PRUDENTIAL PLC
Form 6-K
December 22, 2005
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of December, 2005

PRUDENTIAL PLC

(Translation of registrant s name into English)

LAURENCE POUNTNEY HILL, LONDON, EC4R 0HH, UK

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-______

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(incorporated under the Companies Act 1985 and registered in England and Wales

with Registered No. 1397169)

Proposed issue and application for admission to the Official List and to trading on the London Stock Exchange s market for listed securities of up to 41,093,019 ordinary shares in the Company in connection with the offer for Egg

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Application has been made to the UK Listing Authority for the New Prudential Shares proposed to be issued in connection with the Offer to be admitted to the Official List, and to the London Stock Exchange for the New Prudential Shares to be admitted to trading on the London Stock Exchange s main market for listed securities. It is expected that Admission will become effective and dealings will commence on 22 December 2005, on which date the Offer will become unconditional. Any dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

The Offer is not being made, and will not be made, directly or indirectly, in or into, or by use of the mails, or by any means or instrumentality (including, without limitation, by means of telephone, fax, telex or other forms of electronic communication) of interstate or foreign commerce of, or by any facility of a national securities exchange of, the United States or any Restricted Jurisdiction and is not capable of acceptance by any such use, means, instrumentality or facility.

Subject to certain exceptions, this document and any incorporated and accompanying documents are not being made available to Egg Shareholders in the United States, or any Restricted Jurisdiction and may not be treated as an invitation to subscribe for any New Prudential Shares by any person resident or located in the United States or any Restricted Jurisdiction. Copies of this document and the accompanying documents are not being, and must not be, mailed or otherwise forwarded, transmitted, distributed or sent in, into or from the United States, or any Restricted Jurisdiction. Doing so may render invalid any purported acceptance of the Offer.

Any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document or any accompanying documents to the United States or any Restricted Jurisdiction should read the section entitled Overseas Shareholders in Section 8 of Part VI of this document.

The New Prudential Shares have not been registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States absent registration or an applicable exemption from registration. The New Prudential Shares have not been registered under the applicable securities laws of any Restricted Jurisdiction. Accordingly, subject to certain exceptions determined by the Company at its sole discretion and pursuant to applicable laws, the New Prudential Shares may not be offered, sold, delivered or transferred, directly or indirectly, in or into the United States or any Restricted Jurisdiction, or to or for the account or benefit of any national, resident or citizen of the United States or any Restricted Jurisdiction.

Lexicon Partners, which is authorized and regulated in the UK by the FSA, is acting for Prudential and no-one else in connection with the Offer and will not regard any other person as its client or be responsible to anyone other than Prudential for providing the protections afforded to clients of Lexicon Partners nor for providing advice in relation to the Offer, the contents of this document or any transaction referred to therein.

UBS is acting for Prudential and no-one else in connection with the Offer and will not regard any other person as its client or be responsible to any person other than Prudential for providing the protections afforded to clients of UBS nor for providing advice in relation to the Offer, the contents of this document or any transaction referred to therein.

Dated: 19 December 2005.

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THE CONTENTS OF THIS DOCUMENT ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE.

NONE OF THE COMPANY, THE DIRECTORS, OR THEIR RESPECTIVE REPRESENTATIVES IS MAKING ANY REPRESENTATION TO ANY OFFEREE OR PURCHASER OF THE NEW PRUDENTIAL SHARES OFFERED HEREBY REGARDING THE LEGALITY OF AN INVESTMENT BY SUCH OFFEREE OR PURCHASER UNDER APPROPRIATE INVESTMENT OR SIMILAR LAWS.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document, including without limitation those in the Parts headed Summary , Risk factors , Information on the Offer , Information on Prudential , and Operating and financial review of Prudential constitute forward-looking statements . In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms believes , estimates , plans , prepares , anticipates , expects , intends , may , will or should or, in each case, other variations or comparable terminology. Prudential considers that all statements which are not historical facts to be forward-looking statements . Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Prudential, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements in this document are based on numerous assumptions regarding Prudential s present and future business strategies and the environment in which Prudential will operate in the future. Such risks, uncertainties and other factors are set out more fully in Part II (Risk Factors) of this document. The estimated operational cost savings and financial synergies set out in this document have been calculated on the basis of the existing cost and operating structures of Prudential and Egg and by reference to current prices and the current regulatory environment. These statements of estimated cost savings relate to future actions and circumstances which, by their nature, involve risk, uncertainties and other factors. Because of this, the cost savings and financial synergies referred to may not be achieved, or those achieved could be materially different from those estimated. The statements of operational cost savings and financial synergies set out in this document should not be interpreted to mean that the earnings in the first full financial year following the Acquisition, or in any subsequent period, would necessarily match or be greater than those for the relevant preceding financial period. The Company may also make or disclose written and/or oral forward-looking statements in reports furnished to the US Securities and Exchange Commission, the Company s annual report and accounts to shareholders, proxy statements, offering circulars, registration statements, prospectuses, prospectus supplements, press releases and other written materials and in oral statements made by directors, officers or employees of the Company third parties, including financial analysts. Except as required by the UK Listing Authority, the London Stock Exchange or by law, the Company undertakes no obligation to update any of the forward-looking statements contained in this document or other forward-looking statements it may make.

RESTRICTIONS ON SALES OUTSIDE THE UNITED KINGDOM

THE NEW PRUDENTIAL SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED ON OR ENDORSED THE MERITS OF THE OFFER OR THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

The distribution of this document and the offer and issue of the New Prudential Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction. No action has been or will be taken by the Company or any other person that would permit an offer of New Prudential Shares or possession or distribution of this document or any other offering or publicity material or application form relating to the New Prudential Shares in any jurisdiction where action of that purpose is required, other than in the United Kingdom. This document does not constitute an offer of, or the solicitation of an offer to buy or subscribe for Prudential Shares in any jurisdiction in which such offer or invitation would be unlawful. Further information with regard to restrictions on offers and sales of the New Prudential Shares and the distribution of this document is set out in the section entitled Overseas Shareholders in Section 8 of Part VI of this document.

DEFINED TERMS

Certain terms used in this document are defined in the Definitions and Glossary of Technical Terms sections at the end of this document.

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PART I

SUMMARY

THE FOLLOWING INFORMATION SHOULD BE READ AS AN INTRODUCTION TO AND IN CONJUNCTION WITH THE FULL TEXT OF THIS DOCUMENT.

1. Introduction

On 1 December 2005 the boards of Prudential and Egg announced they had agreed the terms of a recommended Offer to be made by Lexicon Partners, on behalf of Prudential, for the whole of the issued and to be issued share capital of Egg not already owned by the Prudential Group, representing approximately 21.7 per cent. of the existing issued share capital of Egg.

2. Summary of the Offer terms

Full acceptance of the Offer will result in Prudential owning the whole of the issued share capital of Egg.

Prudential is offering each Egg Shareholder:

0.2237 New Prudential Shares for each Egg Share.

Based on the closing mid-market price of 527.5 pence per Prudential share on 30 November 2005, the last Business Day prior to the date of the announcement of Prudential s intention to make the Offer, the Offer:

- values the existing issued share capital of Egg at approximately £973 million;
- values each Egg Share at approximately 118 pence;
- represents a premium of approximately 18 per cent. to the closing middle market price of 100.25 pence per Egg Share on 25 October 2005, being the last Business Day prior to the announcement by Prudential that it was considering making the Offer; and
- represents a premium of approximately 15 per cent. to the closing middle market price of 102.5 pence per Egg Share on 30 November 2005, being the last Business Day prior to the date of the Offer announcement.

Full acceptance of the Offer, assuming exercise of all in the money existing options under the Egg Share Option Schemes, would result in the issue of up to 41,093,019 New Prudential Shares representing approximately 1.7 per cent. of the issued ordinary share capital of Prudential as enlarged by the Acquisition.

The Offer is subject only to the condition that the admission of the New Prudential Shares (i) to listing on the Official List of the UK Listing Authority becomes effective in accordance with the Listing Rules of the UK Listing Authority and (ii) to trading on the London Stock Exchange s market for listed securities becomes effective in accordance with the Admission and Disclosure Standards made by the London Stock Exchange from time to time.

3. Background to and reasons for the Offer

The Board of Prudential believes that there are substantial opportunities for the Prudential Group in the UK retail financial services market. The Acquisition will enable Prudential and Egg to capitalise on the product capabilities, customer relationships and brand strengths of Prudential, M&G and Egg more effectively than would be possible within the current shareholding structure. The Acquisition will also facilitate the realisation of substantial annualised pre-tax cost savings, with £40 million expected to be realised by the end of 2007, as well as opportunities for revenue synergies.

The Acquisition is expected to be earnings enhancing (both on an IFRS operating earnings basis and on an EEV operating earnings basis) for Prudential in 2006. It is also expected that Prudential s capital surplus position (on an EU Financial Conglomerates Directive solvency basis) would increase as a result of the Acquisition from the date of completion.

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4. Information on Prudential

Established in 1848, Prudential is the parent company of the Prudential Group. The Prudential Group is a leading international financial services group, headquartered in the UK and maintaining a primary listing on the London Stock Exchange. The Company also has a listing on the New York Stock Exchange. Prudential provides retail financial services and fund management via operational subsidiaries in the markets in which it operates: the United Kingdom, the United States, Asia and continental Europe.

In the United Kingdom, Prudential offers a range of retail financial products and services, including long-term insurance and asset accumulation and retirement income products (life insurance, pensions and pension annuities), retail investment and unit trust products, fund management services and banking products. Prudential primarily distributes these products through independent financial advisers, referred to as IFAs, bank branches, and through direct marketing, by telephone, mail and the internet. M&G, which was acquired by Prudential in 1999, is the Prudential Group s UK and European fund manager and is responsible for managing over £126 billion in funds (as at 31 December 2004). Prudential also is the majority owner of Egg with a current shareholding of approximately 78.3 per cent. of Egg s existing issued ordinary share capital.

In the US, Prudential offers a range of products through Jackson National Life, a leading life assurance company specialising in the annuity market, including fixed, fixed-indexed and variable annuities, life insurance, guaranteed investment contracts and funding agreements. Equity-indexed annuities are now referred to as fixed-index annuities, a term that JNL believes more accurately describes the product design and its benefits and features. Prudential distributes these products through independent insurance agents, securities broker-dealers, registered investment advisors and banks, credit unions and other financial institutions.

In Asia, Prudential is the leading European life assurer with life and fund management operations in 12 countries. Prudential Corporation Asia offers a mix of life insurance with accident and health options, selected personal lines property and casualty insurance and mutual funds with the product range tailored to suit the individual country markets. Its insurance products are distributed mainly through an agency sales-force and complementary bancassurance agreements while the majority of mutual funds are sold through banks and brokers. Its life operations in China and India are through joint ventures in which it holds 50 per cent. and 26 per cent., respectively.

Through these operations, Prudential has strong positions in three of the largest and most attractive markets in the world, where rising global wealth and changing demographics are fuelling demand for long-term savings. Prudential s strategy is to build sustainable, profitable businesses in each of these markets and maximise returns to shareholders.

For the half year to 30 June 2005, the Prudential Group wrote worldwide Annual Premium Equivalent (APE) sales of £1,129 million and Achieved Profits Basis Operating Profit from Continuing Operations (based on longer-term investment returns before exceptional items) of £834 million. As at 30 June 2005, Prudential had Achieved Profits Basis shareholders funds of £9.3 billion.

Prudential s unaudited IFRS Operating Profit from Continuing Operations (based on longer-term investment returns before exceptional items) for the six months ended 30 June was £469 million. As at 30 June 2005, Prudential had funds under management of £213.5 billion. The financial information in this paragraph is unaudited and directly extracted from Prudential s unaudited interim financial statements for the six months ended 30 June 2005.

The Prudential Group has approximately 18 million customers, policyholders and unit holders and approximately 24,000 employees worldwide, as at 15 December 2005 (the latest practicable date prior to publication of this document).

As at 15 December 2005, Prudential had a market capitalization of approximately £12.4 billion.

5. Strategy

Prudential s strategy is driven by the overriding objective of generating sustainable value for the Group s shareholders. To meet this objective, the Group must achieve a balance between present and future growth and profitability.

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Prudential will continue to focus on building market-leading retail financial services franchises in the US, Asia and in the UK. The main emphasis is expected to be on organic growth and building on Prudential s current strengths. In particular, the Group will look to capitalise on opportunities to provide retirement services and on building its life and pensions, fund management and retail banking businesses. The Group will become increasingly systematic in its targeting of existing customers and develop a broader lifecycle financial needs customer proposition in those territories where the Group is confident it will have a basis for advantage.

6. Executive directors of Egg

Prudential has invited the directors of Egg initially to remain on the board of Egg after the Offer is unconditional in all respects.

7. Current trading and prospects

Prudential s businesses have continued to build on the strong performance delivered in the first nine months of the year. With its broad product range and diversified distribution channels, the Board believes Prudential is well positioned to deliver growth in its core markets in the future.

8. Dividend policy

In February 2003, the Board reviewed Prudential s dividend policy. Since then the Board has determined a dividend policy which reflects operating cashflows, and the strategy to invest in the business for long-term growth. The Board believes that the dividends for 2004 reflected an appropriate balance between the cash generated by the Group, the ability to finance growth, and maintaining financial flexibility and the development of IFRS profits over the medium to long-term.

9. Listing and admission to trading and dealing

Application has been made for the New Prudential Shares to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange s main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the New Prudential Shares will commence on 22 December 2005.

10. Risk factors

The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties as risks and uncertainties not presently known or that Prudential currently deems immaterial may also impair the Company s business operations. The information is given at the date of this document, will not be updated, and is subject to the reservations in the section entitled *Forward-Looking Statements* on page 2 above.

A number of factors (risk factors) affect Prudential s operating results, financial condition and trading price. In common with other industry participants, the profitability of the Group s businesses depends on a mix of factors including mortality and morbidity trends, policy surrender rates, investment performance, and administration and acquisition expense.

- Fluctuations in returns from equity investments, interest rates and other investment returns affect the profitability of Prudential s products. General economic conditions and changes in investment returns may also change the level of demand for Prudential s products.

- Prudential s international operations in the US, Asia and Continental Europe, which represent a significant proportion of operating profit and shareholders funds, generally write policies and invest in assets denominated in local currency, which can lead to significant fluctuations in Prudential s consolidated financial statements upon translation of results into pounds sterling.

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- Changes in government policy, legislation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which Prudential operates, which in some circumstances may be applied retrospectively, may adversely affect Prudential s product range, distribution channels, capital requirements and, consequently, reported results and financing requirements.

- Prudential is, and in the future may be, subject to legal and regulatory actions in the ordinary course of its business, both in the UK and internationally, which could have a negative impact on Prudential s reported results or on its relations with current and potential customers.

- The markets for the UK, the US and Asian financial services are highly competitive, with several factors affecting Prudential s ability to sell its products, including price and yields offered, financial strength and ratings, range of product lines and product quality, brand strength and name recognition, investment management performance and historical bonus levels.

- Prudential s financial strength and credit ratings, which are intended to measure its ability to meet policyholder obligations, are an important factor affecting public confidence in most of Prudential s products, and as a result its competitiveness. Downgrades in Prudential s ratings could have an adverse effect on its ability to market products and retain current policyholders. In addition, the interest rates Prudential pays on its borrowings are affected by its debt credit ratings, which are in place to measure Prudential s ability to meet its contractual obligations.

- Operational risks are present in all of Prudential s business, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events. Prudential s business is dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes.

- In determining the pricing of its products and reporting the results of its long-term business operations Prudential needs to make assumptions about a number of factors. Changes to these assumptions in the light of actual experience may have a significant effect of Prudential s reported results and capital and financing requirements.

- As a holding company, Prudential is dependent upon its subsidiaries to cover operating expenses and dividend payments.

- Prudential operates in a number of markets through joint ventures and other arrangements with third parties. These arrangements involve certain risks that Prudential does not face with respect to its wholly-owned subsidiaries.

- The market value of an investment in Prudential may fluctuate and may not always reflect the underlying asset value.

- The ability of Prudential to pay dividends is dependent upon the availability of distributable reserves and receipt of dividends and other distributions from subsidiaries. Capital requirements for Prudential s regulated businesses may also restrict Prudential s ability to pay dividends.

- Prudential has no current plans for a subsequent offering of Prudential Shares. However, should Prudential decide to offer additional Prudential Shares or should there be significant sales of shares by major shareholders this could adversely affect the market price of the New Prudential Shares.

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PART II

RISK FACTORS

A number of factors (risk factors) affect Prudential s operating results, financial condition and trading price. In common with other industry participants, the profitability of the Group s businesses depends on a mix of factors including mortality and morbidity trends, policy surrender rates, investment performance, and administration and acquisition expense.

The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties as additional risks and uncertainties not presently known to Prudential or that Prudential currently deems immaterial may also have an adverse effect on its business. Prudential s business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In that event, the value of the Prudential Shares could decline, and investors could lose all or part of their investment. The information given is as of the date of this document, will not be updated, and any forward-looking statements are made subject to the reservations specified in the section entitled Forward-Looking Statements on page 2 of this document.

RISKS OF THE PRUDENTIAL GROUP

1. Prudential s businesses are inherently subject to market fluctuations and general economic conditions.

Prudential s businesses are inherently subject to market fluctuations and general economic conditions. In the UK, this is because a significant part of Prudential s shareholders profit is related to bonuses for policyholders declared on its with-profits products, which are broadly based on historic and current rates of return on equity, real estate and fixed income securities, as well as Prudential s expectations of future investment returns.

In the US, fluctuations in prevailing interest rates can affect results from Jackson National Life which is predominantly a spread-based business with the majority of its assets invested in fixed income securities. In particular, fixed annuities and stable value products in Jackson National Life expose the Group to the risk that changes in interest rates which are not fully reflected in the interest rates credited to customers will reduce spread. The spread is the difference between the amounts that Jackson National Life is required to pay under the contracts, and the rate of return it is able to earn on its general account investments to support the obligations under the contract. Declines in spread from these products or other spread businesses that Jackson National Life conducts could have a material impact on its businesses or results of operations.

For some non unit-linked investment products, in particular those written in some of the Group s Asian operations, it may not be possible to hold assets which will provide cash flows exactly to match those relating to policyholder liabilities. This is particularly true in those countries where bond markets are not developed and in certain markets such as Taiwan, Korea and Japan where regulated surrender values are set with reference to the interest rate environment prevailing at the time of policy issue. This is due to the duration and uncertainty of the liability cash flows and the lack of sufficient assets of a suitable duration. This results in a residual asset/liability mismatch risk which can be managed but not eliminated.

In all markets in which Prudential operates, its businesses are susceptible to general economic conditions and changes in investment returns which may also change the level of demand for Prudential s products. Past uncertain trends in international economic and investment climates which have adversely affected Prudential s business and profitability could be repeated. This adverse effect would be felt principally through reduced returns and credit defaults (in fixed interest corporate bonds or unsecured lending), and may continue to affect the business unless conditions improve. In addition, falling investment returns could impair Prudential s operational capability, including its ability to write significant volumes of new business.

2. Prudential is subject to the risk of exchange rate fluctuations owing to the geographical diversity of its businesses.

Due to the geographical diversity of Prudential s businesses, it is subject to the risk of exchange rate fluctuations. Prudential s international operations in the US, Asia and Continental Europe, which

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represent a significant proportion of operating profit and shareholders funds, generally write policies and invest in assets denominated in local currency. Although this practice limits the effect of exchange rate fluctuations on local operating results, it can lead to significant fluctuations in Prudential s consolidated financial statements upon translation of results into pounds sterling. The currency exposure relating to the translation of reported earnings and shareholders funds is not separately managed other than by hedging activity in respect of the US dollar related components of the Financial Conglomerates Directive (FCD) surplus capital. This currency exposure could impact on the Group s gearing ratios (defined as debt over debt plus shareholder funds). The impact of gains or losses on currency translations is recorded as a component of shareholders funds within the consolidated statement of total recognized gains and losses.

Of core structural borrowings at 31 December 2004 of £2,797 million, £898 million was denominated in US dollars, partially to hedge the currency exposure arising from Prudential s investment in its US operations. The impact of gains or losses on currency translation is recorded as a component of shareholders funds within the consolidated statement of total recognized gains and losses. This loss primarily arises upon translation into pounds sterling of the investments in Prudential s US and Asian operations, but reflects the offset of exchange gains of £64 million on the carrying value of the US dollar denominated borrowings, reflecting movements in the US dollar to pounds sterling exchange rate during 2004.

3. Prudential conducts its businesses subject to regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in the markets in which it operates.

Changes in government policy, legislation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which Prudential operates, which in some circumstances may be applied retrospectively, may adversely affect Prudential s product range, distribution channels, capital requirements and, consequently, reported results and financing requirements. For instance, these changes include possible changes in the regulatory framework for pension arrangements and policies, the regulation of selling practices and solvency requirements or tax law or interpretation. In the UK, the FSA s depolarization reforms and the rules relating to stakeholder products could have a significant effect on the types of products sold by Prudential, how its products are priced, distributed and sold and on shareholders return.

Similar changes in regulation in other jurisdictions could also have an impact elsewhere in the Group.

The EU Insurance Groups Directive, which was implemented in the UK in 2001, together with the FCD, which became effective from 1 January, 2005, require European financial services groups to demonstrate net aggregate surplus capital in excess of solvency requirements at the Group level in respect of shareholder-owned entities. The EU is also currently reviewing future solvency requirements (the Solvency II review). The implementation of these directives leads to Prudential being required to maintain a somewhat higher amount of capital as calculated at the Group level than necessary in respect of some of its businesses. The FCD parent company solvency requirements have to be complied with continuously from 1 January, 2005, with the result that Prudential needs to maintain an appropriate amount of capital at the parent company level to accommodate, for example, short-term movements in global foreign exchange rates to the extent not hedged, interest rates, deterioration in the credit quality of the Group s bond portfolios and equity markets. In addition, changes in the local regulatory regimes of designated territories could affect the calculation of the Group s solvency position.

Inconsistent application of these directives by regulators in different EU member states may place Prudential at a competitive disadvantage to other European financial services groups.

Various jurisdictions in which Prudential operates have created investor compensation schemes that require mandatory contributions from market participants in some instances in the event of a failure of another market participant. As a major participant in the majority of its chosen markets, circumstances could arise where Prudential, along with other companies, may be required to make such contributions.

4. Prudential is, and in the future may be, subject to legal and regulatory actions in the ordinary course of its business, both in the UK and internationally.

The resolution of several issues affecting the financial services industry could have a negative impact on Prudential s reported results or on its relations with current and potential customers. These could be

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a review of business sold in the past under previously acceptable market practices at the time. Pending legal and regulatory actions include proceedings relating to aspects of Prudential s business and operations and which are typical of the business it operates, such as, the requirement in the UK to provide redress to certain past purchasers of pension and mortgage endowment policies and regulatory reviews on products sold and industry practices, including in respect of businesses it has closed.

In the US, federal and state regulators have focused on, and continue to devote substantial attention to, the mutual fund, variable annuity and insurance product industries, including the broker-dealer system. As a result of publicity relating to widespread perceptions of industry abuses, there have been numerous regulatory inquiries and proposals for legislative and regulatory reforms.

Although Prudential believes it has adequately reserved in all material aspects for the costs of litigation and regulatory matters, no assurance can be provided that such reserves are sufficient. It is possible that Prudential s future performance could be affected by an unfavorable outcome in these matters.

5. Prudential s businesses are conducted in highly competitive environments and Prudential s continued profitability depends on its management s ability to respond to these pressures.

The markets for the UK, the US and Asian financial services are highly competitive, with several factors affecting Prudential s ability to sell its products, including price and yields offered, financial strength and ratings, range of product lines and product quality, brand strength and name recognition, investment management performance and historical bonus levels. In some of its markets Prudential faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates or claims-paying ratios. Further, heightened competition for talented and skilled employees with local experience, particularly in Asia, may limit the Group s potential to grow its business as quickly as planned.

Within the UK, Prudential s principal competitors in the life market include many of the major stock and mutual retail financial services companies including, in particular, Aviva, Legal & General, HBOS and Standard Life. In 2004, Prudential had a 58 per cent. market share of group additional voluntary contributions, 28 per cent. of the individual annuity market and in the fourth quarter had a 39 per cent. share of the with-profits bond market sold through IFAs.

Jackson National Life s competitors in the US include major stock and mutual insurance companies, mutual fund organizations, banks and other financial services companies. Jackson National Life s principal life insurance company competitors in the US include AIG, Allstate Financial, Allianz Life of North America, AXA Financial Inc, Hartford Life Inc., ING, John Hancock, Lincoln National Corporation and Met Life. At 31 December 2004, in the United States Jackson National Life was the fourteenth largest life insurance company in terms of general account assets, the sixth largest provider of individual fixed annuities in terms of sales and the fifteenth largest provider of variable annuities in terms of sales.

Within Asia, the Group s main regional competitors are international financial companies, including AIG, Allianz, ING and Manulife. In 2004, the Prudential Group s Asian operations (Prudential Corporation Asia) was the leading European-based life insurer in Asia in terms of market coverage and number of top 5 market positions, with operations in 12 Asian countries.

Prudential believes competition will intensify across all regions in response to consumer demand, technological advances, the impact of consolidation, regulatory actions and other factors. Prudential s ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures. Further information on competitive pressures that relate to the Prudential Group is set out in pages 71 to 73 of Prudential s Form 20F for the financial year ended 31 December 2004, which is incorporated into this document by reference.

6. Downgrades in Prudential s financial strength and credit ratings could significantly impact its competitive position and hurt its relationships with creditors or trading counterparties.

Prudential s financial strength and credit ratings, which are intended to measure its ability to meet policyholder obligations, are an important factor affecting public confidence in most of Prudential s products and, as a result, its competitiveness. Downgrades in Prudential s ratings could have an

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adverse effect on its ability to market products and retain current policyholders. In addition, the interest rates Prudential pays on its borrowings are affected by its debt credit ratings, which are in place to measure Prudential s ability to meet its contractual obligations.

On December 20 2002, Moody s downgraded the financial strength rating of the Prudential Assurance Company Limited s (Prudential Assurance or PAC) long-term fund from Aaa (on review for possible downgrade) to Aa1 (stable outlook). On January 29, 2003. Standard & Poor s downgraded the financial strength rating of PAC s long-term fund from AAA (negative outlook) to AA+ (stable outlook). Prudential believes the downgrades that it, and the rest of the UK insurance industry, experienced have not to date had a discernible impact on its performance.

Prudential s long-term senior debt is rated as A2 (stable outlook) by Moody s, AA- (negative outlook) by Standard & Poor s and AA- (stable outlook) by Fitch Ratings. The rating from Moody s represents their third highest category out of 9, the rating from Standard & Poor s represents the second highest category out of 8 and the rating from Fitch Ratings represents the second highest category out of 12. Prudential s short-term debt is rated as P-1 by Moody s and A1+ by Standard & Poor s. These ratings represent the highest rating category out of 4 and out of 6 categories for each rating agency, respectively.

7. Adverse experience in the operational risks inherent in Prudential s business could have a negative impact on its results of operations.

Operational risks are present in all of Prudential s business, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events. Prudential s business is dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. In addition, Prudential outsources several operations, including certain UK processing and IT functions. In turn, Prudential is reliant upon the operational processing performance of its outsourcing partners.

Further, because of the long-term nature of much of Prudential s business, accurate records have to be maintained for significant periods. Prudential s systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled, but any weakness in the systems could have a negative impact on its results of operations during the effective period. Prudential has not experienced or identified any operational risks in its systems or processes during 2004 or subsequently which have caused, or are expected to cause, a significant negative impact on its results of operations.

8. Adverse experience against the assumptions used in pricing products and reporting business results could significantly affect Prudential s results of operations.

Prudential needs to make assumptions about a number of factors, including those enumerated in the first paragraph of this Part II (Risk Factors), in determining the pricing of its products and for reporting the results of its long-term business operations.

For example, the assumption that Prudential makes about future expected levels of mortality is particularly relevant for its UK annuity business. In exchange for a premium equal to the capital value of their accumulated pension fund, pension annuity policyholders receive a guaranteed payment, usually monthly, for as long as they are alive. As part of its pension annuity pricing and reserving policy, Prudential assumes that current rates of mortality continuously improve over time. Annuity mortality assumptions were revised in 2003 to assume future improvements in mortality for males and females at levels projected in the

Continuous Mortality Investigations medium cohort table as published by the Institute and Faculty of Actuaries. If mortality improvement rates significantly exceed the improvement assumed, Prudential s results of operations could be adversely affected.

A further example is the assumption that Prudential makes about future expected levels of the rates of early termination of products by its customers (persistency). This is particularly relevant to its lines of business other than its UK annuity business. Prudential s persistency assumptions reflect recent past experience for each relevant line of business. Any expected deterioration in future persistency is also reflected in the assumption. If actual levels of future persistency are significantly lower than assumed (that is, policy termination rates are significantly higher than assumed), Prudential s results of operations could be adversely affected.

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9. As a holding company, Prudential is dependent upon its subsidiaries to cover operating expenses and dividend payments.

Prudential s insurance and investment management operations are generally conducted through direct and indirect subsidiaries. As a holding company, Prudential s principal sources of funds are dividends from subsidiaries, shareholder backed funds, the shareholder transfer from Prudential s long-term funds and any amounts that may be raised through the issuance of debt and commercial paper.

Certain of the subsidiaries have regulatory restrictions that can limit the payment of dividends, which in some circumstances could limit the Group s ability to pay dividends to shareholders.

10. Prudential operates in a number of markets through joint ventures and other arrangements with third parties. These arrangements involve certain risks that Prudential does not face with respect to its wholly-owned subsidiaries.

Prudential operates, and in certain markets is required by local regulation to operate, through joint ventures. Prudential s ability to exercise management control over its joint venture operations and its investment in them depends on the terms of the joint venture agreements, in particular, the allocation of control among, and continued co-operation between, the joint venture participants and may be adversely affected by new or existing regulations in the markets in which its joint ventures operate. Prudential may also face financial or other exposure in the event that any of its joint venture partners fails to meet its obligations under the joint venture or encounters financial difficulty. In addition, a significant proportion of the Group s product distribution is carried out through arrangements with third parties not controlled by Prudential and is dependent upon continuation of these relationships. A temporary or permanent disruption to these distribution arrangements could affect Prudential s results of operations.

RISKS RELATING TO THE NEW PRUDENTIAL SHARES

11. Investments in listed securities

The value of an investment in Prudential may go down as well as go up. The market value of the New Prudential Shares can fluctuate and may not always reflect the underlying asset value.

12. Dividend payments

The ability of Prudential to pay dividends on the Prudential Shares is dependent upon the availability of distributable reserves and upon the receipt by it of dividends and other distributions from subsidiaries. Prudential s regulated subsidiaries distributable reserves and the dividends they may declare be restricted to protect the security of customers, as applicable legislation does not allow for the payment of dividends unless capital adequacy requirements are met.

13. Future share issues

Prudential has no current plans for a subsequent offering of Prudential Shares. However, it is possible that Prudential may decide to offer additional Prudential Shares in the future. An additional offering or significant sales of shares by major shareholders could have an adverse affect on the market price of the New Prudential Shares.

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PART IV

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and approved by the FSA or filed with it and are available for inspection in accordance with section 14 of Part XV (Additional Information), contain information which is relevant to this document:

1. Prudential s annual report and audited consolidated annual financial statements for the three financial years ending 31 December 2004, 31 December 2003 and 31 December 2002;

2. Prudential s Form 20F for the financial year ended 31 December 2004, filed with the U.S. Securities and Exchange Commission on 24 June, 2005;

3. Prudential s unaudited interim consolidated financial statements for the six month period ended 30 June 2005;

4. Prudential s statement of further detail on 2004 EEV Results (previously published on 2 June 2005) made on 13 December 2005; and

5. the Offer Document.

The table below sets out the sections of the above documents, which contain information incorporated by reference into, and forming part of this document. Only information in the parts of the above documents identified in the list below is incorporated into and forms part of this document.

Information incorporated into this document by reference	Location of incorporation
Prudential s annual report and audited consolidated annual financial statements for the period ended 31 December 2004:	
(i) the Consolidated Financial Statements of Prudential for the financial year ended 31 December 2004, including Consolidated Profit and Loss, Consolidated Balance Sheet and Consolidated Cash Flow Statement and notes to the financial statements (pages 56 to 95) and (ii) the Independent Auditor s Report by KPMG Audit plc (page 97);	Part XI Historical Financial Information relating to Prudential
(iii) Achieved Profits Basis Supplemental Information (pages 113 to 125)	Part IX Operating and Financial Review
(iv) the Business Review, (v) the Financial Review, (pages 5 to 29)	Part IX Operating and Financial Review Part VII Information on Prudential

(vi) the Remuneration Report (pages 42 to 52), (vii) the Corporate Responsibility Review (pages 30 to 31); (viii) the Corporate Governance Report (pages 34 to 41) and (ix) the Directors Report (pages 53 to 54)	Part XIV Directors, Responsible Persons, Corporate Governance and Employees
Prudential s annual report and audited consolidated annual financial statements for the period ended 31 December 2003:	
(i) the Consolidated Financial Statements of Prudential for the financial year ended 31 December 2003, including Consolidated Profit and Loss, Consolidated Balance Sheet and Consolidated Cash Flow Statement and notes to the financial statements (pages 56 to 96) and (ii) the Independent Auditor s Report by KPMG Audit plc (page 97);	Part XI Historical Financial Information relating to Prudential
(iii) Achieved Profits Basis Supplemental Information (pages 103 to 115)	Part IX Operating and Financial Review

Information incorporated into this document by reference	Location of incorporation
(iv) the Business Review, (v) the Financial Review, (pages 6 to 26)	Part IX Operating and Financial Review Part VII Information on Prudential
Prudential s annual report and audited consolidated annual financial statements for the period ended 31 December 2002:	
(i) the Consolidated Financial Statements of Prudential for the financial year ended 31 December 2003, including Consolidated Profit and Loss, Consolidated Balance Sheet and Consolidated Cash Flow Statement and notes to the financial statements (pages 47 to 85) and (ii) the Independent Auditor s Report by KPMG Audit plc (page 86);	Part VII Historical Financial Information relating to Prudential
(iii) Achieved Profits Basis Supplemental Information (pages 89 to 101)	Part IX Operating and Financial Review
(iv) the Business Review, (v) the Financial Review, (pages 6 to 25)	Part IX Operating and Financial Review Part VII Information on Prudential
Prudential s Form 20F for the financial year ended 31 December 2004:	
Pages 12 to 14 and 20 to 74 (Information on the Company, excluding the sections entitled Strategy and Significant Subsidiaries)	Part II Risk Factors Part VII Information on Prudential Part XII Supervision and Regulation Part XV Additional Information Litigation
Prudential s unaudited consolidated interim financial statements for the six month period ended 30 June 2005:	
(i) the Consolidated Financial Statements of Prudential for the six months ended 30 June 2005, including Consolidated Profit and Loss, Consolidated Balance Sheet and Consolidated Cash Flow Statement and notes to the financial statements (pages 14 to 39) and (ii) the Independent Review Report by KPMG Audit plc (page 43);	Part VII Historical Financial Information relating to Prudential
(iii) Supplementary International Financial Reporting Standards Basis Results (pages 40 to 42)	Part IX Operating and Financial Review
(iv) the Business Review, (v) the Financial Review, (pages 3 to 13)	Part IX Operating and Financial Review Part VII Information on Prudential
Offer Document:	
Part 1B section 5 (Background to and reasons for the Offer)	Part VI Information on the Offer Background to and reasons for the Offer

Prudential s statement of further detail on 2004 EEV Results (previously published on 2 June 2005) made on 13 December 2005:

Pages 1 to 26	Part IX Operating and Financial Review

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PART V

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

DIRECTORS

Sir David Clementi	Keki Dadiseth
Mark Tucker	Michael Garrett
Philip Broadley	Bridget Macaskill
Clark Manning	Roberto Mendoza
Michael McLintock	Kathleen O Donovan
Mark Norbom	James Ross
	Rob Rowley
COMPANY SECRETARY	**REGISTERED OFFICE**
Peter Maynard	Prudential plc
	Laurence Pountney Hill
	London EC4R OHH
FINANCIAL ADVISER	**BROKER**
Lexicon Partners	UBS Investment Bank
No. 1 Paternoster Square	1 Finsbury Avenue
London	London
EC4M 7DX	EC2M 2PP

LEGAL ADVISER TO THE COMPANY

Slaughter and May

One Bunhill Row

London

EC1Y 8YY

AUDITORS	REGISTRARS AND RECEIVING AGENTS
KPMG Audit Plc	Lloyds TSB Registrars
8 Salisbury Square	The Causeway
London	Worthing
EC4Y 8BB	West Sussex
	BN99 6DA

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PART VI

INFORMATION ON THE OFFER

1. Introduction

On 26 October 2005, Prudential announced it was considering making a share exchange offer to acquire the shares in Egg it does not already own. This statement was made in the context of an announcement that set out Prudential s intention to retain its interest in Egg and seek greater co-operation between its UK businesses, including Egg.

On 1 December 2005 the boards of Prudential and Egg announced they had agreed the terms of a recommended offer to be made by Lexicon Partners on behalf of Prudential for the whole of the issued and to be issued shares of Egg not already owned by the Prudential Group representing approximately 21.7 per cent of the issued share capital of Egg. Philip Broadley and Roberto Mendoza are directors of both Egg and Prudential and accordingly have not participated in Egg s deliberations in relation to the Offer.

2. Terms of the Offer

The Offer, which is only subject to the condition in section 4 of this Part VI and the further terms in sections 7 and 8 of this Part VI, and is to be set out in the Offer Document and Form of Acceptance, is being made on the following basis:

0.2237 New Prudential Shares for each Egg Share

Based on the closing mid-market price of 527.5 pence per Prudential share on 30 November 2005, the last Business Day prior to the date of the Offer Announcement, the Offer:

- values the existing issued share capital of Egg at approximately £973 million;
- values each Egg Share at approximately 118 pence;
- represents a premium of approximately 18 per cent. to the closing middle market price of 100.25 pence per Egg Share on 25 October 2005, being the last Business Day prior to the announcement by Prudential that it was considering making the Offer; and.
- represents a premium of approximately 15 per cent. to the closing middle market price of 102.5 pence per Egg Share on 30 November 2005, being the last Business Day prior to the date of the Offer Announcement.

Full acceptance of the Offer, assuming exercise of all in the money existing options under the Egg Share Option Schemes, would result in the issue of up to 41,093,019 New Prudential Shares representing approximately 1.7 per ce