

Prudential Pensions Limited

Annual PRA Insurance Returns for the year ended

31 December 2015

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 Pensions Limited**

Global business

Financial year ended **31 December 2015**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2015	
	992726	GL				£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	16918	14921
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	29425	37683
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	46343	52604

Guarantee fund

Guarantee fund requirement	21	3344	3527
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	42999	49077

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	10033	10581
Resilience capital requirement	32	6890	4340
Base capital resources requirement	33	2657	2902
Individual minimum capital requirement	34	16923	14921
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	16923	14921
Excess (deficiency) of available capital resources to cover 50% of MCR	37	37881	45143
Excess (deficiency) of available capital resources to cover 75% of MCR	38	33651	41413

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	16923	14921

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	16923	14921
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	29420	37683

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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Components of capital resources

Name of insurer Prudential Pensions Limited

Global business

Financial year ended 31 December 2015

	Company registration number	GL/UK/CM	day month year			Units	
	R3	992726	GL	31	12	2015	£000
			General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
			1	2	3	4	

Core tier one capital

Permanent share capital	11			6000	6000	6000
Profit and loss account and other reserves	12			54690	54690	57717
Share premium account	13					
Positive valuation differences	14					
Fund for future appropriations	15					
Core tier one capital in related undertakings	16					
Core tier one capital (sum of 11 to 16)	19			60690	60690	63717

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			60690	60690	63717
Investments in own shares	32					
Intangible assets	33					
Amounts deducted from technical provisions for discounting	34					
Other negative valuation differences	35			13986	13986	11113
Deductions in related undertakings	36					
Deductions from tier one (32 to 36)	37			13986	13986	11113
Total tier one capital after deductions (31-37)	39			46704	46704	52604

Components of capital resources

Name of insurer Prudential Pensions Limited

Global business

Financial year ended 31 December 2015

	Company registration number	GL/UK/CM	day month year			Units
R3	992726	GL	31	12	2015	£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 resources

Name of insurer Prudential Pensions Limited

Global business

Financial year ended 31 December 2015

	Company registration number	GL/UK/CM	day month year			Units
R3	992726	GL	31	12	2015	£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		46704	46704	46704	52604
Inadmissible assets other than intangibles and own shares	73		361	361	361	
Assets in excess of market risk and counterparty limits	74					
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79		46343	46343	46343	52604

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		46343	46343	46343	52604
Available capital resources for 50% MCR requirement	82		46343	46343	46343	52604
Available capital resources for 75% MCR requirement	83		46343	46343	46343	52604

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 assets

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2015**

Category of assets **Total other than long term insurance business assets**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
			31	12	2015		
	992726	GL	31	12	2015	£000	1
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43		
Rights under derivative contracts		44		
Fixed interest securities	Approved	45		
	Other	46		
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	30620	39046
	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 assets

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2015**

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	992726	GL	31	12	2015	£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			147	
	due in more than 12 months		79				
Other assets							
Tangible assets			80				
Deposits not subject to time restriction on withdrawal with approved institutions			81			82	88
Cash in hand			82				
Other assets (particulars to be specified by way of supplementary note)			83				
Accrued interest and rent			84			3	3
Deferred acquisition costs (general business only)			85				
Other prepayments and accrued income			86				
Deductions from the aggregate value of assets			87				
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)			89			30852	39137

Analysis of admissible assets

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2015**

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	992726	GL	31	12	2015	£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	30852	39137
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		
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	30852	39137
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2015**

Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day month year			Units	Category of assets	
R13	992726	GL	31	12	2015	£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	350		
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	22694	24398
	Other	46		
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	12880	9454
	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	9808964	11399765

Analysis of admissible assets

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2015**

Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	992726	GL	31	12	2015	£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		12
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	577	
	Ceded	75	1299	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	635	510
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2852	8923
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	129	140
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	9850380	11443202
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Analysis of admissible assets

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2015**

Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	992726	GL	31	12	2015	£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	9850380	11443202
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	361	
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	1535928	1631427
Other asset adjustments (may be negative)	101	(361)	
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	11386308	13074629
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	120	111

Long term insurance business liabilities and margins

Name of insurer **Prudential Pensions Limited**
Global business
Financial year ended **31 December 2015**
Total business/Sub fund **Ordinary Long Term**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	9826020	11413656
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	17279	14921
Long term insurance business fund carried forward (11 to 13)	14	9843299	11428577
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	516
	Other risks and charges	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	
	Reinsurance accepted	32	6006
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	
	Other	38	7442
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	7442	14625
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	9850741	11443202

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1625	2411
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	9808964	11399765

Total liabilities (11+12+49)	71	9833462	11428281
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1535928	1631427
Other adjustments to liabilities (may be negative)	74	(14347)	(11113)
Capital and reserves and fund for future appropriations	75	31265	26034
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	11386308	13074629

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

Global business

Financial year ended **31 December 2015**

R15	Company registration number	GL/UK/CM	day month year			Units
	992726	GL	31	12	2015	£000
			As at end of this financial year			As at end of the previous year
			1			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	1427	1454
	Foreseeable dividend	48		
	Other	49		
Accruals and deferred income		51		
Total (19 to 51)		59	1427	1454
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	1427	1454

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		
Capital and reserves	84	29425	37683
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	30852	39137

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

Global business

Financial year ended **31 December 2015**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	992726	GL	31	12	2015	£000
				This financial year		Previous year		
				1		2		
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			1650	15283	
Investment income	Income		14			124	78	
	Value re-adjustments on investments		15					
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17			8	9	
	Value re-adjustments on investments		18					
	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			1766	15352	
Tax on profit or loss on ordinary activities			31			24	16	
Profit or loss on ordinary activities after tax (29-31)			39			1742	15336	
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			1742	15336	
Dividends (paid or foreseeable)			51			10000		
Profit or loss retained for the financial year (49-51)			59			(8258)	15336	

Long-term insurance business : Revenue account

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	590551	844672
Investment income receivable before deduction of tax	12	389555	429510
Increase (decrease) in the value of non-linked assets brought into account	13	(977)	1691
Increase (decrease) in the value of linked assets	14	(184955)	706628
Other income	15		
Total income	19	794174	1982501

Expenditure

Claims incurred	21	2363016	2029375
Expenses payable	22	11657	13878
Interest payable before the deduction of tax	23	58	44
Taxation	24	3071	5399
Other expenditure	25		
Transfer to (from) non technical account	26	1650	15283
Total expenditure	29	2379452	2063979

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1585278)	(81478)
Fund brought forward	49	11428577	11510055
Fund carried forward (39+49)	59	9843299	11428577

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Regular premiums	11		245		245	260
Single premiums	12		757731		757731	1044430

Reinsurance - external

Regular premiums	13					
Single premiums	14		167425		167425	200018

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		245		245	260
Single premiums	18		590306		590306	844412

Total

Gross	19		757976		757976	1044690
Reinsurance	20		167425		167425	200018
Net	21		590551		590551	844672

Long-term insurance business : Analysis of claims

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2015**
 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		5269	5269	4544
Disability periodic payments	12				
Surrender or partial surrender	13		2652410	2652410	2551690
Annuity payments	14		5664	5664	6167
Lump sums on maturity	15				
Total	16		2663343	2663343	2562401

Reinsurance - external

Death or disability lump sums	21		583	583	368
Disability periodic payments	22				
Surrender or partial surrender	23		294021	294021	526481
Annuity payments	24				
Lump sums on maturity	25				
Total	26		294604	294604	526849

Reinsurance - intra-group

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33		59	59	10
Annuity payments	34		5664	5664	6167
Lump sums on maturity	35				
Total	36		5723	5723	6177

Net of reinsurance

Death or disability lump sums	41		4686	4686	4176
Disability periodic payments	42				
Surrender or partial surrender	43		2358330	2358330	2025199
Annuity payments	44				
Lump sums on maturity	45				
Total	46		2363016	2363016	2029375

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13		438	438	553
Management - maintenance	14		10032	10032	12623
Management - other	15		1187	1187	702
Total	16		11657	11657	13878

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43		438	438	553
Management - maintenance	44		10032	10032	12623
Management - other	45		1187	1187	702
Total	46		11657	11657	13878

Long-term insurance business : Linked funds balance sheet

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2015**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	8126522	9652525
Directly held assets in collective investment schemes of connected companies	12	1534480	1608387
Directly held assets in other collective investment schemes	13	149931	141575
Total assets (excluding cross investment) (11+12+ 13)	14	9810933	11402487
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	1969	2722
Total net assets (14-15-16-17)	18	9808964	11399765

Directly held linked assets

Value of directly held linked assets	21		
--------------------------------------	----	--	--

Total

Value of directly held linked assets and units held (18+21)	31	9808964	11399765
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	9808964	11399765

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2015**
 Units **£000**

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

Income

Value of total creation of units	11	590551	844672
Investment income attributable to the funds before deduction of tax	12	388678	428654
Increase (decrease) in the value of investments in the financial year	13	(184838)	706743
Other income	14		
Total income	19	794391	1980069

Expenditure

Value of total cancellation of units	21	2363016	2029375
Charges for management	22	19237	23611
Charges in respect of tax on investment income	23	1910	1500
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26	1029	1056
Total expenditure	29	2385192	2055542

Increase (decrease) in funds in financial year (19-29)	39	(1590801)	(75473)
Internal linked fund brought forward	49	11399765	11475238
Internal linked funds carried forward (39+49)	59	9808964	11399765

Long-term insurance business : Summary of new business

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2015**
 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				
Total	13				

**Amount of new regular
premiums**

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

**Amount of new single
premiums**

Direct insurance business	25		201231		201231	332525
External reinsurance	26		77613		77613	260715
Intra-group reinsurance	27		478887		478887	451190
Total	28		757731		757731	1044430

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

Name of insurer **Prudential Pensions Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2015**
 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	22823	22852	766	2.44	
Other fixed interest securities	13		321	16	4.86	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	18593	18243	36	0.20	
Total	19	41416	41416	818	1.47	

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 Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2015**
 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		63776	63776	71772
Form 52	13				
Form 53 - linked	14		11285015	11285015	12964198
Form 53 - non-linked	15		17056	17056	13891
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18		11365847	11365847	13049860

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24		1476051	1476051	1564433
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28		1476051	1476051	1564433

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		63776	63776	71772
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38		63776	63776	71772

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42				
Form 52	43				
Form 53 - linked	44		9808964	9808964	11399765
Form 53 - non-linked	45		17056	17056	13891
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48		9826020	9826020	11413656

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

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2015**
 Units **£000**

UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
735	Group money purchase pensions property linked		1476051		1476051	1476051		1476051

Long-term insurance business : Unit prices for internal linked funds

Name of insurer Prudential Pensions Limited
 Total business
 Financial year ended 31 December 2015
 Units £000

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
All Stocks Corporate Bond	24 - group managed fund - other managed fund	3633719	GILP	0.30	26.9937	27.0089	0.06
Cash	24 - group managed fund - other managed fund	171445	GILP	0.10	78.3293	78.6042	0.35
Corporate Bond	24 - group managed fund - other managed fund	1151464	GILP	0.30	35.9681	35.5022	(1.30)
Europe	26 - group managed fund - overseas equity	235433	GILP	0.50	24.7199	26.5150	7.26
Index Linked	24 - group managed fund - other managed fund	239319	GILP	0.25	474.0143	472.3752	(0.35)
Index Lnk Passive	24 - group managed fund - other managed fund	196566	GILP	0.10	36.2869	35.8598	(1.18)
Long Term GilT	24 - group managed fund - other managed fund	305303	GILP	0.10	51.7060	51.6895	(0.03)
North America	26 - group managed fund - overseas equity	254999	GILP	0.50	28.5175	29.4345	3.22
Property	27 - group managed fund - property	761160	GILP	0.55	600.8263	673.2946	12.06
Specialist UK Equity	25 - group managed fund - UK equity	467148	GILP	0.75	35.6036	34.0295	(4.42)
UK Equity Growth	25 - group managed fund - UK equity	136092	GILP	0.75	15.0254	16.2381	8.07
UK Equity Dividend	25 - group managed fund - UK equity	103749	GILP	0.75	15.4451	16.1310	4.44
Global Leaders	26 - group managed fund - overseas equity	208468	GILP	0.75	14.5183	15.1982	4.68
Japan	26 - group managed fund - overseas equity	139246	GILP	0.50	9.6252	11.5234	19.72
Europe Passive	26 - group managed fund - overseas equity	102314	GILP	0.15	21.0527	22.1334	5.13

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	9843299	11428577
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	1650	15283
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	9844949	11443860
Mathematical reserves	21	9826020	11413656
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	18929	30204

Composition of surplus

Balance brought forward	31	14921	14916
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	4008	15288
Total	39	18929	30204

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	1650	15283
Total distributed surplus (46+47)	48	1650	15283
Surplus carried forward	49	17279	14921
Total (48+49)	59	18929	30204

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 requirement

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2015**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%				
Classes III, VII and VIII	15	0.3%				
Total	16					

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	63776		0.85	542
Classes III, VII and VIII (investment risk)	33	1%	17542	17542	1.00	175
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				7164
Class IV (other)	36	1%				
Class V	37	1%				
Class VI	38	1%				
Total	39					7881

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	63776		0.85	1626
Classes III, VII and VIII (investment risk)	43	3%	17542	17542	1.00	526
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%	11284530	9808478		
Class IV (other)	46	3%				
Class V	47	0%				
Class VI	48	3%				
Total	49		11365848	9826020		2152

Long term insurance capital requirement	51					10033
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PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2015

Notes to the Returns

Form 2

0201 Waivers issued disapplying or modifying any of the provisions of the Accounts and Statement Rules in respect of long term insurance business.

There were no waivers issued disapplying or modifying any of the provisions of the Accounts and Statement Rules in respect of long term insurance business.

Form 3

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

	£'000
Form 13 Line 89 (Long term) Grand total of admissible assets	9,850,380
Form 14 Line 11 Mathematical reserves after distribution of surplus	(9,826,020)
Form 14 Line 49 Total other insurance and non-insurance liabilities	(7,442)
Form 13 Line 89 (Other than long term) Grand total of admissible assets	30,852
Form 15 Line 69 Total	<u>(1,427)</u>
	46,343
Form 3 Line 79 Capital resources after deductions	<u>46,343</u>
Difference	<u>0</u>

0310 Valuation differences

	£'000
<i>Negative valuation differences where liabilities are higher than in the shareholder accounts</i>	
Additional reserves held in the long term fund	(17,056)
Deferred tax on additional reserves held in the long term fund	<u>3,070</u>
Form 3 Line 35 Negative Valuation Differences	<u>(13,986)</u>

0313 Reconciliation of profit and loss account change

	£'000
Profit and loss account and reserves b/fwd	57,717
Profit and loss account and reserves c/fwd	<u>54,690</u>
Movement	(3,027)
Movement in additional reserves held for PRA	(3,165)
Movement in deferred tax	291
Movement in unallocated surplus	<u>(2,357)</u>
Form 16 Line 59 Profit retained for the financial year	<u>(8,258)</u>

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

Form 13

Notes 1304 to 1306 apply to other than long term business fund.

***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.

***1305* Maximum Counterparty Limits**

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

***1306* Counterparty exposures at year end**

There were counterparty exposures held at year end that were greater than 5% of the sum of the base capital resources requirements and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These include cash on deposit with Barclays Bank Plc £29.0m.

Notes 1308 to 1319 apply to long term business fund.

***1308* Assets specified in IPRU(INS) Form 13 instruction 5**

The Company held no unlisted investments or listed investments that are not readily realisable.

***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**

There were counterparty exposures held at year end that were greater than 5% of the sum of the base capital resources requirements and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These include cash on deposit with Barclays Bank Plc £7.0m, cash on deposit with Royal Bank of Scotland £7.5m and a cash balance of £2.9m with HSBC Bank Plc.

***1318* Other asset adjustments**

	£'000
Deferred tax on additional reserves held in the long term	(361)
Line 101 on Form 13	<u>(361)</u>

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

1319 Maximum Counterparty Limits

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

Form 14

1401 Provision for adverse changes

No derivatives were held outside of the internally linked funds at any time during the year and therefore no provision for adverse changes is required.

1402 Uncertain and Potential Liabilities

- a) In the normal course of business certain reinsurance liabilities were secured by a floating charge, ranking these liabilities equally with amounts due under unsecured direct (non-reassurance) policies, over the long term insurance assets of the Company. The amounts secured by charges of this nature and included in Form 14 Line 11 were £4,286.4.0m, £273.6m, £186.8m, £22.5m and £11.1m. The whole of the amount at Form 13 line 89 is subject to charge.
- b) There were no potential capital gains tax liabilities at the year-end.
- c) There were no contingent liabilities at the year-end.
- d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business and in respect of related companies.

1405 Other adjustments to liabilities

	£'000
Additional reserves held in the long term fund	(17,056)
Effect of additional reserves in deferred tax	2,709
Line 74 on Form 14	<u>(14,347)</u>

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

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* Charges, potential tax liability, contingent liabilities, guarantees and fundamental uncertainties**

- 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 at the year end.
- c) There were no contingent liabilities at the year-end.
- d) There are no guarantees, indemnities or other contractual commitments, effected other than in the ordinary course of insurance business, in respect of related companies.
- e) There were no fundamental uncertainties at the year-end.

Form 16

***1601* Foreign Currencies**

Foreign currency assets and liabilities are translated at year-end exchange rates. Foreign currency revenue transactions are translated at rates ruling at the transaction dates, except for accrued revenue items that are translated at year-end exchange rates.

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 day to day management services by The Prudential Assurance Company Limited (the immediate holding Company), and M&G Real Estate Limited, Prudential UK Services Limited, Prudential Distribution Limited, Prudential Services Limited, PPM America Inc., Prudential Portfolio Management Group Ltd and M&G Investment Management Limited, all group companies. The Company was further assisted during the year with day to day management services by The Bank of New York Mellon (International) Limited and State Street Bank & Trust Company, third parties.

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

Form 40 (continued)

4009 The Company has a reinsurance agreement with a related Company, The Prudential Assurance Company Limited, in respect of linked premiums. Included in earned premiums for the year is an amount of £479m received under this reinsurance agreement. The reinsurance agreement was drawn up under normal commercial terms which reflect the level of business transacted with the Company.

Also included within claims incurred is an amount of £607m arising from claims under this reinsurance agreement and claims recovered from The Prudential Assurance Company Limited of £5.7m.

The Company has a reinsurance agreement with a related Company, Prudential Retirement Income Limited, in respect of annuities. No claims have been paid during the year as no business is currently reassured under this reinsurance agreement. The reinsurance agreement was drawn up under normal commercial terms which reflect the level of business transacted with the Company.

Form 44

4401 Valuation of Linked Assets

Linked assets are valued at market value. Securities are valued at a bid-market price.

4402 Derivative Contracts

The aggregate value of rights and the aggregate amount of liabilities under derivative contracts was as follows:

	Assets	Liabilities
	£000's	£000's
Futures:		
Gross of variation margin	2,400	(1,558)
Net of variation margin	(109)	(1,636)
Swaps:		
Gross of variation margin	0	(106)
Net of variation margin	0	(106)
Forwards:		
Gross of variation margin	4,701	(15,023)
Net of variation margin	4,701	(15,023)
Warrants:		
Gross of variation margin	25	0
Net of variation margin	25	0

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

Form 45

4502 Other Expenditure

	2015	2014
	£000's	£000's
Safe custody fees	(795)	(831)
Transaction fees	(234)	(225)
Total	<u>(1,029)</u>	<u>(1,056)</u>

Form 47

4701 For product code 755 there are 5 schemes.

Form 48

4804 other assets

Included in Line 18 (Other assets) are:

	£000's
Assets producing income	16,082
Assets not producing income	2,511
	<u>18,593</u>

Form 53

5301 For product code 755 there are 310 schemes.

5305 Non-unit reserves

Certain expenses associated with managing a property portfolio have not been included in the renewal expense margins used in the calculation of the non-unit reserves. These expenses are deducted from the investment return credited to policyholders.

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2015

Statement in accordance with Rule 9.29 of the Accounts and Statements Rules

a. **Investment Guidelines**

During 2015, investment guidelines allowed the use of derivative contracts in the GILP (and hence MPP) internal linked funds. The derivatives and use thereof was restricted to that permitted by Appendix 3.2 of the Accounts and Statements Rules. The use of derivatives was not permitted in the non-linked funds.

Derivatives are limited to: exchange traded warrants; exchange traded index or stock futures; forward currency contracts; interest rate swaps; partly paid shares; and 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 pre-determined. Exchange traded index and stock futures must be based on underlying assets which are themselves permitted links.

b. **Derivatives where exercise is unlikely**

Derivatives used in the internal linked funds were entered into only if they would have been reasonably likely to be exercised.

c. **Quantification of derivatives in (b) above**

No such contracts were used by the Company.

The largest exposure during the year to out of the money call options/warrants was £1k.

h. **Provisions for reasonably foreseeable variations arising from derivative contracts, rule INSPRU 3.2.17R**

The only derivatives on Form 13, relate to property linked assets and are included on line 59 of Form 13, which would not change in value.

The Company would not be exposed to any fluctuation in asset values.

i. **Consideration received for granting rights under derivative contracts**

The investment guidelines did not allow the writing of options.

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2015

Rule 9.30 Statement on Shareholder Controllers

The following companies were shareholder controllers of Prudential Pensions Limited for the year: The Prudential Assurance Company Limited holding 100% of its issued share capital and voting power throughout the year; and Prudential plc, being the ultimate holding company, holding 100% of the issued share capital and voting power of The Prudential Assurance Company Limited throughout the year.

VALUATION REPORT ON PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 Abstract of Valuation Report as at 31 December 2015

1. Introduction

- (1) The investigation relates to 31 December 2015.
- (2) The previous investigation related to 31 December 2014.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2014.

2. Product range

There were no significant changes in products during 2015.

3. Discretionary charges and benefits

- (1) Not applicable.
- (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) Not applicable.
- (7)
- (a) The creation price is the cash cost of purchasing an identical portfolio of assets to that in the unit fund including all the costs that would be incurred in purchasing such assets, divided by the number of units in existence.

The cancellation price is the cash amount for which the assets of the unit fund can be sold net of all costs that would be incurred in disposing of the assets, divided by the number of units in existence.

Both the creation and cancellation price may be further reduced by the amount of reserves we consider appropriate to meet expenses, taxes and other financial costs imposed by the government for which we may become liable in the future such as Financial Services Compensation Scheme levies.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

Specific points for each of the groups of internal linked funds are as follows:

GILP Funds

The “Single Swinging Pricing” approach is used. If the net cashflow on the day is positive, all transactions are at the offer price. If the net cashflow on the day is negative, all transactions are at the bid price. For Fund of Funds, the cash balance in the fund may also be taken into account when deciding upon the pricing basis.

Unit prices are calculated daily and transactions in these funds are carried out at the next available price (i.e. on a forward pricing basis). The valuation point of each fund is 9.00 p.m.

Series 1 & 3 Funds

Series 1 & 3 Funds are invested in the GILP Funds or funds managed by external companies such as BlackRock, Baillie Gifford, Newton and Schrodgers. The funds buy and sell units in the GILP Funds at the prevailing daily swinging price.

A smoothed equity approach is taken to unit pricing. This is different to the approach adopted for GILP Funds. Units are allocated to policyholders at the offer price and de-allocated at the bid price. When the trend in the number of units in a unit fund is believed to be upward, the bid price is the creation price. If the trend in the number of units is believed to be downward the bid price is the cancellation price. The offer price is then set equal to the bid price plus the initial charge plus a rounding adjustment, not exceeding 0.1p (there is no initial charge for Series 3 Funds and so there is only a single price applied to policyholders).

Pru-Link Funds

The Pru-Link Managed Fund is wholly invested in units of the GILP Discretionary Fund. The Pru-Link Cash Fund is wholly invested in units of the GILP Cash Fund. The creation and cancellation prices are determined once a week by reference to the appropriate GILP price. Transactions are carried out at the next available price (i.e. on a forward pricing basis).

Pru-Link Funds buy and sell GILP units at the current GILP price. No further adjustments are made for buying or selling expenses.

Units are allocated to policyholders at the offer price and deallocated at the bid price. The Pru-Link Cash Fund price is based on the GILP Cash Fund creation price. The Pru-Link Managed Fund price is based on the GILP Discretionary Fund price and the bid price is currently based on the GILP cancellation price. The offer price is then set equal to the bid price plus the initial charge plus a rounding adjustment not exceeding 0.1p. (The initial charge was removed on 1 April 2001).

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

- (b) Unit pricing bases are determined at fund level, so all policies invested in the same fund have the same basis applied.
- (c) The price used for collective investment schemes and similar assets is the latest valuation at mid-day. Customer instructions received before mid-day receive that price.
- (8) Not applicable as the Company writes pension business only.
- (9) Not applicable as the Company writes pension business only.
- (10) Not applicable.

4. Valuation basis (other than for special reserves)

(1) Non-linked and index-linked annuities in payment

The mathematical reserve for annuities in payment is the present value of future annuity payments, plus a provision for expenses.

Unit-linked group pensions

The mathematical reserves for linked business consist of the unit liability together with a non-unit liability. A discounted cashflow method of valuation is used to determine the non-unit liability allowing for the value of future attributable expenses less the value of future management charges with a prudent allowance for lapses for Group Investment Linked Plan business. An additional reserve for non-attributable expenses is calculated at a homogeneous risk group level as described in section 6(6).

No allowance has been made for increasing fund management charges. However, the Company reserves the right to do so after the appropriate period of notice and to a level consistent with industry practice.

No reserve for tax on unrealised capital gains is required, as only pension business is written.

A reserve is held for the guarantee that the unit price of the Pru-Link Cash Fund will not go down.

The unit liability has been obtained by valuing the units allocated to policyholders at the valuation unit price. This price is based on the bid price of the assets and includes investment income received.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

(2) The interest rates used are as follows:

Product code number	Product description	31 December 2015	31 December 2014
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to The Prudential Assurance Company Ltd)	2.70%	2.52%
725	Individual pensions property linked	1.50%	1.50%
735	Group money purchase pensions property linked	1.50%	1.50%
755	Trustee Investment Plan	1.50%	1.50%

(3) Not applicable since invested in gilts which are assumed to be risk free.

(4)

Product code number	Product description	31 December 2015	31 December 2014
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to The Prudential Assurance Company Ltd)		
	Mortality table	Modified 97% PCMA00 / 91% PCFA00	Modified 99% PCMA00 / 89% PCFA00
	Expectation of life age 65	25.1 (M), 26.8 (F)	24.9 (M), 27.0 (F)
	Expectation of life age 75	15.3 (M), 17.0 (F)	15.2 (M), 17.2 (F)
725	Individual pensions property linked	AM/AF92 less 3 years	AM/AF92 less 3 years

Mortality bases used at 31 December 2015

Annuities are generally valued using a percentage of the 00 series PCxA tables for annuitants and pensioners.

In order to allow for mortality improvement, future improvement factors are applied from 2000. For males, these future improvement factors are in line with Prudential's 'advanced' calibration of the CMI 2014 model (CMI 2012 for the 31 December 2014 valuation) with a 0.25% addition to initial mortality improvements and the application of a floor on improvements equal to the long-term rate of 2.25% p.a. (floor of 2.25% p.a. in the 31 December 2014 valuation with no addition to initial mortality improvements).

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

For females, future improvements are in line with Prudential's 'advanced' calibration of the CMI 2014 model (CMI 2012 for the 31 December 2014 valuation) with a 0.25% addition to initial mortality improvements and the application of a floor on improvements equal to the long-term rate of 1.75% p.a. (floor of 1.75% p.a. in the 31 December 2014 valuation with no addition to initial mortality improvements).

Compared with the core CMI mortality model, Prudential's calibration:

- (a) blends period improvements between ages 60 to 80 to the long term improvement rate over a 15 year period (compared with a 20 year period in the core CMI model);
- (b) assumes that cohort improvements dissipate over a 30 year period, or by age 90 if earlier (compared with a 40 year period, or by age 100 if earlier, in the core CMI model);
- (c) imposes a floor or minimum value equal to the long term improvement rate; and
- (d) includes an adjustment of 0.25% p.a. to the initial improvement rates.

The 2012 calibration also included the removal of the negative cohort feature for years of birth after 1947. This adjustment is not required for the 2014 calibration.

- (5) Not applicable.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

(6) The renewal expenses per annum used are described in the table below:

Product code number	Product description	31 December 2015	31 December 2014
400	Annuity non-profit (CPA) - individual annuities in payment (reassurance ceded to The Prudential Assurance Company Ltd)	£25.80 p.a	£19.77 p.a
725	Individual pensions property linked	£47.54 p.a. per policy for premium-paying policies; £44.51 p.a. per policy for other policies	£35.94 p.a. per policy for premium-paying policies; £32.86 p.a. per policy for other policies
735	Group money purchase pensions property linked	GILP: £8,160,176 p.a. including £2,030 p.a. per scheme	GILP: £7,491,023 p.a. including £1,763 p.a. per scheme
755	Trustee investment plan	GILP: £571,120 p.a. including £2,030 p.a. per scheme (having allowed for £118,078 p.a. of additional administration service charges) PIA: £40,424 p.a. including £2,030 p.a. per scheme	GILP: £503,768 p.a. including £1,763 p.a. per scheme (having allowed for £90,805 p.a. of additional administration service charges) PIA: £37,289 p.a. including £1,763 p.a. per scheme

Expense figures for unit-linked policies are attributable expenses only.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

The investment management expenses used are described in the table below:

Product code number	Product description	31 December 2015	31 December 2014
400	Annuity non-profit (CPA) - individual annuities in payment (reassurance ceded to The Prudential Assurance Company Ltd)	0.070%	0.064%
725	Individual pensions property linked	0.170%	0.170%
735	Group money purchase pensions property linked	GILP: 0.135%	GILP: 0.127%
755	Trustee investment plan	GILP: 0.157% PIA: 0.250%	GILP: 0.144% PIA: 0.239%

Investment management expenses for annuity business are allowed for by making a deduction from the valuation rate of interest. The valuation rate of interest for annuities in 4(2) above is shown after the deduction for investment management expenses. Investment management expenses for non-annuity business are allowed for explicitly.

- (7) The unit growth rates (before management charges) and the inflation rates assumed for future expenses and the future increases in policy charges are as follows:

Product code number	Parameter	31 December 2015 %	31 December 2014 %
725, 735 and 755	Unit fund growth rate	4.25%	4.00%
All products	Expense inflation rate	4.25%	3.50%
725, 735 and 755	Policy charge inflation rate	Nil	Nil

- (8) Not applicable.

- (9) For unit-linked Group Investment Linked Plan business, prudent discontinuance assumptions are used, as follows:

Product		Average surrender rate for the policy years			
		1-5	6-10	11-15	16-20
735 and 755 (GILP only)	Surrender	7%	7%	7%	7%

- (10) There are no other material assumptions.

- (11) No derivatives were held outside of the internal linked funds.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

Since the movement in linked assets would be offset by a corresponding change in the linked liability, no allowance is made for derivative contracts that were held inside of the internal linked funds.

Derivatives used in the internal linked funds were entered into only if they would have been reasonably likely to be exercised.

- (12) There have been no changes made to the mathematical reserve methodology at the current valuation date .

5. Options and guarantees

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

6. Expense reserves

(1)

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non – attributable expenses	Total
GILP	-	£9,456,833	£8,731,296	£2,215,366	£20,403,495
PIA	-	£10,212	£40,424	£24,075	£74,711
Prulink SP	-	£1,631	£341	£0	£1,972
Prulink RP	-	£59,668	£61,364	£0	£121,031
Total	-	£9,528,344	£8,833,424	£2,239,442	£20,601,209

- (2) Not applicable.
- (3) Maintenance expenses shown at line 14 of Form 43 are £10.0 million. These expenses are net of annual management charge income and hence are less than the total expense loadings arising in 2015 as shown in 6.(1).
- (4) For new business expected to be written in the twelve months following the valuation date, the income and outgo are projected on a prudent basis over the entire lifetime of the business and discounted to the valuation date. A reserve is held if the present value of the outgo exceeds the present value of income to the extent that the excess exceeds the projected surplus on prudent assumptions from existing business. No reserve was held at 31 December 2015.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

- (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 for 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, all expense provisions are recalculated on the assumption that, over a two year period, unit costs would be reduced by 20%. Thereafter, the unit costs are increased to allow for the loss of economies of scale that would arise as the in-force business runs off. The expenses for all business lines are capped at the point that aggregate expenses are projected to have doubled in real terms after closure. 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 the sum of the closed fund expense reserves and additional costs exceed the projected surplus, on prudent assumptions, from existing business, a further additional reserve is held. At the valuation date an additional reserve of £406,194 is held for the impact of closing to new business.

- (6) The additional reserve for non-attributable expenses at a homogeneous risk group level is calculated as the present value of all future 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 homogeneous risk group level. The additional reserves for non-attributable expenses at 31 December 2015 were as follows:

Homogeneous Risk Group	Homogeneous Risk Group Reserve (£000)
GILP	-
PIA	175
Prulink SP	-
Prulink RP/PUP	-
TOTAL	175

7. Mismatching reserves

- (1) and (2) All assets and liabilities are denominated in sterling. There is no currency mismatching.
- (3) There is no reserve for currency mismatching.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

- (4) In accordance with INSPRU 3.1.16R, for the purposes of calculating the resilience capital requirement in INSPRU 3.1.10R the most onerous scenario is as follows (prior year in brackets):

Asset class	Scenario
Equities:	
Market values – UK and overseas (excl. US and euro zone)	-10% (-10%)
Market values – US	-10% (-10%)
Market values – euro zone	-10% (-10%)
Property:	
Market values	-20% (-20%)
Fixed interest:	
Yields – UK and overseas	+49 bps (+44 bps)

The assumed fall in unit prices used in the calculation of the Resilience Capital Requirement was 15%, which is a prudent assumption compared with the scenarios specified in INSPRU.

- (5) Not applicable.
- (6)
- (a) A Resilience Capital Requirement of £6,890,000 was held.
- (b) There was an increase of £5,663,690 in the aggregate amount of the non-unit long term liabilities.
- (c) The assets allocated to match such liabilities decreased in value by £1,219,659 from the amount of the assets shown in Form 13.
- (7) There is no reserve held under INSPRU 1.1.34R(2).

8. Other special reserves

Not applicable.

9. Reinsurance

- (1) No premiums were paid in 2015 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 PRA criteria for being reported in this section and were in force as at 31 December 2015.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

(d) Reinsurer	(e) Nature of cover	(f) Premiums £'000	(h) Open / Closed	(j) Reserves Ceded £'000	(k) Retention
Prudential Assurance Company Limited *	Immediate annuities which are wholly reassured on original terms. The reinsurer is a member of the Prudential group of companies and the business is covered by a pari passu charge on assets.	Nil	Closed	63,472	Nil
Blackrock Life Ltd	Reinsurance of unit-linked pension liabilities of the Company arising in relation to reinsurance of certain unit-linked pensions contracts issued by a member of the Prudential Group. The business is covered by a pari passu charge on assets.	152,623	Open	1,396,682	Nil
Baillie Gifford Life Ltd	Reinsurance of unit-linked pension liabilities of the Company arising in relation to reinsurance of certain unit-linked pensions contracts issued by a member of the Prudential Group. The business is covered by a pari passu charge on assets.	8,711	Open	52,547	Nil
Schroder Pension Management Ltd	Reinsurance of unit-linked pension liabilities of the Company arising in relation to reinsurance of certain unit-linked pensions contracts issued by a member of the Prudential Group. The business is covered by a pari passu charge on assets.	3,872	Open	20,861	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) The above reinsurers are authorised to carry on insurance business in the United Kingdom.
- (m) An asterisk denotes companies connected to the cedant (*).
- (n) In general the treaties may be exposed to the credit risk of the reinsurers, against which a reserve is held, if required.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

(o) The net liability includes no allowance for the refund of any reinsurance commission.

(p) Not applicable.

10. Reversionary (or annual) bonus

(1) Not applicable.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

PRUDENTIAL PENSIONS LIMITED
Global business

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

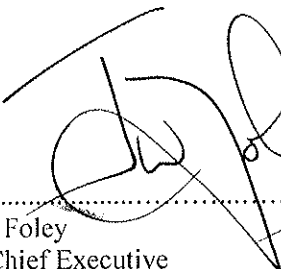
Financial year ended 31 December 2015

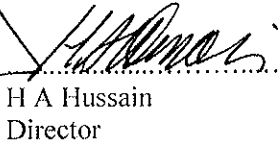
We certify:

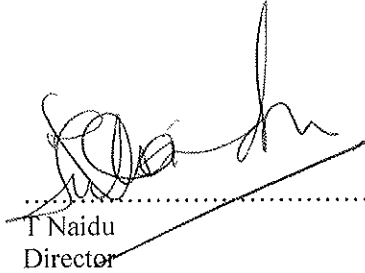
1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU, and INSPRU; and
- (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and the Fundamental Rules as well as the provisions of IPRU(INS), GENPRU and INSPRU; and

The certificate required by IPRU(INS) Appendix 9.6 paragraph 1(1)(b)(ii) in respect of compliance since the end of the financial year in question with the requirements in SYSC, Fundamental Rules and the provisions of IPRU(INS), GENPRU and INSPRU and ongoing compliance has not been provided. This is because these requirements have been replaced as from 1 January 2016, the commencement date of Solvency II, so the firm is subject to a new regulatory regime.

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 advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.


J Foley
Chief Executive


H A Hussain
Director


T Naidu
Director

24 March 2016

PRUDENTIAL PENSIONS LIMITED

Global business

Independent auditor's report to the Directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers IPRU(INS)

Financial year ended 31 December 2015

We have examined the following documents prepared by the insurer 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 Prudential Regulation Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 16, 40 to 45, 48, 58 and 60 (including the supplementary notes) on pages 1, 2-4, 5-13, 14-19, 24, 31, 32 and pages 33 to 38 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on page 39 ('the Statement');
- the valuation report required by rule IPRU(INS) 9.31(a)(i) on pages 41 to 52 ('the valuation report'); and

We are not required to examine and do not express an opinion on:

- Forms 46, 47, 50, 51, 53 and 55 (including the supplementary notes) on pages 20, 21-23, 25, 26-27, 28-29, 30 and page 38;
- the statement required by IPRU(INS) rule 9.30 on page 40; and
- the certificate required by IPRU(INS) rule 9.34(1) on page 53 ('the certificate').

This report is made solely to the insurer's directors, as a body, in accordance with the requirements of IPRU(INS) rule 9.35. We acknowledge that the directors are required to submit this report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the insurer's directors and issued in accordance with the requirements of IPRU(INS) rule 9.35 and to facilitate the discharge by the PRA of its regulatory functions in respect of the insurer, conferred on the PRA by or under the Financial Services and Markets Act 2000. Our work (including our examination) has been undertaken so that we might state to the insurer's directors, as a body, 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 insurer and the insurer's directors as a body, for our work (including our examination), for this report, or for the opinions we have formed.

Respective responsibilities of the company and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement and the valuation report) under the provisions of the Rules. Under IPRU(INS) rule 9.11 the Forms, the Statement and the valuation report, 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 insurer and used to perform the actuarial investigation as set out in the valuation report, 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:

PRUDENTIAL PENSIONS LIMITED

Global business

Independent auditor's report to the Directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers IPRU(INS) (continued)

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the Statement and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our examination.

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 insurer for the financial year. It also included an assessment of the significant estimates and judgements made by the insurer 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 rule IPRU(INS) 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under IPRU(INS) rule 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 insurer.

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 as modified and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.

Caroline Gilbertson

Caroline Gilbertson
for and on behalf of KPMG LLP, Senior Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

Date 24 March 2016

