

Prudential (AN) Limited

**Incorporated and registered in England and Wales.
Registered no. 1347088.**

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

**Annual FSA Insurance Returns for the year ended
31 December 2009**

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6

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

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

Solo solvency calculation		Company registration number	GL/ UK/ CM	day month year			Units
	R2	1347088	GL	31	12	2009	£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	4596	5368
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	20180	8933
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	24776	14301

Guarantee fund

Guarantee fund requirement	21	3128	2518
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	21648	11783

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	4514	4522
Resilience capital requirement	32	500	500
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	5014	5022
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	5014	5022
Excess (deficiency) of available capital resources to cover 50% of MCR	37	22269	11790
Excess (deficiency) of available capital resources to cover 75% of MCR	38	21016	10535

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	5014	5022

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	5014	5022
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	19762	9279

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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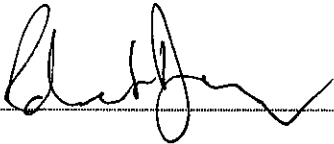
Covering Sheet to Form 2

Form 2

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

Global business

Financial year ended **31 December 2009**



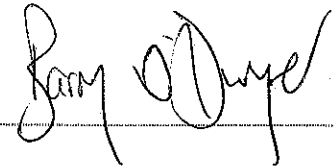
R A Devey

Chief Executive



D J Belsham

Director



F A O'Dwyer

Director

Date 26 March 2010

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

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	1347088	GL	31	12	2009	£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	

Core tier one capital

Permanent share capital	11		18000	18000	18000
Profit and loss account and other reserves	12		7052	7052	6526
Share premium account	13				
Positive valuation differences	14				103
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		25052	25052	24629

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		25052	25052	24629
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		276	276	
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		276	276	
Total tier one capital after deductions (31-37)	39		24776	24776	24629

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

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1347088	GL	31	12	2009	£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 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	1347088	GL	31	12	2009	£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		24776	24776	24629
Inadmissible assets other than intangibles and own shares	73				
Assets in excess of market risk and counterparty limits	74				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		24776	24776	14301

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		24776	24776	14301
Available capital resources for 50% MCR requirement	82		24776	24776	14301
Available capital resources for 75% MCR requirement	83		24776	24776	14301

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 2009**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	2009	£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	12813	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		
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	2227	2303
	Other	46		5000
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50	304	339
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	5000	
	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 2009**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	2009	£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	18	
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	53	584
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	9	
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	20424	10089
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Analysis of admissible assetsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2009**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	2009	£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	20424	10089
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	20424	20417
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	12813	1863

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

Global business

Financial year ended **31 December 2009**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	2009	£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	3572	3675
	Other	46		5000
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	1791	
	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 2009**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	2009	£000	10
					As at end of this financial year		As at end of the previous year
					1		2

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	983	1619
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	95	485
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	4450	412
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	129	24
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	11020	11215
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Analysis of admissible assetsName of insurer **Prudential (AN) Limited**

Global business

Financial year ended **31 December 2009**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	2009	£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	11020	11215
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	181631	180083
Other asset adjustments (may be negative)	101		(275)
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	192651	191023
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 2009**
Total business/Sub fund **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	5740	5479
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	4596	5368
Long term insurance business fund carried forward (11 to 13)		14	10336	10847
Claims outstanding	Gross	15	649	368
	Reinsurers' share	16		
	Net (15-16)	17	649	368
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	35	
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	684	368
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	11020	11215

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	29	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	6424	5847
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	181631	180083
Other adjustments to liabilities (may be negative)	74	(380)	(172)
Capital and reserves and fund for future appropriations	75	4976	5265
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	192651	191023

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

Global business

Financial year ended **31 December 2009**

Company registration number		GL/UK/CM	day month year			Units
R15	1347088	GL	31	12	2009	£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		
	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	244	1156
	Foreseeable dividend	48		
	Other	49		
Accruals and deferred income		51		
Total (19 to 51)		59	244	1156
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	244	1156

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	104	
Capital and reserves	84	20076	19261
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	20424	20417

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

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1347088	GL	31	12	2009	£000
				This financial year 1			Previous year 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	839			619	
	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	78			2	
	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	761			617	
Tax on profit or loss on ordinary activities			31	(54)			790	
Profit or loss on ordinary activities after tax (29-31)			39	815			(173)	
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	815			(173)	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59	815			(173)	

Long-term insurance business : Revenue account

Name of insurer **Prudential (AN) Limited**
Total business / subfund **Ordinary Long Term Business**
Financial year ended **31 December 2009**
Units **£000**

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

Income

Earned premiums	11	(111)	(5)
Investment income receivable before deduction of tax	12	1075	1504
Increase (decrease) in the value of non-linked assets brought into account	13	(124)	525
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	840	2024

Expenditure

Claims incurred	21	371	503
Expenses payable	22	980	696
Interest payable before the deduction of tax	23		
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	1351	1199

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(511)	825
Fund brought forward	49	10847	10022
Fund carried forward (39+49)	59	10336	10847

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential (AN) Limited**
Total business / subfund **Ordinary Long Term Business**
Financial year ended **31 December 2009**
Units **£000**

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

Gross

Regular premiums	11		407		407	451
Single premiums	12		1166		1166	2031

Reinsurance - external

Regular premiums	13					
Single premiums	14		1		1	2

Reinsurance - intra-group

Regular premiums	15		46		46	30
Single premiums	16		1637		1637	2455

Net of reinsurance

Regular premiums	17		361		361	421
Single premiums	18		(472)		(472)	(426)

Total

Gross	19		1573		1573	2482
Reinsurance	20		1684		1684	2487
Net	21		(111)		(111)	(5)

Long-term insurance business : Analysis of claims

Name of insurer **Prudential (AN) Limited**
 Total business / subfund **Ordinary Long Term Business**
 Financial year ended **31 December 2009**
 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	529	258		787	1449
Disability periodic payments	12					
Surrender or partial surrender	13	4318	11006		15324	24698
Annuity payments	14		5752		5752	5813
Lump sums on maturity	15		67		67	3037
Total	16	4847	17083		21930	34997

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	529	258		787	1432
Disability periodic payments	32					
Surrender or partial surrender	33	4318	10648		14966	27264
Annuity payments	34		5739		5739	5798
Lump sums on maturity	35		67		67	
Total	36	4847	16712		21559	34494

Net of reinsurance

Death or disability lump sums	41					17
Disability periodic payments	42					
Surrender or partial surrender	43		358		358	(2566)
Annuity payments	44		13		13	15
Lump sums on maturity	45					3037
Total	46		371		371	503

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential (AN) Limited**
Total business / subfund **Ordinary Long Term Business**
Financial year ended **31 December 2009**
Units **£000**

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

Gross

Commission - acquisition	11		6		6	5
Commission - other	12		4		4	4
Management - acquisition	13					
Management - maintenance	14		762		762	586
Management - other	15		208		208	101
Total	16		980		980	696

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		6		6	5
Commission - other	42		4		4	4
Management - acquisition	43					
Management - maintenance	44		762		762	586
Management - other	45		208		208	101
Total	46		980		980	696

Long-term insurance business : Summary of new businessName of insurer **Prudential (AN) Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

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

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

Regular premium business	11					
Single premium business	12		60		60	88
Total	13		60		60	88

**Amount of new regular
premiums**

Direct insurance business	21		46		46	30
External reinsurance	22					
Intra-group reinsurance	23					
Total	24		46		46	30

**Amount of new single
premiums**

Direct insurance business	25		1164		1164	2029
External reinsurance	26					
Intra-group reinsurance	27		2		2	2
Total	28		1166		1166	2031

Prudential (AN) Limited

31 December 2009

Financial year ended

Units

£000

UK Pension / Direct Insurance Business

[illegible]

Prudential (AN) Limited

31 December 2009

£000

UK Pension / Reinsurance accepted intra-group

[illegible]

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 2009**
 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	3701	3701	113	3.05	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	7319	7319	35	0.47	
Total	19	11020	11020	147	1.34	

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 **Ordinary Long Term Business**
 Financial year ended **31 December 2009**
 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		67159		67159	65722
Form 52	13	43390			43390	45977
Form 53 - linked	14		74482		74482	72500
Form 53 - non-linked	15		5769		5769	5511
Form 54 - linked	16		1084		1084	1016
Form 54 - non-linked	17					
Total	18	43390	148494		191884	190726

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25		29		29	32
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28		29		29	32

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		67159		67159	65722
Form 52	33	43390			43390	45977
Form 53 - linked	34		74482		74482	72500
Form 53 - non-linked	35					
Form 54 - linked	36		1084		1084	1016
Form 54 - non-linked	37					
Total	38	43390	142725		186115	185215

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		5740		5740	5479
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48		5740		5740	5479

Name of insurer	Prudential (AN) Limited
Total business / subfund	Ordinary Long Term Business
Financial year ended	31 December 2009
Units	£000
UK Pension / Gross	

[illegible]

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	Ordinary Long Term Business
Financial year ended	31 December 2009
Units	£000
UK Pension / Reinsurance ceded intra-group	

[illegible]

Name of insurer	Prudential (AN) Limited
Total business / subfund	Ordinary Long Term Business
Financial year ended	31 December 2009
Units	£000
UK Life / Gross	

[illegible]

Name of insurer	Prudential (AN) Limited
Total business / subfund	Ordinary Long Term Business
Financial year ended	31 December 2009
Units	£000
UK Life / Reinsurance ceded intra-group	

[illegible]

Name of insurer	Prudential (AN) Limited
Total business / subfund	Ordinary Long Term Business
Financial year ended	31 December 2009
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Prudential (AN) Limited
Total business / subfund	Ordinary Long Term Business
Financial year ended	31 December 2009
Units	£000
UK Pension / Reinsurance ceded external	

[illegible]

Name of insurer	Prudential (AN) Limited
Total business / subfund	Ordinary Long Term Business
Financial year ended	31 December 2009
Units	£000
UK Pension / Reinsurance ceded intra-group	

[illegible]

Name of insurer	Prudential (AN) Limited
Total business / subfund	Ordinary Long Term Business
Financial year ended	31 December 2009
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Prudential (AN) Limited
Total business / subfund	Ordinary Long Term Business
Financial year ended	31 December 2009
Units	£000
UK Pension / Reinsurance ceded intra-group	

[illegible]

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential (AN) Limited**
Total business / subfund **Ordinary Long Term Business**
Financial year ended **31 December 2009**
Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	10336	10847
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	10336	10847
Mathematical reserves	21	5740	5479
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	4596	5368

Composition of surplus

Balance brought forward	31	5368	3163
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(772)	2205
Total	39	4596	5368

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	4596	5368
Total (48+49)	59	4596	5368

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 2009**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%			0.50		
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	1673	348		3	3
Classes III, VII and VIII	15	0.3%	1247	1247	1.00	4	5
Total	16		2920	1595		6	7

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%	110593	15	0.85	940	950
Classes III, VII and VIII (investment risk)	33	1%	6809	5725	0.85	58	55
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	54713		0.85	465	460
Classes III, VII and VIII (other)	35	25%				51	35
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					1514	1500

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	110593	15	0.85	2820	2850
Classes III, VII and VIII (investment risk)	43	3%	6809	5725	0.85	174	165
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	54713				
Classes III, VII and VIII (other)	45	0%	19769				
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		191884	5740		2994	3015

Long term insurance capital requirement	51					4514	4522
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PRUDENTIAL (AN) LIMITED

Appendix 9.4

VALUATION REPORT ON PRUDENTIAL (AN) LIMITED

INTRODUCTION

1. (1) The investigation relates to 31 December 2009.
- (2) The previous investigation related to 31 December 2008.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2008.

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 2009 for entry years 2002, 2003 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 1.568% in 2008 and 1.347% in 2009. 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 2009 the total gross mathematical reserves amounted to £192m. 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.

(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	2009	3.00%
	2008	3.25%
Annuities in payment (reassured to PAL)	2009	5.06%
	2008	5.78%
Annuities in payment (reassured to PRIL)	2009	5.11%
	2008	5.89%
Index-Linked Annuities in payment (reassured to PAL)	2009	1.46%
	2008	1.99%
Index-Linked Annuities in payment (reassured to PRIL)	2009	1.65%
	2008	2.18%
Accumulating with-profits bonds	2009	1.60%
	2008	1.60%

(3) Not applicable.

- (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 2009	31 December 2008
Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to PAL)		
Mortality table	Modified 102% PNMA00/ 88% PNFA00	Modified 102% PNMA00/ 88% PNFA00
Expectation of life age 65	23.8 (M), 25.4 (F)	23.6(M), 25.3 (F)
Expectation of life age 75	14.4 (M), 16.2 (F)	14.3 (M), 16.1 (F)
Annuity non-profit (CPA impaired life) - individual annuities in payment (reassurance ceded to PAL)		
Mortality table	Modified 102% PNMA00/ 88% PNFA00	Modified 102% PNMA00/ 88% PNFA00
Expectation of life age 65	23.8 (M), 25.4 (F)	23.6(M), 25.3 (F)
Expectation of life age 75	14.4 (M), 16.2 (F)	14.3 (M), 16.1 (F)
Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to PRIL)		
Mortality table	Modified 96% PNMA00/ 88% PNFA00	Modified 97% PNMA00/ 88% PNFA00
Expectation of life age 65	24.4 (M), 25.4 (F)	24.1 (M), 25.3 (F)
Expectation of life age 75	14.9 (M), 16.2 (F)	14.6 (M), 16.1 (F)
Annuity non-profit (CPA impaired life) – individual annuities in payment (reassurance ceded to PRIL)		
Mortality table	Modified 96% PNMA00/ 88% PNFA00	Modified 97% PNMA00/ 88% PNFA00
Expectation of life age 65	24.4 (M), 25.4 (F)	24.1 (M), 25.3 (F)
Expectation of life age 75	14.9 (M), 16.2 (F)	14.6 (M), 16.1 (F)

Mortality bases used at 31 December 2009 and 31 December 2008

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.

- (5) Not applicable.

(6)

Product description	31 December 2009	31 December 2008
UL Pension (725)		
1) Executive Pensions	Renewal expenses (gross):- - Single premium business £31.39 p.a. per policy - Regular premium business (premium paying) £121.49 p.a. per policy - Regular premium business (non premium paying) £31.39 p.a. per policy	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
2) Other UL pensions	Renewal expenses (gross):- - Single premium business £18.42 p.a. per policy - Regular premium business (premium paying) £25.64 p.a. per policy - Regular premium business (non premium paying) £18.42 p.a. per policy Investment expenses: 0.25% p.a.	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.
Annuities in payment (Reassurance ceded to PRIL) (400)	£20.44 p.a.	£18.89 p.a.
Annuities in Payment (Reassurance ceded to PAL) (400)	£21.54 p.a.	£19.60 p.a.

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

For 31 December 2009 the expenses are split into two elements, those attributable to Prudential and those from Capita who provide outsourced services. The expenses shown above for UL Pensions are the total Prudential and Capita expenses.

(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

(8)

Unit growth rate	5.75%
Expense inflation rate	4.25%
Policy charge inflation rate	Nil

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

(10)

		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%

(11) There are no other material assumptions.

(12) Not applicable.

(13) 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 2009 was £4.2m. 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	-	£120,955	£33,204	£513,932	£668,091
Unit linked single premium	-	£44,384	£4,360	£83,601	£132,345
Total	-	£165,339	£37,564	£597,533	£800,436

- (2) Not applicable.
- (3) Maintenance expenses shown at line 14 of Form 43 are £843,000. These expenses exceed the total expenses loadings calculated in 6.(1) partly because they include non-recurrent expenses which are not covered by the expense loadings.
- (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 2009, an additional reserve of £137,948 was held for the impact of closing to new business.

- (6) The additional reserve for non-attributable expenses at a homogenous risk group level is calculated as the present value of all futures expenses less charges, subject to a maximum of the non-attributable expenses for policies in that risk group. Any future valuation strain is removed at the homogenous risk group level. The additional reserves for non-attributable expenses at 31 December 2009 were as follows:

Homogeneous Risk Group	Homogeneous Risk Group Reserve (£000)
PANL RP	806
PANL SP	-
TOTAL	806

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 89 basis points in the annual yield obtainable on fixed interest securities.
- (5) Not applicable.
- (6) (a) A Resilience Capital Requirement of £500,000 has been established.
- (b) There was a £394,339 increase in the aggregate amount of the long term liabilities.
- (c) The assets allocated to match such liabilities decreased in value by £153,425 from the amount of assets shown in F13.

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

OTHER SPECIAL RESERVES

8. At 31 December 2009 the total gross mathematical reserves amounted to £192m. The lesser of £10m and 0.1% of the total gross mathematical reserves was therefore equal to £0.19m.

At 31 December 2009, there were no special reserves which met the above criteria.

REINSURANCE

9. (1) No premiums were paid in 2009 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 2009.

Reinsurance treaties:

(d) Reinsurer	(e) Nature of cover	(f) Premiums £'000	(h) Open / Closed	(j) Reserve s Ceded £'000	(k) Retentio n
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	56,949	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.	Nil	Open	43,390	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.	1,103	Open	11,294	Nil
The Prudential Assurance Company Limited	Reinsurance of unit linked liability written by the Company. The business is covered by a pari passu charge on assets.	580	Open	74,482	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.

REVERSIONARY BONUS

10.

Bonus series	Mathematical reserves	Annual bonus rate for		UWP unit price increase during the year	Guaranteed bonus rate during the year
		2009	2008		
	£m	%	%	%	%
Prudence Bond – optimum return	8.1	3.00	3.50	3.00	
Prudence Bond – optimum bonus	35.3	3.75	4.25	3.75	

PRUDENTIAL (AN) LIMITED

Notes to the Return

Form 3

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

	2009	2008
	£'000	£'000
Form 13 Line 89 (Long term) Grand total of admissible assets	11,020	11,215
Form 14 Line 11 Mathematical reserves	(5,740)	(5,479)
Form 14 Line 49 Total other insurance and non-insurance liabilities	(684)	(368)
Form 13 Line 89 (Other than long term) Grand total of admissible assets	20,424	10,089
Form 15 Line 69 Total	(244)	(1,156)
	<hr/> 24,776	<hr/> 14,301
Form 3 Line 79 Capital resources after deductions	24,776	14,301
Difference	<hr/> 0	<hr/> 0

0310 Details of positive and negative valuation differences

	2009	2008
	£'000	£'000
Additional reserves held in the long term fund	220	204
Sterling reserves applicable to FSA valuation only	1,083	633
Deferred income reserve not included in FSA valuation	(923)	(983)
Deferred tax on difference between MSB and FSA	(104)	43
Form 3 Line 35/14 Other negative valuation differences	<hr/> 276	<hr/> (103)

0313 Reconciliation of profit and loss account change

	2009
	£000
Profit and loss account and reserves b/fwd (Form 3 Line 12)	6,526
Profit and loss account and reserves c/fwd (Form 3 Line 12)	<hr/> 7,052
Movement	526
Movement in additional reserves held for FSA	(16)
Movement in sterling reserves held for FSA	(450)
Movement in deferred income reserve not held for FSA	(60)
Movement in deferred tax and other movements	43
Movement in unallocated surplus	<hr/> 772
Form 16 Line 59 Loss retained for the financial year	<hr/> 815

Form 13

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

1301 Assets specified in IPRU(INS) instruction 5

The Company held no unlisted investments, listed investments that are not readily realisable, or any other investments specified in IPRU(INS) 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.

PRUDENTIAL (AN) LIMITED

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 did not exceed the maximum 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 £12,813k.

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

***1308* Assets specified in IPRU(INS) instruction 5**

The Company held no unlisted investments, listed investments that are not readily realisable, or any other investments specified in IPRU(INS) 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.

***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.

PRUDENTIAL (AN) LIMITED

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

	2009	2008
	£'000	£'000
Tax debtor held in the long term fund included within the net tax liability in the financial statements	-	(318)
Additional reserves held in the long term fund	(220)	(204)
Sterling reserves applicable to FSA valuation only	(1,083)	(633)
Deferred Income Reserve not included in FSA valuation	923	983
Form 14 line 74	<u>(380)</u>	<u>(172)</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. There were no guarantees at the year end.
- (e) There were no fundamental uncertainties.

1507 Other adjustments to liabilities

Line 83 £104,000 comprises deferred tax on the differences between the statutory accounts and the regulatory return.

PRUDENTIAL (AN) LIMITED

Notes to the Return (continued)

Form 16

***1601* Foreign Currencies**

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

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 2009 the Company has ceded £0.6m of premium to PAC and recovered £11.0m of claims.

The Company also has a reinsurance agreement with PAC for sales of it's with profits bonds previously sold through Abbey National Plc. Earned premiums for the year which were ceded under this reinsurance agreement amount to £Nil. Also claims recovered under this reinsurance agreement amounted to £5.0 for the year.

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 £5.0m 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 £1.1m. Also claims recovered under this reinsurance agreement amounted to £767k for the year.

The net rebate of fund management charge from PAC for the year amounted to £702,000 (2008: £837,000).

Form 49

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

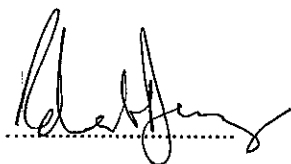
PRUDENTIAL (AN) LIMITED

Financial year ended 31 December 2009

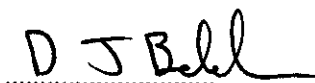
Directors' Certificate required by rule 9.34 of the Accounts and Statements Rules

We certify:

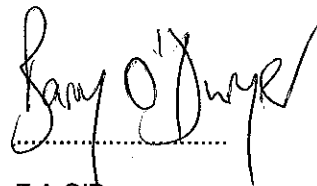
1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU and:
 - (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as 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 every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16R.



R A Devey
Chief Executive



D J Belsham
Director



F A O'Dwyer
Director

26th March 2010

PRUDENTIAL (AN) LIMITED

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

Financial year ended 31 December 2009

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 36 ('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 21 to 23 and forms 50 to 54 (including the supplementary notes) on pages 25 to 34;
- 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, those matters 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

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

Financial year ended 31 December 2009

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom (Revised)" 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.



Chris Moulder (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 Canada Square
Canary Wharf
London
E14 5AG
26th March 2010

PRUDENTIAL (AN) LIMITED

Financial year ended 31 December 2009

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 2009, 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 2009

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

Additional information on shareholder controllers

Throughout 2009 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 2009

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 8,363 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 Share Incentive Plan in 1,886 shares in Prudential Plc, held in trust at the end of the year.
 - (iii) He held the following options granted under the Prudential Savings-Related Share Option Scheme to subscribe for shares in Prudential plc:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Exercise Dates</u>
5,426	288p	June 2014
 - (iv) 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.
 - (v) 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 5,212 shares payable in 2011.
 - (vi) He had an interest under the 2009 Prudential Group Performance Share Plan and the 2009 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 15,873 shares payable in 2012.
- (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 £223,093.
- (f) He is a member of the Prudential Staff Pension Scheme and contributions in respect of the year were paid by the Company. These amounts are not included in the figures above.