

Registered No 1347088

PRUDENTIAL (AN) LIMITED

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER
2007**

PRUDENTIAL (AN) LIMITED

Incorporated and registered in England and Wales. Registered no. 1347088.
Registered Office: Laurence Pountney Hill, London, EC4R 0HH

CONTENTS	Pages
Directors	1
Directors' report	2 - 5
Statement of directors' responsibilities	6
Independent auditors' report	7
Profit and loss account	8 - 9
Reconciliation of movement in shareholders' funds	10
Balance sheet	11
Notes on the financial statements	12-26

PRUDENTIAL (AN) LIMITED

Directors

D J Belsham (Chairman)
A Allen
G Shaughnessy
M Sheppard

Secretary

Prudential Group Secretarial Services Limited

Auditor

KPMG Audit Plc, London

PRUDENTIAL (AN) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Principal activity

The principal activity of the Company is the transaction of long-term pensions and life insurance business in the United Kingdom. This will continue in 2008.

Business review

Throughout 2007 the Company continued its arrangements with PACL (The Prudential Assurance Company) under which it reinsures the risks associated with both its unit linked pensions business and with-profits policies. The Company writes mostly pension and some life products that were previously sold to the customers of Abbey National. Although no active selling continues, new business is generated as policyholders top up existing policies and when existing policyholders switch from pensions into annuity contracts. In common with other UK long-term insurance companies, the Company's products are structured as either with-profits (or participating) products, or non-participating products including annuities in payment and unit-linked products. Depending upon the structure, the level of shareholders' interest in the value of policies and the related profit or loss varies. The profits from almost all of the Company's non-participating business accrue solely to shareholders.

The Company does not report against Key Performance Indicators in its Business Review. This is because the Company is part of the wider Prudential Group and the Group's business is managed on a divisional basis such as UK Insurance Operations. Key Performance Indicators exist for the management of the divisions, of which this Company's business forms a part.

The divisional Key Performance Indicators can be found in the Annual Report of Prudential plc.

Market review and strategy

The operations of the Company are managed as part of the UK Insurance Operations (UKIO) of the Prudential plc Group. UKIO's long-term products consist of life insurance, pension products and pension annuities. In 2007, it continued its strategy of selectively competing in areas of the retirement savings and income markets where it can generate attractive returns. The Company remains focussed on maximising value from the opportunity afforded by the fast growing need for retirement solutions.

Risks & uncertainties

The Company is a wholly owned subsidiary within the Group, Prudential plc and as such forms a part of the overall risk management process of the Group. A significant part of the Group's business involves the acceptance and management of risk. The Group has a Risk Framework requiring all businesses and functions within the Group i.e. including the Company, to establish processes for identifying, evaluating and managing key risks. The system of internal control is an essential and integral part of the risk management process. As part of the annual preparation of its business plan, all of the Group's businesses and functions are required to carry out a review of risks including an assessment of the impact and likelihood of key risks and effectiveness of the controls in place to manage them. The assessment is reviewed regularly throughout the year and all businesses and functions within the Group are required to confirm annually that they have undertaken risk management. Actual performance is regularly monitored against the business plans. Detailed procedures are laid down in financial and actuarial procedure manuals. The insurance operations of the Group, such as the Company, also prepare a financial condition report.

Further detail about the key risks and uncertainties affecting the Company is provided in the sections Financial Risk Management, Market Risk, Credit Risk and Liquidity Risk below and in the financial statements of the parent company, The Prudential Assurance Company Limited.

