

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 2002**

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	2002	£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	2138		126		4.48	
	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	12926		510		3.95	
	Not producing income	19	8983					
Total (11 to 19)		29	24047		636		2.52	

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

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2002**

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	Period ended			Gross redemption yield % 5	Value of admissible higher yielding assets 6
					day	month	year		
					31	12	2002	£000	10
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	2138	4.48		Variable interest and variable yield approved securities excluding equities					
More than twenty years but not more than twenty five years									
More than twenty five years									
Irredeemable									
Total (11 to 18)	2138	4.48							
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)									

Valuation Report as at 31 December 2002 (cont.)

Appendix 9.4 – Valuation Report as at December 2002

1. The investigation relates to 31 December 2002.
2. The previous investigation related to 31 December 2001.
3. The valuation of long term insurance business liabilities shown in this report conforms with Rule 5.6 of the Interim Prudential Sourcebook for Insurers [IPRU(INS)].
4. Non-linked business arises from annuities purchased under the option available in the linked contracts; see Form 51.
5. (1) Categories of in force linked business are as follows:

A. The Group Investment Linked Plan (GILP)

- (a) The Group Investment Linked Plan (GILP).
- (b) The contract type is: United Kingdom insurance business, pension insurance business, direct insurance business and reinsurance accepted, non-profit policies, group pension.
- (c) Premiums are payable as single premiums.
- (d) The benefits are the realisation values of the units held in the internal linked funds.

Units are surrendered to release cash to provide benefits for members of the pension schemes for which the policyholders are trustees.

Units may also be surrendered on the same terms if premiums are discontinued.

All policies contain an open market option and an option to secure an annuity on the then current annuity rates.

- (e) There are no guaranteed investment returns.
- (f) The charges made by the Company are:

a continuing investment charge of a percentage of the value of units, deducted as 1/365 of the annual amount each day, of:-

Smaller Companies Fund	0.75% p.a.
Balanced Non Property Fund	0.50% p.a.
Specialist UK Equity Fund	0.50% p.a.
Specialist Global Equity Fund	0.40% p.a.
Light Green Fund	0.35% p.a.
All Stocks Corporate Bond Fund	0.30% p.a.
Emerging Markets Fund	0.30% p.a.
Equity Fund	0.30% p.a.
Europe Fund	0.30% p.a.
Global Equity Fund	0.30% p.a.
International Fund	0.30% p.a.
Japan Fund	0.30% p.a.
Long Dated Corporate Bond Fund	0.30% p.a.
North America Fund	0.30% p.a.
Pacific Basin (excluding Japan) Fund	0.30% p.a.
Property Fund	0.30% p.a.
Fixed Interest Fund	0.25% p.a.
Index Linked Fund	0.25% p.a.

Valuation Report as at 31 December 2002 (cont.)

International Bond Fund	0.25% p.a.
Long Term Growth Fund	0.20% p.a.
Mid Term Balanced Fund	0.20% p.a.
Pre-Retirement Fund	0.20% p.a.
UK Equity (Passive) Fund	0.15% p.a.
Europe (Passive) Fund	0.15% p.a.
Global Equity (Passive) Fund	0.15% p.a.
International (Passive) Fund	0.15% p.a.
Japan (Passive) Fund	0.15% p.a.
North America (Passive) Fund	0.15% p.a.
Pacific Markets (Passive) Fund	0.15% p.a.
Cash Fund	0.10% p.a.
Index Linked (Passive) Fund	0.10% p.a.
Long Term Gilt Fund	0.10% p.a.
GEI Fund	0.00% p.a.
Tactical Long Dated Corporate Bond Fund	0.00% p.a.
Tactical Medium Dated Corporate Bond Fund	0.00% p.a.
Tactical Short Dated Corporate Bond Fund	0.00% p.a.

Discretionary Fund and Consensus Fund charges are a weighted average of their constituent sector fund charges. For Discretionary Fund this is between 0.28% and 0.30% p.a. and for Consensus Fund this is between 0.14% and 0.16% p.a.

(investment charges are allowed for in the offer and bid prices)

an annual scheme investment charge of £500

additional services are charged on a cost basis

- (g) The Company may increase these charges at any time upon giving six months notice.
- (h) See (d) above.
- (i) Benefits are determined by reference to the value of internal linked funds. The following funds are available:

Fund

All Stocks Corporate Bond Fund
Balanced Non Property Fund
Cash Fund
Consensus Fund
Discretionary Fund
Emerging Markets Fund
Equity Fund
UK Equity (Passive) Fund
Europe Fund
Europe (Passive) Fund
Fixed Interest Fund
GEI Fund
Global Equity Fund
Global Equity (Passive) Fund
Index Linked Fund
Index Linked (Passive) Fund
International Fund
International (Passive) Fund
International Bond Fund
Japan Fund
Japan (Passive) Fund

Valuation Report as at 31 December 2002 (cont.)

Light Green Fund
Long Dated Corporate Bond Fund
Long Term Gilt Fund
Long Term Growth Fund
Medium Term Balanced Fund
North America Fund
North America (Passive) Fund
Pacific Basin (excluding Japan) Fund
Pacific Markets (Passive) Fund
Pre-Retirement Fund
Property Fund
Smaller Companies Fund
Specialist Global Equity Fund
Specialist UK Equity Fund
Tactical Long Dated Corporate Bond Fund
Tactical Medium Dated Corporate Bond Fund
Tactical Short Dated Corporate Bond Fund

The general nature of the investments of each Prudential Pensions Limited internal linked fund is as follows:

All Stocks Corporate Bond Fund: Predominantly high quality sterling corporate debt, with a longer than average maturity.

Balanced Non Property Fund: Holdings currently in the following funds:

Cash Fund
Emerging Markets Fund
Europe Fund
Fixed Interest Fund
Index Linked Fund
International Bond Fund
Japan Fund
Long Dated Corporate Bond Fund
North America Fund
Pacific Basin (excluding Japan)
Fund
Specialist UK Equity Fund

Cash Fund: Short term money market deposits and instruments.

Consensus Fund: Holdings currently in the following funds:

Cash Fund
Emerging Markets Fund
Europe (Passive) Fund
Index Linked (Passive) Fund
International Bond Fund
Japan (Passive) Fund
Long Term Gilt Fund
North America (Passive) Fund
Pacific Markets (Passive) Fund
Property Fund
UK Equity (Passive) Fund

Discretionary Fund: Holdings currently in the following funds:

Cash Fund
Equity Fund

Valuation Report as at 31 December 2002 (cont.)

	Fixed Interest Fund
	Index Linked Fund
	International Fund
	International Bond Fund
	Light Green Fund
	Long Dated Corporate Bond Fund
	Property Fund
Emerging Markets Fund:	Stocks and shares of companies in South America and South Africa.
Equity Fund:	Stocks and shares of companies in the United Kingdom and investments in the UK Equity (Passive) and Smaller Companies Funds.
UK Equity (Passive) Fund:	Stocks and shares of companies in the United Kingdom.
Europe Fund:	Stocks and shares of European companies and holdings of European currencies.
Europe (Passive) Fund:	Stocks and shares of European companies and holdings of European currencies.
Fixed Interest Fund:	Fixed interest securities issued by the UK and Overseas Governments and UK companies and units of the Long Dated Corporate Bond and All Stocks Corporate Bond Funds.
GEI Fund:	UK listed securities of GEI International plc
Global Equity Fund:	Units of the Equity and International Funds.
Global Equity (Passive) Fund:	Units of the UK Equity (Passive), Europe (Passive), Japan (Passive), North America (Passive), Pacific Markets (Passive) and Emerging Markets Funds.
Index Linked Fund:	UK and Overseas Index linked securities
Index Linked (Passive) Fund:	UK and Overseas Index linked securities.
International Fund:	Stocks and shares of overseas companies and holdings of foreign currencies and investments in the Emerging Markets, Europe, Japan, North America, International (Passive), Pacific Basin (excluding Japan), North America (Passive), Europe (Passive), Japan (Passive) and Pacific Markets (Passive) Funds.
International (Passive) Fund:	Units of the Emerging Markets Fund, Europe (Passive), Japan (Passive), North America (Passive) and Pacific Markets (Passive) Funds.
International Bond Fund:	Fixed interest securities issued by UK and overseas governments and corporations.

Valuation Report as at 31 December 2002 (cont.)

The following funds (Series II) are wholly invested in the GILP funds of the same name (International Equity Fund invests in the GILP International Fund and Retirement Protection Fund invests in the GILP Long Term Gilt Fund). See 5(1)(A)(I) above.

MPP Series II UK Equity (Passive) Fund
MPP Series II Global Equity Fund
MPP Series II Index Linked (Passive) Fund
MPP Series II International Equity Fund
MPP Series II Retirement Protection Fund

The following funds (Series III) are wholly invested in the GILP funds of the same name (International Equity Fund invests in the GILP International Fund, Retirement Protection Fund invests in the GILP Long Term Gilt Fund, Socially Responsible Fund invests in the GILP Light Green Fund and Overseas Passive Fund invests in the GILP International Passive Fund). See 5(1)(A)(I) above.

MPP Series III Cash Fund
MPP Series III Discretionary Fund
MPP Series III Equity Fund
MPP Series III Fixed Interest Fund
MPP Series III Index Linked Fund
MPP Series III International Bond Fund
MPP Series III Property Fund
MPP Series III UK Equity (Passive) Fund
MPP Series III Global Equity Fund
MPP Series III Index Linked (Passive) Fund
MPP Series III International Equity Fund
MPP Series III Retirement Protection Fund
MPP Series III All Stocks Corporate Bond Fund
MPP Series III Global Equity Passive Fund
MPP Series III Socially Responsible Fund
MPP Series III UK Smaller Companies Fund
MPP Series III UK Specialist Equity Fund
MPP Series III Long Term Growth Fund
MPP Series III Pre Retirement Fund
MPP Series III Overseas Passive Fund

- (j) None.
 - (k) The contract was open to new business during the year to the valuation date.
 - (l) There were no increases to the rates of charge applied to the existing contracts during the reporting period.
-
- (2) No linked contract contains a with-profits option.
 - (3) Not applicable.

Valuation Report as at 31 December 2002 (cont.)

- (4) *Points applicable to each of the groups of internal linked funds are as follows:*

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.

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

GILP Funds

The business is currently administered on either a weekly or daily dealing platform. It is intended that all business will be moved to the new daily dealing platform over time. Both platforms take a continuous equity approach to unit pricing, i.e. units are created in the linked funds at the creation price, and liquidated in the linked funds at the cancellation price.

Weekly Platform

For the Discretionary and Global Equity Funds units are allocated to policyholders on a 'matched' basis as follows: if there are no matching transactions, then purchases are carried out at the creation price, and sales at the cancellation price. To the extent that there are both sales and purchases, the current practice is to match these transactions; purchases will be made at the normal offer price and sales will be made at a concessionary bid price (typically 100% of the offer price, where this is higher than the standard bid price). For all other funds, units are allocated to policyholders at the offer price, and sold at the bid price. Where there are both sales and purchases, transactions are matched where possible.

Daily Platform

The "Swinging single 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 cancellation (bid/bid) price.

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).

MPP Funds

MPP Funds are 100% invested in units of the GILP Funds at the daily pricing of the GILP funds. Purchases of GILP fund units are made at the creation price of the GILP fund, and sales at the cancellation price. Creation and cancellation prices are determined daily by reference to the appropriate GILP 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 deallocated at the bid price. While the trend in the number of units in a unit fund is believed to be upward, the bid price is the creation price. While the trend in the number of units is believed to be downward, the bid price is the cancellation price, where the trend is unclear or changing the bid price may be between the creation price and 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 II and Series III funds).

Pru-Link Funds

Valuation Report as at 31 December 2002 (cont.)

The Pru-Link Managed Fund is wholly invested in units of the MPP Discretionary Fund. The Pru-Link Cash Fund is wholly invested in units of the MPP Cash Fund. Creation and cancellation prices are determined once a week by reference to the appropriate MPP price. Transactions are carried out at the next available price (i.e. on a forward pricing basis). Pru-Link Funds buy and sell MPP units at the current MPP bid price. No further adjustments are made for buying or selling expenses.

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 deallocated at the bid price. While the trend in the number of units in the underlying unit fund (which is taken to be the MPP funds as a whole) is believed to be upward, the bid price is the creation price. While the trend in the number of units is believed to be downward, the bid price is the cancellation price. Where the trend is unclear or changing the bid price may be between the creation price and 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. (The initial charge was removed on 1 April 2001).

- (5) No provision for tax on realised or unrealised capital gains is required, as only pension business is written.
- (6) Not applicable.
- 6. (1) The mathematical reserve for non-linked business (annuities in payment) is the present value of the benefits with provision for the expenses of payment. The mathematical reserve for linked business consists of the unit liability together with a non unit liability. A discounted cashflow method of valuation is used to determine the non-unit liability.

In particular the following principles have been observed:

- (a) No derivatives were held outside of the internal linked funds.
- (b) 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.
- (c) The net premium method has not been used.
- (d) Negative values have been eliminated from the liability. Additionally, all negative values which would arise at future valuations using the current basis projected forward have also been eliminated.
- (e) No reserve for future bonuses is required.
- (f) No reserve for tax on unrealised capital gains is required, as only pension business is written
- (g) No reserve for investment performance guarantees is held as the only investment performance guarantee is that the unit price of the Pru-Link Cash Fund will not go down. Units of this fund are ultimately invested in units of the GILP Cash Fund, where the practice is to invest only in short term assets.
- (h) An additional reserve of £2,065,000 is held in respect of:

	£
Resilience (Rule 5.17(b))	600,000
Cashflow Mismatching (Rule 5.17(a))	470,000
Other contingencies	<u>995,000</u>
Total	2,065,000

Valuation Report as at 31 December 2002 (cont.)

- (2) Not applicable.
7. (1) The rates of interest and tables of mortality assumed in the valuation are shown in 9(a) below and Note 5101.
- (2) The mortality tables used are published tables.
- (3) All business is written in the UK and UK based mortality tables have been used.
- (4) All annuity business is wholly reassured (see 12 below). The mortality assumptions for annuities in payment allow for future mortality improvement as follows :
- Business reassured with PAL : At the rates in the published mortality tables used (year of birth tables are used).
- Business reassured with PACL : Using the mortality table on a calendar year basis, the calendar year being 2003.
- (5) No allowance has been made or reserve held, in addition to the assumptions in 7(4) above, in respect of possible changes in the incidence of disease or development in medical science.
- (6) The scenarios are:
- (a) an immediate increase of 2 percentage points in the rates of interest per annum obtainable on fixed interest securities, a 25% increase in the real yield on index-linked gilts, a 14% fall in the market value of equities and a 15% fall in the market value of property.
- (b) an immediate decrease of 1 percentage point in the rates of interest per annum obtainable on fixed interest securities, a 25% fall in the real yield on index-linked gilts, a 14% fall in the market value of equities and a 15% fall in the market value of property.
- Scenario (a) proved to be the most onerous.
- (7) An amount of £470,000 is included in the sterling reserves for cashflow mismatching. This has been determined by assuming that the redemption proceeds from existing assets can be reinvested, where necessary, at a yield of 80% of the current yield, and then comparing the expense reserve outgo against the resultant asset income to check that the additional reserve is sufficient to fund any shortfalls.
- (8) An additional reserve of £600,000 has been made. This was calculated as follows:
- (a) No changes in assumptions other than those stated in 7(6)(b) above, and interest rate changes as shown in Form 57 were made.
- (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 £298,000 increase in the aggregate amount of the long term liabilities.
- (ii) The assets allocated to match such liabilities have reduced in value by £302,000.
- (9) Not applicable.
8. (a) Not applicable.

Valuation Report as at 31 December 2002 (cont.)

- (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:	4.25%
Fund growth rate:	4.50% (before reduction for fund charge)
Renewal expenses:	GILP* £3,000,000 p.a. plus £930 p.a. per scheme (of which £1,200,000 p.a. is covered by charges for additional administration services) * includes reinsurance from Schroder Pensions Limited PIA £45,000 p.a. plus £130 p.a. per scheme PLRP - per policy for premium-paying policies £37.00 p.a. - per policy for other policies £25.00 p.a. - per claim £42.00 Reassurance from PACL £710,000 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.
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 £7,109,000.
- (3) and (4) New business costs are covered by expected future profits.

Valuation Report as at 31 December 2002 (cont.)

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 2002 :
- (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. The current liability reassured is £98,277,000. The reinsurer is a member of the Prudential group of companies and the reinsurance is not covered by first charges on assets.
- (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. The current liability reassured is £7,160,000. The reinsurer is a member of the Prudential group of companies and the reinsurance is not covered by first charges on assets.
- (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 new business.
- (3) Not applicable.
- 13.-16. Not applicable.

Valuation Report as at 31 December 2002 (cont.)

17. See Form 46.

Group contracts not included in Form 46 are:

Group Investment Linked Policies (GILP) - 351 schemes at 31 December 2002.

GILP reinsurance accepted - 1 scheme at 31 December 2002.

Pensions Investment Account (PIA) - 91 schemes at 31 December 2002.

Reinsurance accepted from Prudential Assurance Company - an estimated 65,000 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 2002.

20. See Forms 51 and 53.

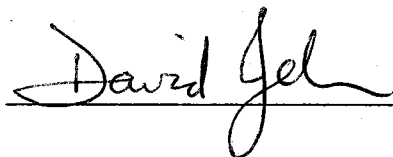
21. (1) See Form 57.

(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.



D Jebson. Appointed Actuary

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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 2002**

Type of business **Pension Insurance 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		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums	Office premiums reserved for expenses and profits	Office premiums		Net premiums		
											1	
DIRECT WRITTEN INSURANCE BUSINESS												
Non-Profit Policies												
INDIVIDUAL - Annuities in Payment	5.28%	(a)	910	656 pa					7160			7160
GROUP - Annuities in Payment	5.28%	(b)	8511	7681 pa					97699			97699
	5.00%	(c)	5	60 pa					578			578
Sub total: Non-Profit Policies			9426	8397 pa					105437			105437
Sub total: Direct Written Insurance Business			9426	8397 pa					105437			105437
REASSURANCE CEDED												
Non-Profit Policies												
INDIVIDUAL - Annuities in Payment	5.28%	(a)	910	656 pa					7160			7160
GROUP - Annuities in Payment	5.28%	(b)	8511	7681 pa					97699			97699
	5.00%	(c)	5	60 pa					578			578
Sub total: Non-Profit Policies			9426	8397 pa					105437			105437
Sub total: Reassurance Ceded			9426	8397 pa					105437			105437

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 2002**

Type of business **Pension Insurance 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 reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including reversionary bonuses	Value of annual premiums		Category of surplus
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums	Office premiums reserved for expenses and profits	Office premiums		Net premiums		
	1	2	3	4	5	6	7	8	9	10	11	12
Net total: Pension Insurance Business			9426									
Net total: United Kingdom Insurance Business			9426									

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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 2002**

Type of business **Pension Insurance 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			Amount of annual premiums		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	Office premiums	Net premiums	day month year		UK	£000			
			2						3	4			5	6	7
1															
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies															
DIRECT INDIVIDUAL															
Deferred annuity :															
Pru-Link Retirement Plan - regular premium	(a)	(a)	5790		50018		1298		internal funds	50018	50018	50018	557		50575
Pru-Link Retirement Plan - single premium	(a)	(a)	130		3141				internal funds	3141	3141	3141	3		3144
DIRECT GROUP															
Group pension :															
PIA SAS Business	(a)	(a)	91						internal funds	6663	6663	6663	150		6813
GILP SAS Business	(a)	(a)	350						internal funds	2806100	2806100	2806100	930		2807030
MISMATCHING RESERVE															
ADDITIONAL RESERVE															
Sub total: Non-Profit Policies			6361		53159		1298			2865922	2865922	2865922	3705		2869627
Sub total: Direct Written Insurance Business			6361		53159		1298			2865922	2865922	2865922	3705		2869627

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 2002**

Type of business **Pension Insurance 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			Amount of annual premiums		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	Office premiums	Net premiums	Category of unit link	day		£000	UK	Pens	11	
			2							3	4					5
1			4	5	6	7	8	9	10	11	12	13	14	15		
REASSURANCE ACCEPTED Non-Profit Policies																
Accepted from PACL	(a)	(a)	1						internal funds	382948	382948			382948		
GILP Business	(a)	(a)							internal funds	8027	8027			8027		
Sub total: Non-Profit Policies			1							390975	390975			390975		390975
Sub total: Reassurance Accepted			1							390975	390975			390975		390975
Net total: Pension Insurance Business			6362		53159		1298			3256897	3256897			3256897	3705	3260602
Net total: United Kingdom Insurance Business			6362		53159		1298			3256897	3256897			3256897	3705	3260602

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)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

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	GL/JUK/CM		Period ended				Units	UK/OS	Category of surplus	IL/DH			
					GL	CM	day	month	year	£000					UK	11	ILH
1	2	3	4	5	6	7	8	9	10								
Europe		9.4445	18003654	170036	123948	46088	46088	46088	46088								
Sub total: Europe																	
Europe Passive		7.1544	3923091	28068	16409	11659	11659	11659	11659								
Sub total: Europe Passive																	
Fixed Interest		266.7763	780784	208294	87413	120881	120881	120881	120881								
Sub total: Fixed Interest																	
GEI		0.1318	54370	7		7	7	7	7								
Sub total: GEI																	
Global Equity		19.7388	4437144	87584	54719	32865	32865	32865	32865								
Sub total: Global Equity																	
Global Equity (Passive)		7.2349	11762610	85101	1216	83885	83885	83885	83885								
Sub total: Global Equity (Passive)																	
Index Linked		178.5384	247437	44177	8082	36095	36095	36095	36095								
Sub total: Index Linked																	

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)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

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	GL/JUK/CM	Period ended			Units £000	UK/OS	Category of surplus	IL/DH
						day	month	year				
						31	12	2002				
1	2	3	4	992726	GL	6	7	8	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		
Index Linked (Passive)		14.2415	5101189			38	72610	72610	72610			
Sub total: Index Linked (Passive)						38	72610	72610	72610			
Internal Long Dated Corporate Bond		12.6921	2956557				37525	37525	37525			
Sub total: Internal Long Dated Corporate Bond							37525	37525	37525			
Internal Medium Dated Corporate Bond		12.3663	491419				6077	6077	6077			
Sub total: Internal Medium Dated Corporate Bond							6077	6077	6077			
Internal Short Dated Corporate Bond		11.9304	2086355				24891	24891	24891			
Sub total: Internal Short Dated Corporate Bond							24891	24891	24891			
International		44.1958	7040375			306053	5102	5102	5102			
Sub total: International						306053	5102	5102	5102			
International Bond		30.2455	2001667			46208	14334	14334	14334			
Sub total: International Bond						46208	14334	14334	14334			
International (Passive)		6.4770	100064			648	648	648	648			
Sub total: International (Passive)						648	648	648	648			

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 4)

Prudential Pensions Limited

Name of insurer

Global business

United Kingdom business

Financial year ended

31st December 2002

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	GL/JUK/CM	Period ended			Units	UK/IOS	Category of surplus	IL/DH	
										day	month	year					
										31	12	2002					
R55		992726	GL	31	12	2002	£000	UK	11	ILH							
		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)										
		5	6	7	Gross	Reinsurance ceded	10										
Japan																	
Sub total: Japan				4.2078		11074042	46597	992726	GL	31	12	2002	18038	UK	11		
Japan (Passive)							46597						18038				
Sub total: Japan (Passive)				5.9551		3761442	22400						7699				
Light Green							4084						507				
Sub total: Light Green				6.4040		637699	4084						507				
Long Dated Corporate Bond							196723						171501				
Sub total: Long Dated Corporate Bond				15.2554		12895332	196723						171501				
Long Term Gilt							257020						243427				
Sub total: Long Term Gilt				23.0412		11154834	257020						243427				
Long Term Growth							1516						1405				
Sub total: Long Term Growth				6.3506		238774	1516						1405				
Medium Term Balanced							1						1				
Sub total: Medium Term Balanced				8.7597		100	1						1				

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 5)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

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	GL/JUK/CM	Period ended			Units	UK/OS	Category of surplus	IL/DH	
										day	month	year					
								992726	GL	31	12	2002	£000	UK	11	ILH	
						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 (3-6)	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						
North America				9.5317		9245498	60592		27534	27534			27534				
Sub total: North America						88126	60592		27534	27534			27534				
North America (Passive)				6.6857		3702564	10849		13905	13905			13905				
Sub total: North America (Passive)						24754	10849		13905	13905			13905				
UK Equity Passive				8.2745		23650357	76996		118702	118702			118702				
Sub total: UK Equity Passive						195698	76996		118702	118702			118702				
Pacific Basin (excluding Japan)				7.7553		11448478	49756		39031	39031			39031				
Sub total: Pacific Basin (excluding Japan)						88787	49756		39031	39031			39031				
Property				305.3008		1119586	44210		297600	297600			297600				
Sub total: Property						341810	44210		297600	297600			297600				
Pacific Markets (Passive)				8.6697		3552887	21501		9302	9302			9302				
Sub total: Pacific Markets (Passive)						30803	21501		9302	9302			9302				
Pre-Retirement				11.2130		14331	20		141	141			141				
Sub total: Pre-Retirement						161	20		141	141			141				

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 6)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

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	GL/UK/CM	Period ended				Units	UK/OS	Category of surplus	IL/DH
										day month year							
										31	12	2002	£000				
								992726	GL	6	7	8	9	11			
Smaller Companies				5.6995		9664115	55080			54940	140	140	140				
Sub total: Smaller Companies							55080			54940	140	140	140				
Specialist UK Equity				11.3373		3658284	41475			5621	35854	35854	35854				
Sub total: Specialist UK Equity							41475			5621	35854	35854	35854				
Specialist Global Equity				8.5969		295882	2544			2544	2544	2544	2544				
Sub total: Specialist Global Equity							2544			2544	2544	2544	2544				
MPP All Stocks Corporate Bond				1.0002		100											
Sub total: MPP All Stocks Corporate Bond																	
MPP Cash				1.8615		6355270	11831			209	11622	11622	11622				
Sub total: MPP Cash							11831			209	11622	11622	11622				
MPP Discretionary				2.0059		136503889	273813			53639	220174	220174	220174				
Sub total: MPP Discretionary							273813			53639	220174	220174	220174				
MPP Equity				2.1500		17160062	36894			358	36536	36536	36536				
Sub total: MPP Equity							36894			358	36536	36536	36536				

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 7)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

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	GL/JUK/CM			Period ended			Units	UK/IOS	Category of surplus	IL/DH			
					GL	JUK	CM	day	month	year					£000	UK	11
MPP Equity (Passive) Sub total: MPP Equity (Passive)		0.6412	9585500	992726	6146	6146	6146	6146	6146	6146	6146	6146	6146				
MPP Fixed Interest Sub total: MPP Fixed Interest		2.8394	3266290		9275	9275	9199	9199	9199	9199	9199	9199	9199				
MPP Global Equity Sub total: MPP Global Equity		1.9166	28581928		54781	54781	54781	54781	54781	54781	54781	54781	54781				
MPP Global Equity (Passive) Sub total: MPP Global Equity (Passive)		0.6111	1993879		1218	1218	1218	1218	1218	1218	1218	1218	1218				
MPP Index Linked Sub total: MPP Index Linked		2.4037	2240514		5385	5385	5361	5361	5361	5361	5361	5361	5361				
MPP International Sub total: MPP International		1.3782	10429882		14374	14374	14374	14374	14374	14374	14374	14374	14374				
MPP International Bond Sub total: MPP International Bond		2.0222	285828		578	578	527	527	527	527	527	527	527				

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)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**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	Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Category of surplus	IL/DH	
									day	month	year					
									31	12	2002					
	R55			992726	GL	31	12	2002	£000	UK	11	ILH				
						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						
MPP Long Term Growth																
Sub total: MPP Long Term Growth						100										
MPP Overseas Equity (Passive)						100										
Sub total: MPP Overseas Equity (Passive)																
MPP Pre Retirement						100										
Sub total: MPP Pre Retirement																
MPP Property						1734257										
Sub total: MPP Property									4602	53					4549	4549
MPP Retirement Protection						5969494										
Sub total: MPP Retirement Protection									11277	11277					11277	11277
MPP Socially Responsible						2509442										
Sub total: MPP Socially Responsible									1461	1461					1461	1461
MPP Specialist Equity						100										
Sub total: MPP Specialist Equity																

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 9)

Name of insurer Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended **31st December 2002**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	992726	GL/UK/CM	Period ended			Units	UK/OS	Category of surplus	IL/DH
											day	month	year				
											31	12	2002	£000	UK	11	ILH
						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				
PruLink Cash				4.9166		39587			195			195		195			
Sub total: PruLink Cash						195			195			195		195			
PruLink Managed				8.2711		6403579			52965			52965		52965			
Sub total: PruLink Managed						52965			52965			52965		52965			
MPP series II Cash				1.2235		11605			14			14		14			
Sub total: MPP series II Cash						11605			14			14		14			
MPP series II Discretionary				0.7758		863335			670			670		670			
Sub total: MPP series II Discretionary						670			670			670		670			
MPP series II Equity				0.6827		522087			356			356		356			
Sub total: MPP series II Equity						522087			356			356		356			
MPP series II Fixed Interest				1.3085		57591			75			75		75			
Sub total: MPP series II Fixed Interest						57591			75			75		75			
MPP series II Global Equity				0.6371		100											
Sub total: MPP series II Global Equity						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 10)

Name of insurer Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended 31st December 2002

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	R55	GL/UK/CM			Period ended			Units	UK/OS	Category of surplus	IL/DH	
										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 total 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)	day					month
								992726	GL	31	12	2002	£000	UK	11	ILH				
MPP series II Index Linked																				
Sub total: MPP series II Index Linked						19110	4		24	24		24	24	24	24	8	24	24	9	10
MPP series II Index Linked Passive						100														
Sub total: MPP series II Index Linked Passive						40439						51	51	51	51		51	51		
MPP series II International Bond																				
Sub total: MPP series II International Bond						100														
MPP series II International Equity																				
Sub total: MPP series II International Equity						38684						54	54	54	54		54	54		
MPP series II Retirement Protection																				
Sub total: MPP series II Retirement Protection						100														
MPP series II UK Equity (Passive)																				
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 11)

Prudential Pensions Limited

Name of insurer

Global business

United Kingdom business

Financial year ended

31st December 2002

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	4	5	6	7	8	9	10	Units		IL/DH
													Company registration number	Category of surplus	
													GL/UK/CM	UK/OS	
	R55	992726	GL	31	12	2002	£000	UK	11	ILH					
MPP series III Cash Fund															
Sub total: MPP series III Cash Fund															
MPP series III Corporate Bond															
Sub total: MPP series III Corporate Bond															
MPP series III Discretionary															
Sub total: MPP series III Discretionary															
MPP series III Equity															
Sub total: MPP series III Equity															
MPP series III Fixed Interest															
Sub total: MPP series III Fixed Interest															
MPP series III Global Equity															
Sub total: MPP series III Global Equity															
MPP series III Global Equity (Passive)															
Sub total: MPP series III Global Equity (Passive)															

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)

Prudential Pensions Limited

Name of insurer

Global business

United Kingdom business

Financial year ended **31st December 2002**

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	Value of total actual units in force or directly held assets	GL/UK/CM	Period ended			Units	UK/OS	Category of surplus	IL/DH			
						day	month	year					£000	UK	11
R55				992726	GL	31	12	2002	£000	UK	11	ILH			
MPP series III Index Linked Sub total: MPP series III Index Linked	2	1.1076	98842	109		6	7	109	8	109	9	10			
MPP series III Index Linked (Passive) Sub total: MPP series III Index Linked (Passive)		1.1000	100	109				109		109					
MPP series III International Sub total: MPP series III International		0.7153	23585	17				17		17					
MPP series III International Bond Sub total: MPP series III International Bond		1.0766	1986	2				2		2					
MPP series III Light Green Sub total: MPP series III Light Green		0.7124	353434	252				252		252					
MPP series III Long Term Growth Sub total: MPP series III Long Term Growth		0.7644	145009	111				111		111					
MPP series III Overseas Equity (Passive) Sub total: MPP series III Overseas Equity (Passive)		0.7546	413	111				111		111					

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 13)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Category of surplus **Ordinary Long Term**

Internal linked fund

Name of fund link or directly held asset	1	Name of unit type	2	3	Valuation price per unit or asset	Total actual number of units in force or directly held assets	4	5	6	Period ended			Units	UK/OS	Category of surplus	IL/DH		
										day month year							Value of units or directly held assets deemed allocated to contracts	Reinsurance ceded
										GL	31	12						
MPP series III Pre-Retirement					1.0903	17873	19	19	19	19	19	19	19					
Sub total: MPP series III Pre-Retirement																		
MPP series III Property					1.1030	177482	196	196	196	196	196	196	196					
Sub total: MPP series III Property																		
MPP series III Retirement Protection					1.1174	1033007	1154	1154	1154	1154	1154	1154	1154					
Sub total: MPP series III Retirement Protection																		
MPP series III UK Equity (Passive)					0.7331	7000887	5133	5133	5133	5133	5133	5133	5133					
Sub total: MPP series III UK Equity (Passive)																		
MPP series III UK Smaller Companies					0.6892	91948	63	63	63	63	63	63	63					
Sub total: MPP series III UK Smaller Companies																		
MPP series III UK Specialist Equity					0.7765	149033	116	116	116	116	116	116	116					
Sub total: MPP series III UK Specialist Equity																		
Total: Ordinary Long Term							5303591		2046693		3256898		3256898					

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 Insurance Business

Financial year ended 31st December 2002

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

GL/JUK/CM

GL

31 12 2002

£000

Stg

0.00

Pens

NP

WP/NP

L.&GA/Pens/PHI/Other

Category of assets

10

R57		992726	992726			31 12 2002			£000			Stg	0.00	Pens	NP	10	
			The valuation			The resilience scenario											
Type of asset notionally allocated	Value of asset notionally allocated		Risk adjusted yield %		Value of assets notionally allocated		Increase or decrease		Total under resilience scenario		Risk adjusted yield %						
	1	2	3	4	5	6											
11	Land and buildings																
12	Fixed interest securities		28	4.48	24	(24)											
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	All other assets		1567	3.60	1567	(572)			995							5.60	
19																	
29	Total (11 to 19)		1595	3.62	1591	(596)			995							5.60	
31	Gross valuation interest rate %			0.00													0.00
32	Net valuation interest rate % (where appropriate)																
33	Mathematical reserve or other liability, net of reinsurance		1595						995								

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Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Pensions Limited

Valuation rate(s) of interest 4.25%

Global business

Pension Insurance Business

Financial year ended 31st December 2002

Non profit

Category of assets Total long term business assets

Company registration number	R57	992726	GL/JK/CM	Period ended		Units	Stg/NonStg	Valuation rate of interest	L&GAI/Pens/PHI/Other	WP/NP	Category of assets	
				day	month							year
			GL	31	12	2002	£000	Stg	4.25	Pens	NP	10
The valuation												
Type of asset notionally allocated	Value of asset notionally allocated			Risk adjusted yield %		Value of assets notionally allocated			Risk adjusted yield %			
	1	2	3	4	5	6	7	8	9	10		
Land and buildings	11											
Fixed interest securities	12	2110	1811	24	1835	6.48						
	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			572	572	5.60						
	19											
Total (11 to 19)	29	2110	1811	596	2407	4.48						6.27
Gross valuation interest rate %	31					4.25						5.25
Net valuation interest rate % (where appropriate)	32											
Mathematical reserve or other liability, net of reinsurance	33		2110		2407							

Long term insurance business : Matching rectangle

Sterling/Non sterling liabilities

Name of insurer **Prudential Pensions Limited**

Valuation rate(s) of interest **Total**

Global business

Type of business

Financial year ended **31st December 2002**

With profits/Non profit

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

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						
R57	GL	31	12	2002	£000		99			10
The valuation										
Type of asset notionally allocated		Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %			
		1	2	On original allocation	Increase or decrease	Total under resilience scenario	5	6		
Land and buildings		11								
Fixed interest securities		12	2138	4.48	1835			1835		6.48
Other		13								
Variable interest and Variable yield securities (excluding items shown at line 16)		14								
Other		15								
Equity shares and holdings in collective investment schemes		16								
Loans secured by mortgages		17								
All other assets		18	1567	3.60	1567			1567		5.60
Producing income		19								
Not producing income		19								
Total (11 to 19)		29	3705	4.11	3402			3402		6.07
Gross valuation interest rate %		31								
Net valuation interest rate % (where appropriate)		32								
Mathematical reserve or other liability, net of reinsurance		33	3705					3402		

Long term insurance business : Valuation result and distribution of surplus

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2002**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	2002	£000	11
Valuation result	Fund carried forward					11			3264762
	Bonus payments made to policyholders in anticipation of a surplus					12			
	Transfers out of fund/ parts of fund	Transfer to non-technical account				13			2335
		Transfer to other funds/parts of funds				14			
	Net transfer out of funds/parts of funds (13+14)					15			2335
	Total (11+12+15)					16			3267097
	Mathematical reserves for accumulating with profit policies					17			
	Mathematical reserves for other non linked contracts					18			
	Mathematical reserves for property linked contracts					19			3260602
	Mathematical reserves for index linked contracts					20			
	Total (17 to 20)					21			3260602
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)					29			6495
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			2335
Total (31+34+35)					39			6495	
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			2335
	Total distributed surplus (46+47)					48			2335
Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated					49			4160	
Total (48+49)					59			6495	
Percentage of distributed surplus allocated to policyholders of fund/part of fund						61			
Corresponding percentage at three immediately previous valuations	Latest (year of valuation 2001)				62				
	Earlier (year of valuation 2000)				63				
	Earliest (year of valuation 1999)				64				

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Long term insurance business : Required minimum margin

Name of insurer **Prudential Pensions Limited**

Global business

Company registration number **992726** GLUK/ICM **GL** Period ended day **31** month **12** year **2002** Units **£000**

Financial year ended **31st December 2002**

Class	Classes I, II & IX		Class III business with relevant factor of				Class IV and VI				Classes VII and VIII business with relevant factor of				Total for all classes	
	4% 1	105437	4% 2	3900	1% 3	Nil 4	Total 5	4% 6	Nil 9	1% 8	4% 7	Total 10	4% 11	Nil 12	1% 13	Total 14
Relevant factor (Instruction 1)																
Mathematical reserves before deduction of reinsurance																
Reserves before distribution of surplus																
Reserves for bonus allocated to policyholders																
Reserves after distribution of surplus																
Reserves before distribution of surplus																
Reserves for bonus allocated to policyholders																
Reserves after distribution of surplus																
Ratio of 16 to 13 or 0.85 if greater (see Instruction 2)																
Required margin of solvency - first result = (line 13) * (line 17) * relevant factor																
Temporary assurances with required margin of solvency of 0.1%																
Non negative capital at risk before reinsurance (see Instruction 3)																
Temporary assurances with required margin of solvency of 0.15%																
All other assurances with required margin of solvency of 0.3%																
Total (21 to 23)																
Non negative capital at risk after reinsurance (all contracts) (see Instruction 3)																
Ratio of line 31 to line 29, or 0.50 if greater																
Required margin of solvency - second result (see Instruction 4)																
Sum of first and second results (19+39)																
Required margin of solvency for supplementary Accident & Sickness Insurance & Class V business																
Total required margin of solvency for long term insurance business (49+51)																
Minimum guarantee fund																
Required minimum margin (greater of lines 59 and 61)																

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2002

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.

Form 10

1001 Reconciliation to shareholder accounts

	2002	2001
	£'000s	£'000s
<i>Net assets per the Annual Return</i>		
line 99 Form 13 (Other than Long Term Business)	31,896	31,372
line 59 Form 15	<u>(5,945)</u>	<u>(7,804)</u>
	25,951	23,568
<i>Per shareholder accounts</i>		
Capital + reserves	<u>30,563</u>	<u>27,614</u>
Difference	<u>(4,612)</u>	<u>(4,046)</u>
<u>Analysed as follows:</u>		
Additional Reserves held in long term fund	(5,880)	(5,780)
Deferred Tax	1,977	1,734
Inadmissible assets	<u>(709)</u>	-
	<u>(4,612)</u>	<u>(4,046)</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 £3,500,000 and held with the following approved counterparties:

Swedbank	£3,500,000
----------	------------

The long term business fund had counterparty exposures at year end greater than 5% of the long term business amount that were valued at £32,000,000 and held with the following approved counterparties:

Allied Irish Bank	£3,000,000
ING BHF	£6,000,000
Bristol and West PLC	£3,000,000
Commonwealth Bank Of Australia	£3,000,000
Intesabci	£5,000,000
Nationwide	£6,000,000
SEB Bank	£6,000,000

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 76/78/81 Other than long term business	5	312
Form 13 line 78/81 Long term business	1,251	468
	<u>1,256</u>	<u>780</u>
<i>Per shareholder accounts</i>	<u>1,256</u>	<u>780</u>
Difference	<u>0</u>	<u>0</u>

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 £6,289,000 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 £670,000 was spent increasing the provision. In 1999, 2000 and 2001, £1,550,000, £970,000 and £1,251,000 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.

Notes to the Return (continued)

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 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	1,797
Bank overdraft interest paid	(885)
UK government gilt interest received	126
Unrealised capital gain on UK government gilt	87
	<u>1,125</u>

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 £107m 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 £21m arising from claims under this reinsurance agreement and a claims recovery of £8m received from a related company, Prudential Annuities Limited.

Notes to the Return (continued)

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.

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:

	Gross Assets £'000	Gross Liabilities £'000	Net Assets £'000	Net Liabilities £'000
Equity Passive	120	(3)	120	-
International bond	2,764	(2,875)	2,764	(2,875)
Fixed Interest	6,479	(6,544)	6,479	(6,544)
North America Passive	34	(4)	34	-
Pacific Markets passive	672	(198)	672	-
Index Linked	983	(962)	983	(962)

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:

	Assets		Liabilities	
	3,266,021	(Form 13 Line 59)	9,123	(Included in Form 14 Line 38) *
Creditors	205		205	
Cash balances	312		312	
Tax	845		845	
Financial Investment	205		205	
Form 43 Total	3,267,588		10,690	

(Note the total liabilities on Form 14 Line 38 include £10,025,000 non linked liabilities)

Notes to the Return (continued)

Form 44

4402	Other expenditure	2002
		£'000
	Other investment expenses	(43)
	Safe custody fees	390
	Transaction fees	220
	Total	<u>567</u>

Form 48

4801 Accrued income

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

Form 51

5101 Mortality Bases

The mortality bases corresponding to the codes are :

code (a) 80% PMA92 (u=2003), 80% PFA92 (u=2003)

code (b) 70% PMA92 (c=2003), 70% PFA92 (c=2003)

5102 Provision for annuity payment expenses

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

code (a) 2.0 % increase in value of annuity

code (b) £25.50 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).

5302 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. This year, these expenses (£3,106k) have been reclassified and netted off against investment income. In prior years this item was included in Form 44 Line 26 under "other expenditure".

Notes to the Return (continued)

This primarily explains the difference in "other expenditure" item between 2001 and 2002 as shown on Form 44.

Form 55

***5501* Unit linked liabilities**

Included in the total assets held to cover linked liabilities (£3,256,898,000) are liabilities netted off against assets to the value of £9,123,000. This is the reason for the excess assets shown in forms 13 and 14 as follows:

	<u>£000's</u>
Property linked assets (per form 13 line 59)	3,266,021
Less unit linked creditors:	
Income in advance	204
Property	(368)
Sterling brokers	(7,896)
Sundry creditors	(960)
Safe custody creditors	(65)
Transaction fees	(38)
	(9,123)
Property linked liabilities (per Form 14 Line 62) and Directly held assets (per Form 55 column 8)	3,256,898

Form 57

***5701* Rationale**

The resilience reserve is contained within the 0% rectangle.

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2002

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

a. **Investment Guidelines**

During 2002, 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 2002 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 £826,000

Foreseeable market conditions £930,000

The highest exposure throughout the year was £7,237,000.

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2002

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 2002, 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 2002:
 - (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 2002, a shareholder controller of the Company.	In the case of each person who was a shareholder controller of the Company at 31 December 2002:	
	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 2002

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

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 23,169 and 23,763 shares in the share capital of the holding company, Prudential plc, at the beginning and at the end of the year respectively.
 - (ii) He and his spouse 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>
9494	346p	Between December 2007 and May 2008
 - (iii) He had an interest in 470 and 940 shares in the share capital of Egg plc at the beginning and end of the year respectively.
 - (iv) 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) One home insurance policy covering buildings, household contents and personal effects.
- (c) His total remuneration for the year was £249,638 (including that of his spouse).
- (d) He and his spouse are members 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 2002

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, 9A, 10, 13 to 16 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 Section 68 Order granted on 5 December 1997 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.
- (d) that proper records have been maintained and adequate information obtained by the company for the purpose of the declaration required by rule 9.39.

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)

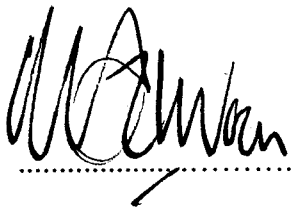
4. (a) the systems of control established and maintained by the Company in respect of its business complied, at the end of the financial year, with the following published guidance:

- (i) Guidance Note P.1 - Systems and controls over the investments (and counterparty exposure) of insurers with particular reference to the use of derivatives; and
- (ii) Money Laundering - Guidance Notes for Insurance and Retail Products (issued by the Joint Money Laundering Steering Group, revised in December 2001); subject to a weakness identified in relation to the verification of ID procedures for certain UK products. Plans are in place to address these weaknesses and these are on track for the anticipated implementation date."

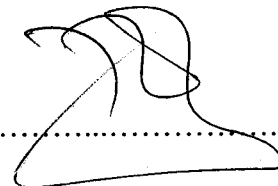
and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in future;

(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 annual returns.



G M Wood
Chief Executive



T J W Tookey
Director



D J Belsham
Director

25 March 2003

PRUDENTIAL PENSIONS LIMITED

Financial year ended 31 December 2002

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 2002 for the liabilities (other than liabilities which had fallen due at 31 December 2002) 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 2002 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 "The Prudential Supervision in the UK of Long-Term Insurance Business (GN1 version 6.0)" dated 1 December 2001 and "Additional Guidance on Valuation of Long-Term Insurance Business (GN8 version 7.0)" dated 30 December 2002, both issued by the Institute of Actuaries and the Faculty of Actuaries;
- (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 2002 (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 £3,741,000.



D Jebson
Appointed Actuary

25 March 2003

PRUDENTIAL PENSIONS LIMITED

Financial Year ended 31 December 2002

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 ("FSA") under section 138 of the Financial Services and Markets Act 2000:

- Forms 9, 9A, 10, 13 to 16 and 40 to 45 (including the supplementary notes thereto) ("the Forms");
- the statement required by rule 9.29 on pages 92 to 93 ("the statement"); and
- the certificate signed in accordance with rule 9.34(a) on pages 96 to 98 ("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.

This report is made solely to the company's directors, as a body, in accordance with the requirements of rule 9.35 of the Rules. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirements of rule 9.35 of the Rules and to facilitate the discharge by the FSA of its regulatory functions in respect of the company, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to rule 9.35 of the Rules and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

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 an Order issued under section 68 of the Insurance Companies Act 1982 on 5 December 1997 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 25 March 2003. 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 99 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

KPMG Audit Plc
Registered Auditor
London

25 March 2003

