsecured	45%
Subordinated Debt	20%

To calculate the overall long-term default provision, the corporate bond portfolio is broken down according to credit rating and level of security. The default rate for each category is assumed to vary between 100% and 200% of the appropriate mean default rate, reduced by the expected recovery, plus a further amount for credit risk. The derived default rates for each level of security are set out below:

Valuation Report as at 31 December 2008 (continued)

Default rates – basis points per annum:

Seniority	AAA	AA	A	BBB	BB	B and lower
First Mortgage Debenture / Senior Secured	6.6	8.5	13.8	28.5	107.2	216.6
Senior Unsecured	14.6	18.7	30.3	62.8	235.8	476.6
Subordinated Debt	21.2	27.2	44.0	91.3	343.0	693.3

The additional allowance for short-term defaults is taken to be 25% of the increase in credit spreads over swaps that have occurred since 31 December 2006 based on a set of externally published indices weighted to reflect the assets held by the Company.

A deduction is also made to allow for the risk of default of rent on properties. This deduction is calculated in the same way as for corporate bonds (having regard to the credit quality of the relevant tenants), as described above.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of INSPRU 3.1. The risk adjusted yields shown in Form 57 column 5 were calculated using the method specified in the section 148 waiver, after allowing for defaults.

Aggregate yields on the backing assets have been adjusted by 0.91% and 0.90% to allow for defaults within the non-linked and index-linked portfolios respectively. These default adjustments include margins for prudence.

For the portfolio as a whole this represents an aggregate default assumption of 91 basis points per annum. This can alternatively be expressed as 209 basis points for 3 years and 50 basis points per annum thereafter.

Valuation Report as at 31 December 2008 (continued)

(4) Non-linked

Product code number	Product description	31 December 2008	31 December 2007
400	Annuity non-profit (CPA) – individual annuities in payment Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from PAC, P(AN)L & PPL)		
405	Annuity non-profit (CPA impaired life) – individual annuities in payment Annuity non-profit (CPA impaired life) - individual annuities in payment (reassurance accepted from PAC, P(AN)L & PPL)		
	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)
400	Annuity non-profit (CPA) – group annuities in payment		
	Mortality table	Modified 105% PNMA00 / 103% PNFA00	Modified 112% PNMA00 / 107% PNFA00
	Expectation of life age 65	23.3 (M), 24.0 (F)	22.6 (M), 23.6 (F)
	Expectation of life age 75	14.0 (M), 15.0 (F)	13.4 (M), 14.6 (F)
390	Deferred annuity non-profit – group deferred annuities (GPDA) Deferred annuity non-profit - group deferred annuities (reassurance accepted from PAC) (GPDA)		
	Mortality table	In deferment: AM92 /AF92 – 4 years In payment: Modified 126% PNMA00 / 117% PNFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 126% PNMA00 / 117% PNFA00
	Current age 45, expectation of life age 65	25.6 (M), 24.9 (F)	25.4 (M), 24.8 (F)
	Current age 55, expectation of life age 65	23.7 (M), 23.9 (F)	23.5 (M), 23.8 (F)
390	Deferred annuity non-profit – group deferred annuities (DAPA) Deferred annuity non-profit - group deferred annuities (reassurance accepted from PAC) (DAPA)		
	Mortality table	In deferment: AM92 /AF92 – 4 years In payment: Modified 105% PNMA00 / 103% PNFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 112% PNMA00 / 107% PNFA00
	Current age 45, expectation of life age 65	27.3 (M), 26.0 (F)	26.5 (M), 25.6 (F)
	Current age 55, expectation of life age 65	25.3 (M), 25.0 (F)	24.5 (M), 24.6 (F)

Valuation Report as at 31 December 2008 (continued)

Index linked

Product code number	Product description	31 December 2008	31 December 2007
905	Index linked annuity (CPA) - individual annuities in payment Index linked annuity (CPA) - individual annuities in payment (reassurance accepted from PAC, P(AN)L & PPL)		
	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)
905	Index linked annuity (CPA) - group annuities in payment Index linked annuity (CPA) - group annuities in payment - valued as fixed		
	Mortality table	Modified 105% PNMA00 / 103% PNFA00	Modified 112% PNMA00 / 107% PNFA00
	Expectation of life age 65	23.3 (M), 24.0 (F)	22.6 (M), 23.6 (F)
	Expectation of life age 75	14.0 (M), 15.0 (F)	13.4 (M), 14.6 (F)
907	Index linked deferred annuity - group deferred annuities Index linked deferred annuity - group deferred annuities – valued as fixed Index linked deferred annuity – group deferred annuities (reassurance accepted from PAC)		
	Mortality table	In deferment: AM92 /AF92 – 4 years In payment: Modified 105% PNMA00 / 103% PNFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 112% PNMA00 / 107% PNFA00
	Current age 45, expectation of life age 65	27.3 (M), 26.0 (F)	26.5 (M), 25.6 (F)
	Current age 55, expectation of life age 65	25.3 (M), 25.0 (F)	24.5 (M), 24.6 (F)

The changes in mortality assumptions relative to prior year reflects a rebalancing to better align the assumptions with the actual experience for each product type. The overall effect is financially neutral.

Valuation Report as at 31 December 2008 (continued)

Mortality bases used at 31 December 2008 and 31 December 2007

Annuities are generally valued using a percentage of the 00 series 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.

In practice, some of the group deferred annuity business has been valued using percentages of single entry tables based on the 92 series tables for annuitants and pensioners, with calendar year 2004 (improvements in line with CMIR17 until 2004). The percentages have been chosen so that the rates used are equivalent to the double entry tables with future improvement factors as described above. For these contracts, a further deduction of 0.65% from the valuation rate of interest has been made during the deferred period, to allow for expected mortality improvements prior to vesting.

- (5) Not applicable
- (6) The renewal expenses per annum used are as follows:

Product code number	Product description	31 December 2008	31 December 2007
All	All products	£19.60 p.a.	£22.11 p.a.

The inflation rate assumed for future expenses is as follows:

Product code number	Product description	31 December 2008	31 December 2007
All	All products	3.50% p.a	3.75% p.a.

Investment management expenses are allowed for by making a deduction from the valuation rate of interest. The deduction used is as follows:

Product code number	Product description	31 December 2008	31 December 2007
All	All products	0.06% p.a.	0.06% p.a.

Valuation Report as at 31 December 2008 (continued)

The valuation rates of interest in 4(2) (and the asset yields in Form 48 and Form 57) are shown before the deduction for investment management expenses.

Outgo on property maintenance costs and leases is allowed for directly in the valuation rates of interest used (and the asset yields shown in Form 48 and Form 57 are shown after this deduction).

(7) Not applicable

(8) Not applicable

(9) No lapses have been allowed for in the valuation.

(10) There are no material basis assumptions not stated elsewhere.

(11) Derivative contracts held as at 31 December 2008 comprised:

- i) Contracts to swap fixed US Dollars for fixed UK Sterling;
- ii) Contracts to swap fixed Euros for fixed UK Sterling;
- iii) Contracts to swap floating UK Sterling LIBOR for fixed UK Sterling;
- iv) Contracts to swap fixed UK Sterling for floating UK Sterling LIBOR;
- v) Contracts to swap floating UK Sterling LIBOR for fixed UK Sterling;
- vi) Contracts to swap inflation linked RPI UK Sterling for fixed UK Sterling;
- vii) Contracts to swap inflation linked UK Sterling property income for fixed UK Sterling
- viii) Contracts to swap fixed UK Sterling for inflation linked UK Sterling RPI/LPI

The effect of the contracts under i) is to convert cashflows from fixed US Dollar denominated bonds into fixed UK Sterling cashflows.

The effect of the contracts under ii) is to convert cashflows from fixed Euro denominated bonds into fixed UK Sterling cashflows.

The effect of the contracts under iii) is to convert cashflows from UK Sterling floating rate LIBOR assets into fixed UK Sterling cashflows.

The effect of the contracts under iv) combined with the contracts under v) is to lengthen the duration of fixed portfolio.

The effect of the contracts under vi) is to convert cashflows from inflation linked RPI bonds into fixed UK Sterling cashflows.

The effect of the contracts under vii) is to convert cashflows from RPI inflation linked property rental payments into fixed UK Sterling cashflows.

Valuation Report as at 31 December 2008 (continued)

The effect of the contracts under viii) is to convert fixed UK Sterling assets into UK Sterling RPI inflation linked cashflows.

The cashflows involved in these arrangements were included in the aggregate cashflows from the portfolio in order to derive the aggregate yield on the portfolio. This is in accordance with the section 148 waiver.

No options are held and hence no out-of-the-money derivatives have been used to back liabilities.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of INSPRU 3.1 and hence differ from the yields calculated in accordance with the section 148 waiver.

- (12) There were no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. Options and guarantees

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Some RPI linked annuities are subject to maximum and minimum percentage increases. The valuation of this business is as described in 4(1). An additional reserve of £30m is held at the valuation date to cover the risk of negative RPI inflation.

6. Expense reserves

- (1) The aggregate amount arising during the twelve months after the valuation date from implicit and explicit expense reserves made in the valuation to meet expenses are:

	£m
Per policy expenses	12.7
Investment management expenses	8.5
Total	21.2

Outgo on property maintenance costs and leases are allowed for directly in the valuation rates of interest used (and the asset yields shown in Form 48 and Form 57 are shown after this deduction).

- (2) Not applicable

Valuation Report as at 31 December 2008 (continued)

- (3) The maintenance expenses shown at line 14 of Form 43 are £24.0m and include a performance investment fee of £5.2m in respect of the investment performance during 2006 and 2007. The payment of such performance related investment fees is contingent on surplus emerging on the Company's business. The maintenance expenses shown in (1) above also include margins for prudence.
- (4) With the exception of a small volume of increments to existing policies, the Company does not expect to write any new business in the twelve months following the valuation date. Therefore no new business expense overrun reserve is required.
- (5) Although the Company is effectively closed to new business, the expense reserves in (1) above are calculated on the implicit assumption that the Company will continue to write new business (on the basis that new business, that would have been written by the Company in previous years, continues to be written elsewhere in the Prudential Group).

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 amount of the expense loading over the remaining lifetime of the contracts in force at the valuation date is £193.0m.

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 20% and that loss of economies of scale would result in overall expenses thereafter being cut more slowly than the rate at which policies run off. If this revised calculation results in a higher reserve than described in the paragraph above, then the difference is held as an additional reserve. In addition, the costs associated with closing to new business, such as redundancy costs or the costs of terminating management agreements, are estimated. To the extent that these costs exceed the projected surplus on prudent assumptions from existing business a further additional reserve is held.

At the valuation date, an additional reserve of £20.7m is held for the impact of closing to new business.

- (6) No expenses have been treated as non-attributable.

7. Mismatching reserves

- (1) All the mathematical reserves are payable in sterling and the assets which match the liabilities are sterling assets. There are some US Dollar and Euro denominated assets which, in conjunction with specific swap derivative contracts, effectively produce income in UK Sterling. See 4(11) for details.
- (2) Not applicable
- (3) Not applicable

Valuation Report as at 31 December 2008 (continued)

- (4) The most onerous scenario under INSPRU 3.1.16R was:
- (i) a fall in property values of 10% plus a fall in rental income of 10%, and;
 - (ii) a fall in yield on all fixed interest securities of 0.75%, which is the percentage point fall equal to 20% of the long-term gilt yield at the valuation date.
- In addition to the requirements specified in INSPRU 3.1.16R, this test also included an immediate fall of 25% in the real yield on index-linked bonds.
- (5) There were no significant territories at the valuation date.
- (6) In respect of the scenario described under (4) above;
- (a) No resilience capital requirement was necessary.
 - (b) The increase in the aggregate amount of the long-term insurance liabilities was £792m.
 - (c) The increase in the aggregate amount of assets backing these liabilities was £795m.
- (7) A reserve of £387.9m was held arising from the test on assets in INSPRU 1.1.34R(2).

This reserve was set at a level which was sufficient to ensure that it covered the results of projecting the risk adjusted cashflows of the assets backing the liabilities and the future liability payments on the valuation assumptions.

In carrying out this test, it has been assumed that:

- (i) there will be a higher level of default losses in the short term and this has been allowed for by applying a level percentage deduction to all asset cashflows, and;
- (ii) long term default losses will occur at the rate of 50 basis points per annum.

The combined allowance for defaults in (i) and (ii) above is consistent with the Company's overall allowance for defaults of 91 basis points per annum (which is equivalent to 209 basis points per annum for 3 years and 50 basis points per annum thereafter).

In any year where asset income exceeds liability outgo, the excess is assumed to be invested in a cash asset, and this cash asset is assumed to accumulate at 97.5% of the maximum reinvestment rate specified in INSPRU 3.1.45R. In any year when asset income is insufficient to meet liabilities, the cash reserve is used to meet the shortfall. In the event that the cash reserve is reduced to zero, then the shortfall is assumed to be borrowed at a rate 2% higher than 97.5% of the maximum reinvestment rate.

Valuation Report as at 31 December 2008 (continued)

8. Other special reserves

The additional reserves include an allowance of £90.1m for general.

9. Reinsurance

Long term business is reassured on a facultative basis to a reinsurer who is authorised to carry on business in the UK.

(1) Not applicable

(2) Not applicable

(3) Not applicable

10. Reversionary (or annual) bonus

(1) Not applicable

(2) Not applicable

(3) Not applicable

(4) Not applicable

PRUDENTIAL ANNUITIES LIMITED

Returns for the year ended 31 December 2008

Supplementary notes to the returns

Form 2

0201 Waivers under Section 148, Financial Services and Markets Act 2000

(771848) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in May 2005. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU (INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination. This direction ends on 31 October 2012.

Form 3

0301 Reconciliation of net admissible assets to total capital resources

	2008 £'000s
Line 89 on Form 13 (OLTB)	881,943
Line 89 on Form 13 (LTB)	13,113,095
Line 11 on Form 14	(12,519,721)
Line 49 on Form 14	(543,374)
Line 69 on Form 15	(231,978)
Line 79 on Form 3	<u>699,965</u>

0310 Valuation differences

	2008 £'000s
<i>Positive valuation differences where liabilities are lower than in the shareholder accounts</i>	
Deferred tax held on additional reserves and valuation differences	293,070
<i>Positive valuation differences where assets are higher than in the shareholder accounts</i>	
FSA valuation difference on investments	7,920
<i>Negative valuation differences where liabilities are higher than in the shareholder accounts</i>	
Additional reserves held in long term fund	(1,054,615)
Line 35 on Form 3	<u>(753,625)</u>

Supplementary notes to the returns (continued)

Form 3 (Continued)

0313 Reconciliation of profit and loss account and other reserves

	2008 £'000s
Profit and loss account and other reserves c/fwd (Form 3 Line 12 – Column 3)	999,245
Profit and loss account and other reserves b/fwd (Form 3 Line 12 – Column 4)	1,172,869
Movement	(173,624)
Movement in additional reserves held for FSA	(224,776)
Movement in valuation difference	(9,674)
Movement in deferred tax	65,770
Movement in unallocated surplus	(110,640)
Profit and loss account retained for the financial year (Form 16 Line 59)	(452,944)

Form 13

Notes 1301 to 1307 apply to the other than long term business fund.

1301 The Company held £69m in unlisted securities.

1302 The Company held £14m in hybrid securities.

1304 Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

1305 The maximum permitted exposure to any one counterparty has been set in accordance with the counterparty limits detailed in INSPRU 2.1.22. Therefore exposures to non-approved counterparties have been restricted to a maximum of 5% of the business amount. No counterparty exposure during the year exceeded these limits.

1306 No counterparty exposure at the year end exceeded 5% of the business amount.

1307 No “secure obligations” were held at the year end.

Notes 1308 to 1313 apply to the long term business fund.

1308 The Company held £941m in unlisted securities.

1309 The Company held £1,458m in hybrid securities.

1310 Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

Supplementary notes to the returns (continued)

Form 13 (continued)

1311 The maximum permitted exposure to any one counterparty has been set in accordance with the counterparty limits detailed in the various Prudential Sourcebooks. Therefore exposures to non-approved counterparties have been restricted to a maximum of 5% of the long term business amount. No counterparty exposure during the year exceeded these limits.

1312 No counterparty exposure at the year end exceeded 5% of the long term business amount.

1313 No “secure obligations” were held at the year end.

1318 Other asset adjustments

	2008 £'000s
<i><u>Total other than long term business assets</u></i>	
Amounts due from long term fund, notionally settled and shown as cash at bank on Form 13, which consolidates out in the financial statements.	(153,338)
Miscellaneous liabilities netted off against assets in the financial statements	(950)
Line 101 on Form 13	<u>(154,288)</u>
	2008 £'000s
<i><u>Total long term business assets</u></i>	
Miscellaneous liabilities netted off against assets in the financial statements	(85,509)
Line 101 on Form 13	<u>(85,509)</u>

1321 Other differences in valuation of assets

	2008 £'000s
<i><u>Total long term business assets</u></i>	
Assets valued on a different basis than that in the financial statements	(6,245)
Line 98 on Form 13	<u>(6,245)</u>

Form 14

1401 The long term fund held a number of interest rate swaps, foreign currency swaps and foreign currency futures, during the year. The swaps involved the exchange of cash flows and not the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are strictly covered.

Supplementary notes to the returns (continued)

Form 14 (continued)

- *1402* (a) In the normal course of business certain reinsurance liabilities were secured by a floating charge, ranking these liabilities equally with amounts due under unsecured direct (non-reassurance) policies, over the long term insurance assets of the Company. The amounts secured by charges of this nature and included in Form 14 line 11 was £7,563,369k. The whole of the amount at F13 line 89 is subject to charge.
- (b) Increases in the values of assets of the long term fund do 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) Excluded from Form 14 is a performance related investment fee (PRF). The PRF was not paid in respect of 2008 as it only becomes payable in the event of surplus emerging on the Company's business. The value of the PRF for 2008 totals £1,675k. This amount will be paid in future years if sufficient surplus emerges.
- (d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business and in respect of related companies.

1405 Details of other adjustments to liabilities

	<u>2008</u> <u>£'000s</u>
Additional reserves held in long term fund	(1,054,615)
Deferred tax held on additional reserves and valuation differences	293,070
Contingent performance related investment fees	1,675
Miscellaneous adjustments to liabilities	(85,509)
Line 74 on Form 14	<u>(845,379)</u>

Form 15

- *1501* The other than long term fund held a number of interest rate swaps and foreign currency futures during the year. The swaps involved the exchange of cash flows and not the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are strictly covered.

Supplementary notes to the returns (continued)

Form 15 (continued)

- *1502* (a) There were no charges attributable to the other than long term business assets.
- (b) The total potential liability to taxation on capital gains which might arise if the company disposed of its assets was £200k. Full provision has been made at the year end.
- (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 and in respect of related companies.

1507 Details of other adjustment in liabilities

	2008 £'000s
Amounts due from long term fund, notionally settled and shown as cash at bank on Form 13, which consolidates out in the financial statements.	(153,338)
Miscellaneous adjustments to liabilities	(950)
Line 83 on Form 15	<u>(154,288)</u>

Form 16

1601 Revenue account items are translated at rates ruling on the transaction date.

1603 Balances in line 21 relate to management expenses.

Form 40

4008 Management services are provided to the Company for day to day administration from The Prudential Assurance Company Ltd, M&G Investment Management Ltd, Prudential Property Investment Managers Ltd, PPM America Inc., Prudential UK Services Ltd and Prudential Services Ltd, Prudential Distribution Ltd, all being group companies.

4009 The Company has a reinsurance agreement with a related company, The Prudential Assurance Company Ltd, in respect of non-participating approved annuity contracts. The reinsurance agreement was drawn up under normal commercial terms which reflect the level of business transacted with the Company.

Included within claims incurred is an amount of £601m arising from claims under this reinsurance agreement. The liabilities included in the return, relating to this business amount to £7,563m at the year end.

Supplementary notes to the returns (continued)

Form 48

- *4802* There are 7 assets where the payment of interest is in default. The expected income from these assets has been reduced to nil.
- *4803* Where securities may be redeemed over a period at the option of the guarantor or issuer, and they are valued “above par” they have been classified on the assumption that they will be redeemed at the earliest possible date. Where they are valued “below par” they have been classified on the basis that they will be redeemed at the latest possible date. The only exception to this rule is where the terms and conditions of a security are such that the coupon moves from a fixed rate to a floating rate, should the issuer not redeem at the earliest call date. Securities that fall into this category have been classified on the assumption that they will redeem at the earliest possible date.

Form 49

- *4901* Credit ratings used on Form 49 are the lowest of 3 external rating agencies, namely Fitch, S&P & Moody’s.

Form 51

- *5105* The amount of double counting of policies between Forms 51 and 54 combined is 70,500.
- *5106* Annuities included in Forms 51 and 54 are categorised depending on the type of escalation of benefits once an annuity is in payment. Form 51 includes annuities that increase at a guaranteed fixed rate and Form 54 includes annuities where benefits are dependent on changes in RPI. Deferred annuities with revaluation in line with RPI in deferment and fixed increases in payment are included in Form 51.

Form 54

- *5405* The amount of double counting of policies between Forms 51 and 54 combined is 70,500.

Form 56

- *5601* The credit rating are the lowest of the three external rating agencies (S&P, Moody’s & Fitch) expressed in the S&P format.

Supplementary notes to the returns (continued)

Form 57

The information required in respect of waiver 771848 (dated 17 December 2007) is as follows:

Product group	Risk adjusted yield on matching assets (Form 57 column 5)	Corresponding asset yield
Form 51: Immediate & deferred annuities	5.93%	6.84%
Form 51: Additional reserves non-profit OB – policy related expenses	2.04%	2.94%

Form 58

5803 There is a difference between line 29 and Form 2 line 11 of £94,755k. This difference relates to the inadmissible assets shown on Form 13 (Long term Business) line 93.