

Registered Number 2554213

Prudential Annuities Limited

**Annual Report and Financial Statements
For the year ended 31 December 2006**

Prudential Annuities Limited

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

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Prudential Annuities Limited

Directors

D J Belsham
T V Broadman
H McKee
N T E Prettejohn
G Shaughnessy

Secretary

Prudential Group Secretarial Services Limited

Auditors

KPMG Audit Plc, London

Prudential Annuities Limited

Directors' report for the year ended 31 December 2006

Principal activity and business review

The principal activity of the Company is the writing of pension annuity long term insurance business. This will continue in 2007.

The Company ceased to accept annuity business reassured from group companies during 2004. This represented the majority of the Company's new business. The amount of new business in future years is expected to be negligible.

The results of the Company for the year as set out on pages 8 and 9, show a profit on ordinary activities before tax of £49m (2005 : £340m).

The decrease in profits compared to 2005 is mainly due to:

- £40m - an increase in the provisions required for maintenance expenses.
- £10m - a significantly lower investment return on the surplus assets held by the Company as a result of an increase in interest rates over 2006.
 - during 2005 there were a number of one off reserve releases in respect of in-force business which have not been repeated in 2006.

The shareholders' funds of the Company total £1,625m (2005: £1,590m).

The assets and liabilities of the Company have reduced during 2006 as a result of an increase in interest rates and the payment of annuity claims.

The Company remained in a strong financial position at 31 December 2006.

Results and dividends

The state of affairs of the Company at 31 December 2006 is shown in the balance sheet on pages 9 and 10. The profit and loss account appears on pages 7 and 8. No dividend for 2006 is proposed (2005: £Nil).

Post balance sheet events

There have been no significant events affecting the Company since the balance sheet date.

Payment policy

The Company does not have any trade creditors and therefore codes or standards on payment practice and disclosure of trade creditor days are not applicable.

Prudential Annuities Limited

Directors' report for the year ended 31 December 2006 (continued)

Share Capital

The authorised share capital of the Company is £800,000,000. There were no changes to the issued share capital in the year.

Directors and their interests

The directors who served during the year were:

D J Belsham	
T V Boardman	
M E Tucker	Resigned 9 January 2006
N E T Prettejohn	Appointed 9 January 2006
T J W Tookey	Resigned 16 March 2006
K Coleman	Appointed 18 April 2006, resigned 15 December 2006
R C Ramsden	Resigned 31 May 2006
A D Briggs	Resigned 2 October 2006
G Shaughnessy	Appointed 14 December 2006
H McKee	Appointed 15 December 2006

The interests of Mr D J Belsham, Mr N E T Prettejohn and Mr G Shaughnessy who were directors in office at the end of the year and who were also directors of the immediate parent company, The Prudential Assurance Company Limited, are shown in the annual report and financial statements of that company.

- (i) The other directors in office at the end of the year had interests in shares of 5p each in Prudential plc as follows:
- (a) in shares, including rights granted under the Prudential Restricted Share Plan where the directors have yet to exercise their right to receive shares, and shares held in relevant Prudential Share Incentive plans:

	01/01/06 or later date of appointment	31/12/06
T V Boardman	37,740	35,314
H McKee	1,726	1,726

- (b) in conditional awards that have been made under the Prudential Restricted Share Plan, in which the shares are held in trust and represent the maximum awards for which rights may be granted, at the end of the relevant performance period, if the performance requirements of the Plan are met:

	01/01/06 or later date of appointment	31/12/06
T V Boardman	32,919	34,695
H McKee	15,425	15,425

