

## Valuation Report as at 31 December 2001 (cont.)

- (b) The non unit reserves were recalculated at the revised valuation interest rates and levels of fund management charge income.
- (c) (i) There was a £83,000 increase in the aggregate amount of the long term liabilities.
  - (ii) The assets allocated to match such liabilities have reduced in value by £417,000.
- (9) Not applicable.
- 8. (a) Not applicable.
  - (b) Specific allowance is made for expenses of payment for all immediate annuities as indicated in note 5102.
  - (c) Not applicable.
  - (d) Not applicable.
- 9. (a) For group and individual linked business the unit liability has been obtained by valuing those units allocated to policyholders at the valuation unit price. This price is based on the mid-market price of the assets and includes investment income received.

The non unit liability in respect of PACL Group Business reinsurance accepted is that amount required to cover the loss likely to arise in the period of notice required before any increase in charges can take effect.

In determining the non-unit liability for GILP and PIA business, and Pru-Link Retirement Plan (PLRP) policies, the following parameters were used:

Valuation interest:	4.75%
Fund growth rate:	4.50% (before reduction for fund charge)
Renewal expenses:	GILP* £3,000,000 p.a. plus £900 p.a. per scheme (of which £900,000 p.a. is covered by charges for additional administration services) * includes reinsurance from Schroder Pensions Limited PIA £45,000 p.a. plus £120 p.a. per scheme PLRP - per policy for premium-paying policies £40.00 p.a. - per policy for other policies £27.00 p.a. - per claim £45.00 Reassurance from PACL £450,000 p.a.
Expense inflation:	3.25%
Fund charge:	The actual charged rate less 0.1% for actively managed funds (0.035% for passively managed funds) in respect of M&G investment management fees charged to PPL. The charged rate is 0.75% p.a. for PIA and PLRP, 0.25% for reassured business, and varies by fund for GILP (in the range 0.0% to 0.75%)
Other income:	GILP: A charge of £500 p.a. per scheme.

**Valuation Report as at 31 December 2001 (cont.)**

Mortality: AM92 Ult rated down 3 years (males)  
AM92 Ult rated down 8 years (females)

These reserves are also adequate in the context of a lower inflation scenario with unchanged assumptions of real interest and real fund growth.

(b) Not applicable.

10. (1) See 9 (a) above.
- (2) The aggregate amount of expense allowance arising in the next twelve months from the loadings described in paragraph 9 is £7,063,000.
- (3) and (4) New business costs are covered by expected future profits.
11. Not applicable.
12. (1) No premiums in respect of reinsurance business ceded on a facultative basis were paid to reinsurers not permitted to carry on business in the United Kingdom.
- (2) The following reinsurance treaties were in force at 31 December 2001 :
- (i) (a) **Prudential Annuities Limited (PAL)**
- (b) The reinsurer is permitted to carry on business in the United Kingdom.
- (c) The reinsurer is a connected company.
- (d) All immediate annuities are wholly reassured on original terms.
- (e) No premiums have been paid by the Company under the treaty during the period since the last investigation.
- (f) Not applicable.
- (g) No reinsurance commission is payable.
- (h) The agreement remains open to annuities arising under Pru-Link (PLRP), but is closed to Group Pensions business arising since 1 January 1990.
- (ii) (a) **Prudential Assurance Company Limited (PACL)**
- (b) The reinsurer is permitted to carry on business in the United Kingdom.
- (c) The reinsurer is a connected company.
- (d) All immediate annuities are wholly reassured on original terms.
- (e) No premiums have been paid by the Company under the treaty during the period since the last investigation.
- (f) Not applicable.
- (g) No reinsurance commission is payable.

**Valuation Report as at 31 December 2001 (cont.)**

(3) Not applicable.

13.-16. Not applicable.

17. See Form 46.

Group contracts not included in Form 46 are:

Group Investment Linked Policies (GILP) - 356 schemes at 31 December 2001.

GILP reinsurance accepted - 1 scheme at 31 December 2001.

Pensions Investment Account (PIA) - 96 schemes at 31 December 2001.

Reinsurance accepted from Prudential Assurance Company - an estimated 54,000 lives are covered by this business.

18. See Form 47.

19. See Forms 48 and 49.

No derivative contracts were held to cover non-linked long term liabilities at 31 December 2001.

20. See Forms 51 and 53.

21. (1) See Form 57.

(2) There was no adjustment to the yield on Gilts. The yield on deposits has been reduced by 0.35% to take account of risk of default.

(3) No such assets were held.

22. See Form 58.

23. See Form 60.

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D Jebson  
Appointed Actuary  
April 2002

## Long term insurance business : Summary of changes in ordinary long term business

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Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 2001**

		Company registration number		GL/UK/CM		Period ended			Units	UK/OS	NL/LN
		R46	992726	GL	31	12	2001	£000	UK	NL	
											day
		Life assurance and general annuity		Pensions business		Permanent health		Other business			
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums		
		1	2	3	4	5	6	7	8		
In force at beginning of year	11			5282							
New business and increases	12										
Net transfers and other alterations 'on'	13			4900							
Total 'on' (12+13)	19			4900							
Deaths	21			500							
Other insured events	22										
Maturities	23										
Surrenders	24										
Forfeitures	25										
Conversions to paid-up policies for reduced benefits	26										
Net transfers, expiries and other alterations 'off'	27										
Total 'off' (21 to 27)	29			500							
In force at end of year (11+19-29)	39			9682							

Long term insurance business : Analysis of new ordinary long term business

Name of insurer Prudential Pensions Limited

Global business

Financial year ended 31st December 2001

Company registration number 992726  
 GL/JUK/CM GL 31 12 2001  
 Period ended day month year  
 Units £000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
<b>UK REINSURANCE ACCEPTED</b>						
Pension Business						
Other Linked Contracts						
Group pension : Reinsurance from GILP		74815				
Group pension : Reinsurance from PACL		3849				
<b>Sub total: Other Linked Contracts</b>		<b>78664</b>				
<b>Total: Pension Business</b>		<b>78664</b>				
<b>Total: UK Reinsurance Accepted</b>		<b>78664</b>				

**Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits**Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

Type of asset	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	992726	GL	31	12	2001	£000	10
			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3	
Land and buildings		11						
Fixed interest securities	Approved securities	12	2050		126		5.11	
	Other	13						
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14						
	Other	15						
Equity shares and holdings in collective investment schemes		16						
Loans secured by mortgages		17						
All other assets	Producing income	18	12029		491		3.93	
	Not producing income	19	8945					
Total (11 to 19)		29	23024		617		2.51	

**Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits**Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Ordinary Long Term**

Type of asset	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R48</b>	<b>992726</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2001</b>	<b>£000</b>	<b>11</b>
			Value of admissible assets as shown on Form 13 <b>1</b>		Expected income from admissible assets <b>2</b>		Yield % <b>3</b>	
Land and buildings		<b>11</b>						
Fixed interest securities	Approved securities	<b>12</b>	2050		126		5.11	
	Other	<b>13</b>						
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	<b>14</b>						
	Other	<b>15</b>						
Equity shares and holdings in collective investment schemes		<b>16</b>						
Loans secured by mortgages		<b>17</b>						
All other assets	Producing income	<b>18</b>	12029		491		3.93	
	Not producing income	<b>19</b>	8945					
<b>Total (11 to 19)</b>		<b>29</b>	<b>23024</b>		<b>617</b>		<b>2.51</b>	

**Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits**Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

Type of asset	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	992726	GL	31	12	2001	£000	10
			Value of admissible assets as shown on Form 13	1	Expected income from admissible assets	2	Yield %	3
Land and buildings		11						
Fixed interest securities	Approved securities	12	2050		126		5.11	
	Other	13						
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14						
	Other	15						
Equity shares and holdings in collective investment schemes		16						
Loans secured by mortgages		17						
All other assets	Producing income	18	12029		491		3.93	
	Not producing income	19	8945					
Total (11 to 19)		29	23024		617		2.51	



**Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits**Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Ordinary Long Term**

Type of asset	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	992726	GL	31	12	2001	£000	11
			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3	
Land and buildings		11						
Fixed interest securities	Approved securities	12	2050		126		5.11	
	Other	13						
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14						
	Other	15						
Equity shares and holdings in collective investment schemes		16						
Loans secured by mortgages		17						
All other assets	Producing income	18	12029		491		3.93	
	Not producing income	19	8945					
Total (11 to 19)		29	23024		617		2.51	

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits

Printed 23rd APR 02 at 12:32

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2001**

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

Redemption period in years	Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3	GL/UK/CM	Period ended			Gross redemption yield % 5	Value of admissible higher yielding assets 6
					day	month	year		
				GL	31	12	2001	£000	
11									
12									
13									
14									
15	2050	5.11							
16									
17									
18									
19	2050	5.11							
21									
22									
23									
24									
25									
26									
27									
28									
29									

## Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits

Printed 23rd APR 02 at 12:32

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Ordinary Long Term**

Redemption period in years	Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3	GL/JUK/CM	Period ended			Units	Category of assets
					day	month	year		
				GL	31	12	2001	£000	11
11									
12									
13									
14									
15	2050	5.11							
16									
17									
18									
19	2050	5.11							
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
Total (11 to 28)									
One year or less									
More than one year but not more than five years									
More than five years but not more than ten years									
More than ten years but not more than fifteen years									
More than fifteen years but not more than twenty years									
More than twenty years but not more than twenty five years									
More than twenty five years									
Irredeemable									
Total (11 to 18)									
One year or less									
More than one year but not more than five years									
More than five years but not more than ten years									
More than ten years but not more than fifteen years									
More than fifteen years but not more than twenty years									
More than twenty years but not more than twenty five years									
More than twenty five years									
Irredeemable									
Total (21 to 28)									

## Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**Type of business **Pension Business**Category of surplus **Ordinary Long Term**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums			Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Type of business	Category of surplus	
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums	Office premiums			Net premiums	UK/OS			
											GL			31
1	2	3	4	5	6	7	8	9	10	11	12			
<b>DIRECT WRITTEN BUSINESS</b>														
<b>Non-Profits Policies</b>														
INDIVIDUAL - Annuities in Payment	5.73%	(a)	923	667				7251					7251	
GROUP - Annuities in Payment	5.73%	(b)	8754	7568				94143					94143	
	5.00%	(c)	5	60				595					595	
<b>Sub total: Non-Profits Policies</b>			<b>9682</b>	<b>8295</b>				<b>101989</b>					<b>101989</b>	
<b>Sub total: Direct Written Business</b>			<b>9682</b>	<b>8295</b>				<b>101989</b>					<b>101989</b>	
<b>REASSURANCE CEDED</b>														
<b>Non-Profits Policies</b>														
INDIVIDUAL - Annuities in Payment	5.73%	(a)	923	667				7251					7251	
GROUP - Annuities in Payment	5.73%	(b)	8754	7568				94143					94143	
	5.00%	(c)	5	60				595					595	
<b>Sub total: Non-Profits Policies</b>			<b>9682</b>	<b>8295</b>				<b>101989</b>					<b>101989</b>	
<b>Sub total: Reassurance Ceded</b>			<b>9682</b>	<b>8295</b>				<b>101989</b>					<b>101989</b>	

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**

Type of business **Pension Business**

Category of surplus **Ordinary Long Term**

Type of insurance or name of contract	Valuation basis		No of contracts	Company registration number	GLUK/CM			Period ended			Units	UK/OS	Type of business		Category of surplus		
	Rate of interest	Mortality or morbidity table			R51	992726	GL	31	12	2001			£000	UK		Pens	
																Amount of annual premiums	Value of annual premiums
					Office premiums	Net premiums	Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Office premiums	Net premiums	Value of sums assured or annuities per annum, including vested reversionary bonuses	Office premiums	Net premiums	Amount of mathematical reserves			
1	2	3	4		6	7	8	9	10	11				12			
<b>Net total: Pension Business</b>			<b>9682</b>														
<b>Net total: United Kingdom Business</b>			<b>9682</b>														

Returns under the Accounts and Statements Rules 23042002:11:49:50

Long term insurance business : Valuation summary of property linked contracts

Name of insurer Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended 31st December 2001

Type of business Pension Business

Category of surplus Ordinary Long Term

Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Company registration number			Period ended			Units			Type of business	Category of surplus	
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Amount of annual premiums		R53	992726	GL	31	12	2001	£000			UK
			Office premiums				Net premiums	Category of unit link								Current benefit value	Discounted value	
1	2	3	4	5	6	7	8	9				10	11	12	13	14	15	
DIRECT WRITTEN BUSINESS Non-Profits Policies																		
DIRECT INDIVIDUAL																		
Deferred annuity:																		
Pru-Link Retirement Plan - regular premium	(a)	(a)	6018		62204		1471				internal funds	62204		62204	597		62801	
Pru-Link Retirement Plan - single premium	(a)	(a)	136		4157						internal funds	4157		4157	3		4160	
DIRECT GROUP																		
Group pension:																		
PIA SAS Business	(a)	(a)	96								internal funds	8455		8455	60		8515	
GILP SAS Business	(a)	(a)	356								internal funds	2956874		2956874	850		2957724	
MISMATCHING RESERVE																		
ADDITIONAL RESERVE																		
Sub total: Non-Profits Policies			6606		66361		1471					3031690		3031690	3360		3035050	
Sub total: Direct Written Business			6606		66361		1471					3031690		3031690	3360		3035050	

Returns under the Accounts and Statements Rules 23042002:11:49:50  
**Long term insurance business : Valuation summary of property linked contracts**

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**

Type of business **Pension Business**

Category of surplus **Ordinary Long Term**

Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Company registration number	Period ended			Units	UK/OS	Type of business		Category of surplus
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Amount of annual premiums			GL/UK/CM	day	month			year	£000	
			Office premiums		Net premiums	Category of unit link	Current benefit value				Discounted value	Mortality and expenses			Options and guarantees other than investment performance guarantees
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>992726</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2001</b>	<b>£000</b>	<b>UK</b>	<b>Pens</b>	<b>11</b>
REASSURANCE ACCEPTED Non-Profits Policies															
Accepted from PAOL GILP Business	(a) (a)		1						internal funds internal funds		365518 5737	365518 5737			365518 5737
Sub total: Non-Profits Policies			1								371255	371255			371255
Sub total: Reassurance Accepted			1								371255	371255			371255
Net total: Pension Business			6607		66361			1471			3402945	3402945	3360		3406306
Net total: United Kingdom Business			6607		66361			1471			3402945	3402945	3360		3406306

## Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 1)

Printed 23rd APR 02 at 12.58

## Name of insurer Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended 31st December 2001

Category of surplus Ordinary Long Term

Internal linked fund

Name of fund link or directly held asset	1	2	3	4	5	GL	Period ended			Units	UKIOS	Category of surplus	IL/DH		
							day month year		£000					UK	11
							31	12							
Company registration number		GL/UK/ICM		R55		992726		992726		992726		992726			
				Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts	Value of surplus units or directly held assets (7-8+9)						
								Gross	Reinsurance ceded						
All Stocks Corporate Bond			11.8587	1576777	186926	33306	153620	153620	153620						
<b>Sub total: All Stocks Corporate Bond</b>					<b>186926</b>	<b>33306</b>	<b>153620</b>	<b>153620</b>	<b>153620</b>						
Balanced Non Property			8.7951	901290	7927	7927	7927	7927	7927						
<b>Sub total: Balanced Non Property</b>					<b>7927</b>	<b>7927</b>	<b>7927</b>	<b>7927</b>	<b>7927</b>						
Cash			54.6906	887815	48555	34725	13830	13830	13830						
<b>Sub total: Cash</b>					<b>48555</b>	<b>34725</b>	<b>13830</b>	<b>13830</b>	<b>13830</b>						
Consensus			8.6122	1474614	12700		12700	12700	12700						
<b>Sub total: Consensus</b>					<b>12700</b>		<b>12700</b>	<b>12700</b>	<b>12700</b>						
Discretionary			460.0544	2731169	1256486	293604	962882	962882	962882						
<b>Sub total: Discretionary</b>					<b>1256486</b>	<b>293604</b>	<b>962882</b>	<b>962882</b>	<b>962882</b>						
Emerging Markets			11.3367	1165005	13208	13100	108	108	108						
<b>Sub total: Emerging Markets</b>					<b>13208</b>	<b>13100</b>	<b>108</b>	<b>108</b>	<b>108</b>						
Equity			580.2898	1923695	1116302	769123	347179	347179	347179						
<b>Sub total: Equity</b>					<b>1116302</b>	<b>769123</b>	<b>347179</b>	<b>347179</b>	<b>347179</b>						



## Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 2)

Printed 23rd APR 02 at 12:58

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**Category of surplus **Ordinary Long Term**

Internal linked fund

Name of fund link or directly held asset	1	Name of unit type	2	Valuation price per unit or asset	3	Total actual number of units in force or directly held assets	4	Company registration number	GLUK/ICM	Period ended			Units	UK/OS	Category of surplus	IL/DH
										day	month	year				
										31	12	2001				
	R55	992726	GL	Value of total actual units in force or directly held assets	5	Value of actual units held by other internal linked funds	6	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	7	Value of units or directly held assets deemed allocated to contracts	8	Reinsurance ceded	9	Value of surplus units or directly held assets (7-8+9)	10	
UK Equity (passive)																
<b>Sub total: UK Equity (passive)</b>																
Europe																
<b>Sub total: Europe</b>																
Europe (passive)																
<b>Sub total: Europe (passive)</b>																
Fixed Interest																
<b>Sub total: Fixed Interest</b>																
GEI																
<b>Sub total: GEI</b>																
Global Equity																
<b>Sub total: Global Equity</b>																
Global Equity (passive)																
<b>Sub total: Global Equity (passive)</b>																

## Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 3)

Printed 23rd APR 02 at 12:58

## Name of insurer Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended 31st December 2001

Category of surplus Ordinary Long Term

Internal linked fund

Name of fund link or directly held asset	1	Name of unit type	2	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Company registration number	GL/JUK/ICM	Period ended			Units	UKIOS	Category of surplus	IL/DH				
								day	month	year					£000	UK	11	ILH
	R55	992726	GL	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts	Gross	Reinsurance ceded	Value of surplus units or directly held assets (7-8+9)								
Index Linked																		
Sub total: Index Linked				165.5216	399165		66071	3798	62273	62273	62273	62273						
Index Linked (passive)				13.1256	1652596		21691	39	21652	21652	21652	21652						
Sub total: Index Linked (passive)							21691	39	21652	21652	21652	21652						
Internal Long Dated Corporate Bond				11.5830	2384942		27625	27625	27625	27625	27625	27625						
Sub total: Internal Long Dated Corporate Bond							27625	27625	27625	27625	27625	27625						
Internal Medium Dated Corporate Bond				11.0571	491419		5434	5434	5434	5434	5434	5434						
Sub total: Internal Medium Dated Corporate Bond							5434	5434	5434	5434	5434	5434						
Internal Short Dated Corporate Bond				11.1047	2179893		24207	24207	24207	24207	24207	24207						
Sub total: Internal Short Dated Corporate Bond							24207	24207	24207	24207	24207	24207						
International				58.3282	6720324		391984	387186	4798	4798	4798	4798						
Sub total: International							391984	387186	4798	4798	4798	4798						
International (passive)				8.6227	100000		862	862	862	862	862	862						
Sub total: International (passive)							862	862	862	862	862	862						

## Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

Name of insurer **Prudential Pensions Limited**

(Sheet 6)

Printed 23rd APR 02 at 12.58

Global business

United Kingdom business

Financial year ended **31st December 2001**Category of surplus **Ordinary Long Term**

Internal linked fund

Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Company registration number	GLUK/CM			Period ended		Units	UKIOS	Category of surplus	IL/DH				
					GL	31	12	year						£000	UK	11	ILH
								day	month								
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>								
Smaller Companies		7.6024	10775571	81920	81816	104	104	104									
<b>Sub total: Smaller Companies</b>			<b>81920</b>	<b>81816</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>104</b>									
Specialist UK Equity		13.8064	2532261	34961	4248	30713	30713	30713									
<b>Sub total: Specialist UK Equity</b>			<b>34961</b>	<b>4248</b>	<b>30713</b>	<b>30713</b>	<b>30713</b>	<b>30713</b>									
MPP cash		1.7948	4162891	7471	347	7124	7124	7124									
<b>Sub total: MPP cash</b>			<b>4162891</b>	<b>7471</b>	<b>347</b>	<b>7124</b>	<b>7124</b>	<b>7124</b>									
MPP discretionary		2.4034	122252060	293824	66623	227201	227201	227201									
<b>Sub total: MPP discretionary</b>			<b>122252060</b>	<b>293824</b>	<b>66623</b>	<b>227201</b>	<b>227201</b>	<b>227201</b>									
MPP equity		2.7204	13315350	36223	326	35897	35897	35897									
<b>Sub total: MPP equity</b>			<b>13315350</b>	<b>36223</b>	<b>326</b>	<b>35897</b>	<b>35897</b>	<b>35897</b>									
MPP equity (passive)		0.8321	3608773	3002	3002	3002	3002	3002									
<b>Sub total: MPP equity (passive)</b>			<b>3608773</b>	<b>3002</b>	<b>3002</b>	<b>3002</b>	<b>3002</b>	<b>3002</b>									
MPP fixed interest		2.6218	2775551	7277	49	7228	7228	7228									
<b>Sub total: MPP fixed interest</b>			<b>2775551</b>	<b>7277</b>	<b>49</b>	<b>7228</b>	<b>7228</b>	<b>7228</b>									



## Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 8)

Printed 23rd APR 02 at 12.56

Name of insurer Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended 31st December 2001

Category of surplus Ordinary Long Term

Internal linked fund

Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Company registration number	GLUK/ICM		Period ended		Units £000	UK/OS	Category of surplus	IL/DH	
					GL	ICM	day	month					year
					31	12	2001	2001					2001
1	2	3	4	992726	GL	31	12	2001	8	UK	11	ILH	
MPP socially responsible		0.7707	679167		Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5.6)	Value of units or directly held assets deemed allocated to contracts	Value of surplus units or directly held assets (7-8+9)					
Sub total: MPP socially responsible			524		524	524	524	524					
Prulink cash		4.7407	73148			347	347	347					
Sub total: Prulink cash			347			347	347	347					
Prulink managed		9.9061	6664040			66014	66014	66014					
Sub total: Prulink managed			66014			66014	66014	66014					
MPP series II cash		1.1819	1173			1	1	1					
Sub total: MPP series II cash			1			1	1	1					
MPP series II discretionary		0.9327	648807			605	605	605					
Sub total: MPP series II discretionary			605			605	605	605					
MPP series II equity		0.8671	375413			326	326	326					
Sub total: MPP series II equity			326			326	326	326					
MPP series II UK equity (passive)		0.8563	100										
Sub total: MPP series II UK equity (passive)			100										









## Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 12)

Name of insurer Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended 31st December 2001

Category of surplus Ordinary Long Term

Internal linked fund

Printed 23rd APR 02 at 12:58

Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Company registration number	GL/JUK/CM	Period ended			Units	UK/IOS	Category of surplus	IL/DH	
						day	month	year					
						31	12	2001					
				R55	992726	GL	31	12	2001	£000	UK	11	ILH
						Value of actual units held by other internal linked funds			Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts			Value of surplus units or directly held assets (7-8+9)
										Gross	Reinsurance ceded		
1	2	3	4	5	6	7	8	9	10				
MPP series III UK equity passive		0.9470	1571127	1488	1488	1488	1488	1488	1488				
Sub total: MPP series III UK equity passive				1488	1488	1488	1488	1488	1488				
MPP series III UK smaller companies		0.9095	3447	3	3	3	3	3	3				
Sub total: MPP series III UK smaller companies				3	3	3	3	3	3				
MPP series III UK specialist equity		0.9385	13510	13	13	13	13	13	13				
Sub total: MPP series III UK specialist equity				13	13	13	13	13	13				
Sub total:													
Total: Ordinary Long Term			5894961	2492016	3402945	3402945	3402945	3402945	3402945				

Returns under the Accounts and Statements Rules 23042002:11:49:50

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Pensions Limited

Valuation rate(s) of interest 0.00%

Global business

Type of business

Pension Business

Financial year ended 31st December 2001

Non profit

Total long term business assets

Category of assets

Company registration number

Valuation rate of interest

Stg/NonStg

Units

Period ended day month year

GLJUK/CM

GL

R57

992726

31

12

2001

£000

Stg

0.00%

Pens

NP

10

Type of asset notionally allocated	The valuation				The resilience scenario				Risk adjusted yield %
	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated		Increase or decrease	Total under resilience scenario	Risk adjusted yield %		
			On original allocation	Stg				NP	
	1	2	3	4	5	6			
Land and buildings									
Fixed interest securities	500	5.11	398	(398)				8.11	
Variable interest and Variable yield securities (excluding items shown at line 16)									
Equity shares and holdings in collective investment schemes									
Loans secured by mortgages									
All other assets	880	3.58	880		880			6.58	
Total (11 to 19)	1380	4.13	1278	(398)	880			6.58	
Gross valuation interest rate %		0.00							
Net valuation interest rate % (where appropriate)									
Mathematical reserve or other liability, net of reinsurance	1380				880				

**Long term insurance business : Matching rectangle**

Sterling liabilities

Name of insurer **Prudential Pensions Limited**

Valuation rate(s) of interest **4.75%**

Global business

**Pension Business**

Financial year ended **31st December 2001**

Non profit

**Total long term business assets**

Category of assets

Type of asset notionally allocated	Company registration number	GL/JUK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
			day	month	year						
			31	12	2001						
	R57	992726	GL	£000	Stg	4.75%	Pens	NP	10		
			The valuation			The resilience scenario					
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated	Risk adjusted yield %					
			1	2	On original allocation	3	Increase or decrease	Total under resilience scenario	6		
Land and buildings		11									
Fixed interest securities		12	1550	5.11	1235	398	1633	8.11			
		13									
Variable interest and Variable yield securities (excluding items shown at line 16)		14									
		15									
Equity shares and holdings in collective investment schemes		16									
Loans secured by mortgages		17									
All other assets		18	430	3.58	430		430	6.58			
		19									
Total (11 to 19)		29	1980	4.78	1665	398	2063	7.79			
Gross valuation interest rate %		31		4.75				7.55			
Net valuation interest rate % (where appropriate)		32									
Mathematical reserve or other liability, net of reinsurance		33	1980				2063				

Returns under the Accounts and Statements Rules 23042002:11:49:50

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Pensions Limited

Valuation rate(s) of interest 0.00%

Global business

Type of business Pension Business

Financial year ended 31st December 2001

Non profit

Category of assets Ordinary Long Term

Type of asset notionally allocated	Company registration number	R57	992726	GLUK/ICM				Period ended				Units	Stg/NonStg	Valuation rate of interest	L&GA/Pens/PHI/Other	WP/NP	Category of assets				
				GL	31	12	2001	day	month	year	£000							Stg	Pens	NP	11
				The valuation		The resilience scenario		Value of assets notionally allocated		Risk adjusted yield %								Increase or decrease		Total under resilience scenario	
1																					
2																					
3																					
4																					
5																					
6																					
11																					
12																					
13																					
14																					
15																					
16																					
17																					
18																					
19																					
29																					
31																					
32																					
33																					

## Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Pensions Limited

Valuation rate(s) of interest 4.75%

Global business

Type of business

Pension Business

Financial year ended 31st December 2001

Non profit

Category of assets Ordinary Long Term

R57	992726	Company registration number	GL/JUK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
				day	month	year						
			GL	31	12	2001	£000	Stg	4.75%	Pens	NP	11
The valuation												
The resilience scenario												
Type of asset notionally allocated	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %						
			On original allocation	Increase or decrease	Total under resilience scenario							
	1	2	3	4	5	6						
11												
Land and buildings												
12	Approved securities	5.11	1550	1235	398	1633						8.11
13	Other											
14	Variable interest and Variable yield securities (excluding items shown at line 16)											
15	Other											
16	Equity shares and holdings in collective investment schemes											
17	Loans secured by mortgages											
18	Producing income	3.58	430	430		430				430		6.58
19	Not producing income											
29	Total (11 to 19)	4.78	1980	1665	398	2063				2063		7.79
31	Gross valuation interest rate %	4.75										7.55
32	Net valuation interest rate % (where appropriate)											
33	Mathematical reserve or other liability, net of reinsurance		1980							2063		

## Long term insurance business : Valuation result and distribution of surplus

Printed 23rd APR 02 at 12.32

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2001**Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

Category  
of surplusCategory of surplus **Ordinary Long Term**

		R58	992726	GL	31	12	2001	£000	11
Valuation result	Fund carried forward					11			3410465
	Bonus payments made to policyholders in anticipation of a surplus					12			
	Transfers out of fund/ parts of fund	Transfer to non-technical account				13			7776
		Transfer to other funds/parts of funds				14			
	Net transfer out of funds/parts of funds (13+14)					15			7776
	Total (11+12+15)					16			3418241
	Mathematical reserves for accumulating with profit policies					17			
	Mathematical reserves for other non linked contracts					18			
	Mathematical reserves for property linked contracts					19			3406305
	Mathematical reserves for index linked contracts					20			
	Total (17 to 20)					21			3406305
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)					29				11936
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation					31			4160
	Transfers into fund/part of fund	Transfer from non-technical account				32			
		Transfer from other funds/parts of fund				33			
	Net transfer into fund/part of fund (32+33)					34			
	Surplus arising since the last valuation					35			7776
Total (31+34+35)					39				11936
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus					41			
	Allocated to policyholders by way of	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			7776
	Total distributed surplus (46+47)					48			7776
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated					49			4160
Total (48+49)					59				11936
Percentage of distributed surplus allocated to policyholders of fund/part of fund						61			
Corresponding percentage at three immediately previous valuations	Latest (year of valuation )					62			
	Earlier (year of valuation )					63			
	Earliest (year of valuation )					64			

## Long term insurance business : Required minimum margin

Name of insurer Prudential Pensions Limited

Global business

Company registration number

GL/JK/CM

Units

Financial year ended 31st December 2001

Class	Classes I, II & IX		Class III business with relevant factor of				Class IV and V				Classes VII and VIII business with relevant factor of				Unallocated additional mathematical reserves with relevant factor of		Total for all classes	
	4%	1%	4%	1%	Nil	Total	4%	1%	Nil	Total	4%	1%	Nil	Total	The financial year	The previous year		
	1	3	2	3	4	5	6	7	8	9	10	11	12	13	13	14		
Relevant factor (Instruction 1)																		
Mathematical reserves before deduction of reinsurance	11	101989	3707		3402598	3406305											4124479	
Reserves for bonus allocated to policyholders	12																	
Reserves after distribution of surplus	13	101989	3707		3402598	3406305											4124479	
Mathematical reserves after deduction of reinsurance	14		3707		3402598	3406305											4033778	
Reserves for bonus allocated to policyholders	15																	
Reserves after distribution of surplus	16		3707		3402598	3406305											4033778	
Ratio of 16 to 13 or 0.85 if greater (see Instruction 2)	17	0.85				1.00												
Required margin of solvency - first result = (line 13) ÷ (line 17) × relevant factor	19	3468				148									3616		3241	
Temporary assurance with required margin of solvency of 0.1%	21																	
Non negative capital at risk before reinsurance (see Instruction 3)	22																	
Temporary assurance with required margin of solvency of 0.15%	23																	
All other assurances with required margin of solvency of 0.3%	29																	
Total (21 to 23)	31																	
Non negative capital at risk after reinsurance (all contra-cts) (see Instruction 3)	32																	
Ratio of line 31 to line 29, or 0.50 if greater	39																	
Required margin of solvency - second result (see Instruction 4)	49	3468				148									3616		3241	
Sum of first and second results (19+39)	51																	
Required margin of solvency for supplementary Accident & Sickness Insurance & Class V business	59																	
Total required margin of solvency for long term insurance business (49+51)	61														495		465	
Minimum guarantee fund	69														3616		3241	
Required minimum margin (greater of lines 59 and 61)																		

## PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2001

### Notes to the Return

#### Form 9

\*0901\* Orders under Section 68, Insurance Companies Act 1982 (as amended)

(660) The Secretary of State for Trade and Industry has issued to the Company Orders under section 68 of the Insurance Companies Act 1982 directing that Section 31 of that Act shall not apply to the Company in respect of transactions entered into with The Prudential Assurance Company Limited and Prudential Annuities Limited pursuant to various life reinsurance agreements.

This Order continues to have effect under the transitional arrangements set out in the Supervision Manual.

See note 1318 for a further Section 68 order concerning admissibility of assets.

Waiver under Section 148, Financial Services & Markets Act 2000

The Financial Services Authority issued to the Company in December 2001 a Waiver under section 148 of the Financial Services & Markets Act 2000. The effect of the Waiver was to modify the provisions of Rule 3.7, Appendix 3.2 Part 1 of IPRU (INS). Appendix 3.2 applies to contracts written by the firm as if, after paragraph 11 of Part I of that appendix there was inserted a paragraph 1A in the following term:

“1A. Shares in Railtrack plc held as at 6 December 2001 in the Equity Passive Fund and Specialist Equity Fund of Prudential Pensions Limited.”

#### Form 10

\*1001\* Reconciliation to shareholder accounts

	2001	2000
	£'000s	£'000s
<i>Net assets per the Annual Return</i>		
line 99 Form 13 (Other than Long Term Business)	31,372	25,225
line 59 Form 15	<u>(7,804)</u>	<u>(8,353)</u>
	23,568	16,872
<i>Per shareholder accounts</i>		
Capital + reserves	<u>29,348</u>	<u>22,722</u>
Difference	<u>(5,780)</u>	<u>(5,850)</u>
<i>Analysed as follows:</i>		
Brought forward additional reserves	5,850	5,570
Balance on long term technical account per shareholder accounts	7,706	7,726
Transfer to/(from) long term funds per form 16	<u>(7,776)</u>	<u>(7,446)</u>
Carried forward additional reserves held in long term funds	<u>5,780</u>	<u>5,850</u>



## Notes to the Return (continued)

### Form 13

\*1304\* Statement on Set Off

\*1310\* Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

\*1305\* Maximum Counterparty Limits

\*1311\* The Company's investment guidelines set maximum counterparty limits in order to maintain the admissibility of assets in accordance with Rule 4.14. The limits were not breached throughout the financial year.

\*1306\* Counterparty exposures at year end.

\*1312\* At year end we had counterparty exposures other than for long term business fund that were greater than 5%. This amount that was valued at £8,000,000 and held with the following approved counterparties:

Swedbank	£4,000,000
KBC Bank	£4,000,000

The long term business fund had counterparty exposures at year end greater than 5% of the long term business amount that were valued at £28,000,000 and held with the following approved counterparties:

ABN AMRO Bank	£4,000,000
Bradford & Bingley	£4,000,000
Bank of Scotland	£5,000,000
UBS AG	£5,000,000
Barclays Bank	£10,000,000

\*1318\* Orders under Section 68, Insurance Companies Act 1982 (as amended)

(715) The Treasury issued to the Company in September 1999 an Order under section 68 of the Insurance Companies Act 1982. The effect of the Order was to modify the provisions of regulation 57 of, and schedule 12 to, The Insurance Companies Regulations 1994 so that (a) in respect of debts due from an approved credit institution which is a connected company of HSBC Holdings plc there was substituted a counterparty exposure limit and asset exposure limit of £25 million and (b) in respect of debts due from other approved credit institutions there was substituted a counterparty exposure limit and asset exposure limit of £10 million.

This Order continues to have effect under the transitional arrangements set out in the Supervision Manual.

\*1320\* Other debtors and cash at bank

	Other debtors	Cash at bank
	£000's	£000's
<i>Per the Annual Returns</i>		
Form 13 line 78/81 Other than long term business	7	317
Form 13 line 78/81 Long term business	741	3,360
	<hr/>	<hr/>
	748	3,677
<i>Per shareholder accounts</i>	<hr/>	<hr/>
Difference	748	3,677
	<hr/>	<hr/>
	0	0

## Notes to the Return (continued)

### 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) There were no charges attributable to the long-term business assets.
- 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.
- e) The Company has set up a provision of £6,300,000 to cover the cost of performing a review into certain of its processes and the cost of implementing the review's findings. During the year £1,251,000 was spent on this review and hence released from the provision. In 1999 and 2000, £1,600,000 and £970,000, respectively, was spent on the review. Any costs that arise in excess of this provision will be indemnified by Prudential plc, the Company's ultimate parent company, in accordance with a guarantee provided to the Company on 25 February 1998.

### 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.

## Notes to the Return (continued)

### Form 17

#### \*1700\* Derivative Contracts

As all figures, including comparatives, are zero for the long-term and other than long term fund form 17, this form has been omitted. All derivative contracts are held in the internally linked funds and not within the other assets of the long-term fund or the other than long-term fund.

### Form 40

#### \*4003\* Investment income and capital gains

Included in the Line 26 figure (Transfer to non technical account) are the following investment incomes and capital gains:

	£'000s
Cash on deposit interest received	2,019
Bank overdraft interest paid	(860)
UK government gilt interest received	126
Unrealised capital gain on UK government gilt	(89)
	<hr/>
	1,196

#### \*4008\* Provision of Management Charges

The Company was provided throughout the year with day to day management services by The Prudential Assurance Company Limited (the immediate holding company), and Prudential Financial Services Limited, Prudential Property Investment Managers Limited, Prutech Limited, Prudential Services Limited and M&G Investment Management Limited, all group companies. The Company was further assisted during the year with day to day management services by Mellon Fund Administration, a third party.

\*4009\* The Company has a reinsurance agreement with a related company, Prudential Assurance Company Limited, in respect of linked premiums. Included in earned premiums for the year is an amount of £75m 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 £26m arising from claims under this reinsurance agreement and a claims recovery of £8m received from a related company, Prudential Annuities Limited.

### Form 43

#### \*4301\* Valuation of Linked Assets

Linked assets are valued at market value.

Investment properties, though, are independently valued each month on the basis of open market value in accordance with the RICS Appraisal and Valuation Annual. All the properties are currently valued by CB Hillier Parker Limited. Securities are valued at a market offer price except where a linked fund is priced on a full bid basis in which case the securities are valued on a bid basis. In accordance with the policy documents, an adjustment is made to the linked asset prices to account for buying or selling expenses.

## Notes to the Return (continued)

### \*4302\* Derivative Contracts

The value of rights under derivative contracts held by each internal linked fund were as follows. The figures are gross of variation margin and net of variation margin:

	<b>Gross Assets £'000</b>	<b>Gross Liabilities £'000</b>	<b>Net Assets £'000</b>	<b>Net Liabilities £'000</b>
Equity Passive	124	-	9	-
International	7,421	6,875	7,421	6,874
International bond	5,458	5,884	5,458	5,884
Pacific Markets	15,986	15,980	15,986	15,980
Pacific Markets passive	573	-	89	-

### \*4304\* Variation in directly held assets and other liabilities

As described in note 5501, the total assets held to cover linked liabilities include credit balances, hence the difference between linked assets and linked liabilities. However, some of the linked liability balances (such as the net overdraft position), when split by fund, include debit balances. This is the reason why the asset and liability figures in form 43 differ from those in other forms, as detailed below:

The value of directly held assets:

	<b>Assets</b>		<b>Liabilities</b>	
	3,419,801	(Form 13 Line 59)	16,856	(Included in Form 14 Line 38) *
Bank balances	10,554		10,554	
Cash balances	3,728		3,728	
Tax	406		406	
Interest	14		14	
Forward Currency	426		426	
Sundry	79		79	
Form 43 Total	<u>3,435,008</u>		<u>32,063</u>	

(Note the total liabilities on Form 14 Line 38 include £2,667,000 non linked liabilities)

### Form 44

*4402*	Other expenditure	<b>2001</b>
		<b>£'000</b>
	Estate expenses	1,832
	Commission expenses	207
	VAT on property	2,617
	Safe custody fees	287
	Transaction fees	151
	Total	<u>5,094</u>

### Form 48

#### \*4801\* Accrued income

Line 12, column 1 includes £8,000 accrued interest.

## Notes to the Return (continued)

### Form 51

#### \*5101\* Mortality Bases

The mortality bases corresponding to the codes are :

code (a)	80% PMA92 (u=20021), 80% PFA92 (u=2002)
code (b)	80% PMA92 (u=2002), 80% PFA92 (u=2002)
code (c)	70% PMA92 (C=2002), 70% PFA92 (C=2000)

#### \*5102\* Provision for annuity payment expenses

The provisions for the cost of paying annuities in possession corresponding to the codes are :

code (a)	2.5% increase in value of annuity
code (b)	2.5% increase in value of annuity
code (c)	£25.00 pa per annuitant plus 3.0% p.a. inflation

### Form 53

#### \*5301\* Interest and Mortality Bases

See answer to Appendix 9.4 question 9(a).

### Form 55

#### \*5501\* Unit linked liabilities

Included in the total assets held to cover linked liabilities (£3,402,945,000) are liabilities netted off against assets to the value of £16,856,000. This is the reason for the excess assets shown in forms 13 and 14 as follows:

	£000's
Property linked assets (per form 13 line 59)	3,419,801
Less unit linked creditors:	
Income in advance	(5,830)
Overseas cash revaluation	(36)
Property	(367)
Overseas brokers	(1,426)
Sterling brokers	(7,583)
Sundry creditors	(1,501)
Safe custody creditors	(85)
Transaction fees	(28)
	(16,856)
Property linked liabilities (per Form 14 Line 62) and Directly held assets (per Form 55 column 8)	3,402,945

Notes to the Return (continued)

Form 57

\*5701\*            Rationale

The resilience reserve is contained within the 0% rectangle.

## PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2001

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

a. **Investment Guidelines**

During 2001, 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; 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.

d. **Effect on Form 13 at 31 December 2001 of exercising derivatives where it would be prudent to assume options would be exercised**

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.

e. **Effect on Form 13 of exercising all derivatives at year end**

The only change would be to line 59 of Form 13 which would not reduce by a significant amount and would be directly offset by a reduction in the long-term liabilities shown on Form 14.

The assets of the company would not be impacted.

f. **Effect on Form 13 of exercising all derivatives at any time during year**

The assets of the company would not be impacted. Movement in linked assets would be offset by a corresponding change in the linked liability.

The assets of the company would not be impacted.

g. **Maximum loss**

The assets of the company would not be impacted. At the year end, linked assets would be reduced by a maximum of:

Existing market conditions      £4,182,000

Foreseeable market conditions   £4,418,000

The highest exposure throughout the year was £6,501,000.



**PRUDENTIAL PENSIONS LIMITED**

**Returns for the year ended 31 December 2001**

**Statement in accordance with rule 9.30 of the Accounts and Statements Rules**

Additional information on shareholder controllers

We confirm that the following is a list of:

- (a) Persons who, to the knowledge of Prudential Pensions Limited (“the Company”), have been, at any time during the year ended 31 December 2001, a shareholder controller of the Company; and
- (b) In the case of each person who was a shareholder controller of the Company at 31 December 2001:
  - (i) the percentage of shares he held at that time in the Company, or in another company of which the Company was a subsidiary undertaking; and
  - (ii) the percentage of the voting power which he was entitled at that time to exercise, or control the exercise of, at any general meeting of the Company, or another company of which it was a subsidiary undertaking;

in each case, either alone or with any associate or associates.

Persons who, to the knowledge of the Company, have been, at any time during the year ended 31 December 2001, a shareholder controller of the Company.	In the case of each person who was a shareholder controller of the Company at 31 December 2001:	
	The percentage of shares he held at that time in the Company, or in another company of which the Company was a subsidiary undertaking, either alone or ( <i>shown separately</i> ) with any associate or associates	The percentage of the voting power which he was entitled at that time to exercise, or control the exercise of, at any general meeting of the Company, or another company of which it was a subsidiary undertaking, either alone or ( <i>shown separately</i> ) with any associate or associates
The Prudential Assurance Company Limited, being its immediate holding company	100%	100%
Prudential plc, being its ultimate holding company	100%	100%

## PRUDENTIAL PENSIONS LIMITED

Financial year ended 31 December 2001

### Statement of information on the Appointed Actuary required by rule 9.36 of the Accounts and Statements Rules.

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In accordance with rule 9.36, David Jebson, the appointed actuary of the Company, was requested to furnish and has provided the following information:

- (a)
- (i) He had an interest in 18,239 and 23,169 shares in the share capital of the holding company, Prudential plc, at the beginning and at the end of the year respectively.
  - (ii) He held the following options granted under the Prudential Savings-Related Share Option Scheme to subscribe for shares in Prudential plc:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Exercise Dates</u>
1,665	608p	Between June 2006 and December 2006
1,041	648p	Between December 2006 and May 2007
  - (iii) During the year, he exercised the following options granted under the Prudential Savings-Related Share Option Scheme to subscribe for shares in Prudential plc – 3,008 shares at 344p and 1,922 shares at 359p.
  - (iv) He had an interest in 470 shares in the share capital of Egg plc at the beginning and end of the year.
  - (v) He had no interest in or debentures of any other group company.
- (b) He was interested in the following life and general insurance policies issued by the Company:
- (i) Five endowment assurance with-profits policies maturing between 2017 and 2021 with participating sums assured totalling £100,587, non-participating minimum death benefits of £228,109 and annual premiums of £5,388.
  - (ii) Two temporary assurance without-profits policies expiring between 2017 and 2021 with sums assured totalling £81,500 and annual premiums of £373.
  - (iii) Two home insurance policies covering buildings, household contents and personal effects.
- (c) His total remuneration for the year was £94,950.
- (d) He is a member of the Prudential Staff Pension Scheme and contributions in respect of the year were paid by the Company.

## **PRUDENTIAL PENSIONS LIMITED**

**Financial year ended 31 December 2001**

### **Directors' Certificate pursuant to Rule 9.34(a) of the Accounts and Statement Rules**

We certify that:

1. (a) in relation to the part of this return comprising Forms 9, 10, 13 to 17 and 40 to 45 (including the supplementary notes thereto) and the statements required by Rules 9.29 and 9.30 that:
  - (i) the return has been prepared in accordance with the Accounts and Statements Rules as modified by a waiver dated 21 December 2001 issued under section 148 of the Financial Services and Markets Act 2000 and by Section 68 Orders granted on 5 December 1997 and 2 September 1999 under the Insurance Companies Act 1982;
  - (ii) proper accounting records have been maintained and adequate information has been obtained by the Company; and
  - (iii) an appropriate system of control has been established and maintained by the Company over its transactions and records;
- (b) in respect of the Company's business which is not excluded by rule 7.6, the assets held throughout the financial year enabled the Company to comply with rules 7.1 to 7.5 (matching and localisation); and
- (c) in relation to the statement required by rule 9.36 that:
  - (i) for the purpose of preparing the statement, proper accounts and records have been maintained; and
  - (ii) the information given has been ascertained in conformity with that rule.

**Certificate required by Rule 9.34(a) (continued)**

2. the margin of solvency required by rule 2.1 has been maintained throughout the financial year.
  
3.
  - (a) the requirements of rules 3.1 and 3.4 have been fully complied with and in particular that, subject to the provisions of section 3.2(2) to (4) and 3.3, assets attributable to long term business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term insurance business fund have not been applied otherwise than for the purpose of the long term insurance business;
  
  - (b) any amount payable from or receivable by the long term insurance business fund in respect of services rendered by or to any other business carried on by the Company or by a person who, for the purposes of rule 3.4, is connected with it or is a subordinate company of it, has been determined and where appropriate apportioned on terms which are believed to be no less than fair to those funds, and any exchange of assets representing such funds for other assets of the Company has been made at fair market value;
  
  - (c) no guarantees have been given by the Company of the performance by a related company of a contract binding on the related company which would fall to be met by any long term business fund;
  
  - (d) in respect of each internal linked fund, the investment policy and practice of the Company during the financial year was consistent with representations made to policyholders or potential policyholders of the Company;
  
  - (e) the return in respect of long term business is not distorted by agreements with any other company carrying on insurance business with which the Company has financial, commercial or administrative links or by any arrangements which could affect the apportionment of expenses and income; and
  
  - (f) the Company has fully complied with the requirement of rule 3.5.

**Certificate required by Rule 9.34(a) (continued)**

4. (a) the systems of control established and maintained by the Company in respect of its business complied, at the end of the financial year, with the following published guidance:

- (i) Guidance Note P.1 - Systems of control over the investments (and counterparty exposure) of insurers with particular reference to the use of derivatives; and
- (ii) Money Laundering - Guidance Notes for the Financial Sector (revised February 2001) issued by the Joint Money Laundering Steering Group;

and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in future;

(b) the return has been prepared in accordance with the following published guidance:

- (i) Guidance Note 4.1 - Guidance for insurers and auditors on the Valuation of Assets Rules;
- (ii) Guidance Note 4.2 - The use of derivatives in insurance funds; and
- (iii) Guidance Note 9.1 - Preparation of returns.

.....  
G M Wood  
Chief Executive

.....  
M J Moores  
Director

.....  
D J Belsham  
Director

April 2002

**PRUDENTIAL PENSIONS LIMITED**

**Financial year ended 31 December 2001**

**Certificate by Appointed Actuary required by rule 9.34(b) of the Accounts and Statement Rules**

I certify that -

- (a)
  - (i) in my opinion proper records have been kept by the Company adequate for the purpose of the valuation of the liabilities of its long term business;
  - (ii) the mathematical reserves shown in Form 14 constitute proper provision at 31 December 2001 for the liabilities (other than liabilities which had fallen due at 31 December 2001) arising under or in connection with contracts for long term business including any increase in those liabilities arising from distribution of surplus as a result of an investigation as at 31 December 2001 into the financial condition of the long term business;
  - (iii) for the purpose of sub-paragraph (ii) above, the liabilities have been assessed in accordance with the Determination of Liabilities Rules in the context of assets valued in accordance with Valuation of Assets Rules;
  - (iv) the valuation complies with the guidance notes "(GN1 – version 5.1): Actuaries and Long-Term Insurance Business" dated 1 December 1998 and "(GN8 – version 6.0): Additional Guidance for Appointed Actuaries" dated 12 March 2001;
  - (v) in my opinion, premiums for contracts entered into during the financial year and the income earned thereon are sufficient, on reasonable actuarial assumptions, and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its commitments in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (b) the amount of required minimum margin applicable to the Company's long term business immediately following 31 December 2001 (including the amount resulting from any increase in liabilities arising from a distribution of surplus as a result of the investigation into the financial condition of the long term business) is £3,616,000.

D Jebson  
Appointed Actuary

April 2002

## **PRUDENTIAL PENSIONS LIMITED**

**Financial Year ended 31 December 2001**

### **Report of the auditor to the Directors pursuant to Rule 9.35 of the Accounts and Statements Rules**

We have examined the following documents prepared by the Company pursuant to the Accounts and Statements Rules set out in part I of Chapter 9 to the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000;

- Forms 9, 10, 13 to 17 and 40 to 45 (including the supplementary notes thereto) ("the Forms");
- the statement required by rule 9.29 on pages 96 to 97 ("the statement"); and
- the certificate signed in accordance with rule 9.34(a) on pages 100 to 102 ("the certificate").

In the case of the certificate, our examination did not extend to:

- (a) paragraph 1 in relation to the statements required by rules 9.30 and 9.36 concerning shareholder controllers and information on the appointed actuary;
- (b) paragraph 3(d) concerning the investment policy and practice of internal linked funds required by paragraph 4(d) of Appendix 9.6; and
- (c) paragraph 4(a) in so far as it relates to controls with respect to Money Laundering.

#### **Respective responsibilities of the Company and its auditors**

The Company is responsible for the preparation of an annual return (including the Forms, statements and the certificate) under the provisions of the Rules. The requirements of the Rules have been modified by the Waiver issued under section 148 of the Financial Services and Markets Act 2000 on 21 December 2001 and Orders issued under section 68 of the Insurance Companies Act 1982 on 5 December 1997 and 2 September 1999 under the transitional arrangements set out in SUP. Under rule 9.11 the Forms and statements 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.

It is our responsibility to form an independent opinion as to whether the Forms and statements meet these requirements, and in the case of the certificate whether it was or was not unreasonable for the persons giving the certificate to have made the statements therein, and to report our opinions to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

#### **Bases of opinions**

We conducted our work in accordance with Practice Note 20: 'The Audit of Insurers in the United Kingdom' 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 and statement. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year on which we reported on April 2002. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statement.

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 and statement are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In the case of the certificate, the work performed involves a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the Company's internal control systems.

In giving our opinion we have relied on:

- (a) the certificate of the actuary on page 103 with respect to the mathematical reserves and the required minimum margin and
- (b) the identity and value of implicit items as they have been admitted in accordance with rule 2.10.

### **Opinions**

In our opinion:

- (a) the Forms and statement 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
- (b) based on the information and explanations received by us:
  - (i) the certificate has been properly prepared in accordance with the provisions of the Rules; and
  - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.

KPMG Audit Plc  
Registered Auditor  
London

April 2002



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