

Prudential Pensions Limited

Incorporated and registered in England and Wales. Registered No. 992726.
Registered Office: Laurence Pountney Hill, London EC4R 0HH.

**Annual FSA Insurance Returns for the year ended
31 December 2005**

Appendices 9.1, 9.3, 9.4, 9.6

Prudential Pensions Limited

31 December 2005

Contents

		Page
Appendix 9.1		
Form 2	Long term insurance business: Statement of solvency	1
	Covering sheet to Form 2	2
Form 3	Components of capital resources	3
Form 13	Analysis of admissible assets	6
Form 14	Long term insurance business liabilities and margins	12
Form 15	Liabilities (other than long term business)	13
Form 16	Profit and loss account (non-technical account)	14
Form 17	Analysis of derivative contracts	15
Appendix 9.3		
Form 40	Long term insurance business: Revenue account	17
Form 41	Long term insurance business: Analysis of premiums	18
Form 42	Long term insurance business: Analysis of claims	19
Form 43	Long term insurance business: Analysis of expenses	20
Form 44	Long term insurance business: Linked funds balance sheet	21
Form 45	Long term insurance business: Revenue account for internal linked funds	22
Appendix 9.4		
Form 46	Long term insurance business: Summary of new business	23
Form 47	Long term insurance business: Analysis of new business	24
Form 48	Long term insurance business: Non-linked assets	27
Form 49	Long term insurance business: Fixed and variable interest assets	28
Form 50	Long term insurance business: Summary of mathematical reserves	29
Form 51	Long term insurance business: Valuation summary of non-linked contracts (other than accumulating with-profits contracts)	30
Form 53	Long term insurance business: Valuation summary of property linked contracts	32
Form 54	Long term insurance business: Valuation summary of index linked contracts	34
Form 55	Long term insurance business: Unit prices for internal linked funds	35
Form 56	Long term insurance business: Index linked business	36
Form 57	Long term insurance business: Analysis of valuation interest rate	37
Form 58	Long term insurance business: Distribution of surplus	38
Form 60	Long term insurance capital requirement	39
	Abstract of the Valuation Report - Rule 9.31	40
Appendix 9.6		
	Notes to the Return	49
	Directors Certificate - Rule 9.34(a)	56
	Auditors' Report - Rule 9.35	57
	Additional information on Derivative Contracts - Rule 9.29	59
	Additional information on Controllers - Rule 9.30	61

Statement of solvency - long-term insurance businessName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units
	R2	992726	GL	31	12	2005
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	34912	
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	59614	18069
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	94526	18069

Guarantee fund

Guarantee fund requirement	21	20516	2087
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	74010	15982

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	61547	5081
Resilience capital requirement	32		
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	61547	5081
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	61547	5081
Excess (deficiency) of available capital resources to cover 50% of MCR	37	63752	15528
Excess (deficiency) of available capital resources to cover 75% of MCR	38	48366	14258

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	61547	5081

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	61547	5081
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	32979	12988

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51	32723	
--	-----------	-------	--

Covering Sheet to Form 2

Form 2

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**

_____ **N E T Prettejohn** **Chief Executive**

_____ **D J Belsham** **Director**

_____ **R C Everett** **Director**

London, 30 March 2006

Components of capital resourcesName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	992726	GL	31	12	2005	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
		1	2	3	4		

Core tier one capital

Permanent share capital	11		6000	6000	6000
Profit and loss account and other reserves	12		48289	48289	13261
Share premium account	13				
Positive valuation differences	14		237	237	
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		54526	54526	19261

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25		40000	40000	
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		94526	94526	19261
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				1179
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				1179
Total tier one capital after deductions (31-37)	39		94526	94526	18082

Components of capital resourcesName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	992726	GL	31	12	2005	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				

Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				

Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Components of capital resourcesName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	992726	GL	31	12	2005	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		94526	94526	18082
Inadmissible assets other than intangibles and own shares	73				13
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		94526	94526	18069

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81		94526	94526	18069
Available capital resources for 50% MCR requirement	82		94526	94526	18069
Available capital resources for 75% MCR requirement	83		94526	94526	18069

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		32723	32723	
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		32723	32723	

Analysis of admissible assetsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	992726	GL	31	12	2005	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares		41		
Other shares and other variable yield securities		42		
Holdings in collective investment schemes		43		
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	40232	
	Other	46		
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	23555	15200
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	992726	GL	31	12	2005	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	20	1380
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		8941
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	155	
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	63962	25521
--	----	-------	-------

Analysis of admissible assetsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	992726	GL	31	12	2005	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	63962	25521
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	63962	25521
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Analysis of admissible assetsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total long term business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
	R13	992726	GL	31	12	2005	£000
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings				11			

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield securities	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	636844	2048
	Other	46	809736	
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	645	
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	37816	
	Property linked	59	6275689	5231107

Analysis of admissible assetsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total long term business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	992726	GL	31	12	2005	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		277
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	3714	2201
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	35550	2295
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	24261	10
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
---	-----------	--	--

Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	7824255	5237938
--	-----------	---------	---------

Analysis of admissible assetsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total long term business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	992726	GL	31	12	2005	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	7824255	5237938
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	107671	
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	7931926	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Long term insurance business liabilities and margins

Name of insurer **Prudential Pensions Limited**
Global business
Financial year ended **31 December 2005**
Total business/Sub fund **Total long term business assets**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
---	---

Mathematical reserves, after distribution of surplus		11	7762539	5222221
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	34912	
Long term insurance business fund carried forward (11 to 13)		14	7797451	5222221
Claims outstanding	Gross	15	366	366
	Reinsurers' share	16		
	Net (15-16)	17	366	366
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	7188	
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	1156	
	Other	38	18094	15351
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	26804	15717
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	7824255	5237938

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	2068	1586
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	6275689	5236352

Total liabilities (11+12+49)		71	7789343	5237938
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	107671	
Other adjustments to liabilities (may be negative)		74	237	
Capital and reserves and fund for future appropriations		75	34675	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)		76	7931926	

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

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R15	992726	GL	31	12	2005	£000
						As at end of this financial year 1	As at end of the previous year 2

Technical provisions (gross amount)

Provisions for unearned premiums		11			
Claims outstanding		12			
Provision for unexpired risks		13			
Equalisation provisions	Credit business	14			
	Other than credit business	15			
Other technical provisions		16			
Total gross technical provisions (11 to 16)		19			

Provisions and creditors

Provisions	Taxation	21			
	Other risks and charges	22			
Deposits received from reinsurers		31			
Creditors	Direct insurance business	41			
	Reinsurance accepted	42			
	Reinsurance ceded	43			
Debenture loans	Secured	44			
	Unsecured	45			
Amounts owed to credit institutions		46			
Creditors	Taxation	47		4348	7452
	Recommended dividend	48			
	Other	49			
Accruals and deferred income		51			
Total (19 to 51)		59		4348	7452
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63			
Total (59 to 63)		69		4348	7452

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71				
---	-----------	--	--	--	--

Reinsurers' share of DAC	81				
Amounts deducted from technical provisions for discounting	82				
Other adjustments (may be negative)	83				
Capital and reserves	84			59614	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85			63962	

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

Global business

Financial year ended **31 December 2005**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	992726	GL	31	12	2005	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13				8356	
Investment income	Income		14		2207		611	
	Value re-adjustments on investments		15					
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17					
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29		2207		8967	
Tax on profit or loss on ordinary activities			31		662		1686	
Profit or loss on ordinary activities after tax (29-31)			39		1545		7281	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49		1545		7281	
Dividends (paid and proposed)			51					
Profit or loss retained for the financial year (49-51)			59		1545		7281	

Analysis of derivative contractsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	992726	GL	31	12	2005	£000	1
			As at the end of this financial year			As at the end of the previous year			
			Assets 1	Liabilities 2	Assets 3	Liabilities 4			
Derivative contracts									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustment for variation margin		41							
Total (11 to 41)		49							

Analysis of derivative contractsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total long term business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	992726	GL	31	12	2005	£000	10
			As at the end of this financial year			As at the end of the previous year			
			Assets 1	Liabilities 2	Assets 3	Liabilities 4			
Derivative contracts									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustment for variation margin		41							
Total (11 to 41)		49							

Long-term insurance business : Revenue account

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	2181333	788179
Investment income receivable before deduction of tax	12	259777	219465
Increase (decrease) in the value of non-linked assets brought into the account	13	12944	229
Increase (decrease) in the value of linked assets	14	645775	281665
Other income	15	32000	
Total income	19	3131829	1289538

Expenditure

Claims incurred	21	533608	589555
Expenses payable	22	20014	10824
Interest payable before the deduction of tax	23	667	508
Taxation	24	2310	2184
Other expenditure	25		
Transfer to (from) non technical account	26		8356
Total expenditure	29	556599	611427

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2575230	678111
Fund brought forward	49	5222221	4544110
Fund carried forward (39+49)	59	7797451	5222221

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Regular premiums	11		1244		1244	1077
Single premiums	12		2180089		2180089	787244

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					142

Net of reinsurance

Regular premiums	17		1244		1244	1077
Single premiums	18		2180089		2180089	787102

Total

Gross	19		2181333		2181333	788321
Reinsurance	20					142
Net	21		2181333		2181333	788179

Long-term insurance business : Analysis of claims

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Death or disability lump sums	11		1152		1152	840
Disability periodic payments	12					
Surrender or partial surrender	13		532177		532177	572990
Annuity payments	14		7953		7953	13842
Lump sums on maturity	15					9685
Total	16		541282		541282	597357

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		7674		7674	7802
Lump sums on maturity	35					
Total	36		7674		7674	7802

Net of reinsurance

Death or disability lump sums	41		1152		1152	840
Disability periodic payments	42					
Surrender or partial surrender	43		532177		532177	572990
Annuity payments	44		279		279	6040
Lump sums on maturity	45					9685
Total	46		533608		533608	589555

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13		4984	4984	877
Management - maintenance	14		13323	13323	9328
Management - other	15		1707	1707	619
Total	16		20014	20014	10824

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43		4984	4984	877
Management - maintenance	44		13323	13323	9328
Management - other	45		1707	1707	619
Total	46		20014	20014	10824

Long-term insurance business : Linked funds balance sheet

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	6273891	5230775
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	1798	332
Total assets (excluding cross investment) (11+12+ 13)	14	6275689	5231107
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	14405	13146
Total net assets (14-15-16-17)	18	6261284	5217961

Directly held linked assets

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

Total

Value of directly held linked assets and units held (18+21)	31	6261284	5217961
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	6261284	5217961

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

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11	684959	790766
Investment income attributable to the funds before deduction of tax	12	232148	218463
Increase (decrease) in the value of investments in the financial year	13	645775	281665
Other income	14		
Total income	19	1562882	1290894

Expenditure

Value of total cancellation of units	21	498008	589395
Charges for management	22	19749	17185
Charges in respect of tax on investment income	23	1154	2184
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26	649	709
Total expenditure	29	519560	609473

Increase (decrease) in funds in financial year (19-29)	39	1043322	681422
Internal linked fund brought forward	49	5217961	4536540
Internal linked funds carried forward (39+49)	59	6261284	5217961

Long-term insurance business : Summary of new businessName of insurer **Prudential Pensions Limited**

Total business

Financial year ended **31 December 2005**Units **£000**

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

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11				
Single premium business	12				
Total	13				

**Amount of new regular
premiums**

Direct insurance business	21		1		1
External reinsurance	22				
Intra-group reinsurance	23				
Total	24		1		1

**Amount of new single
premiums**

Direct insurance business	25		550493		550493	650550
External reinsurance	26		1505701		1505701	5822
Intra-group reinsurance	27		123895		123895	130872
Total	28		2180089		2180089	787244

Long-term insurance business : Analysis of new business

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
730	Individual pensions property linked - increments		1		
735	Group money purchase pensions property linked				550493

Long-term insurance business : Analysis of new business

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Reinsurance accepted external

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
735	Group money purchase pensions property linked				5370
400	Annuity non-profit (CPA)			50690	1463336
905	Index linked annuity			558	36995

Long-term insurance business : Analysis of new business

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
735	Group money purchase pensions property linked				123895

Long-term insurance business : Non- linked assets

Name of insurer **Prudential Pensions Limited**
 Category of assets **Ordinary Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	647090	647090	31316	4.23%	
Other fixed interest securities	13	823488	823488	42203	4.78%	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	40172	40172	1665	4.14%	
Total	19	1510750	1510750	75184	4.53%	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Prudential Pensions Limited**
 Category of assets **Total long term business assets**
 Financial year ended **31 December 2005**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	189920	11.50	4.05%	4.05%

Other approved fixed interest securities	21	457170	8.68	4.30%	4.30%
---	-----------	--------	------	-------	-------

Other fixed interest securities

AAA/Aaa	31	102125	11.24	4.48%	4.27%
AA/Aa	32	209134	12.08	4.63%	4.36%
A/A	33	386076	11.19	4.85%	4.42%
BBB/Baa	34	71567	9.90	5.12%	4.36%
BB/Ba	35	10946	15.45	4.86%	0.68%
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	43640	11.61	4.95%	4.55%
Total other fixed interest securities	39	823488	11.39	4.78%	4.34%

Approved variable interest securities	41				
--	-----------	--	--	--	--

Other variable interest securities	51				
---	-----------	--	--	--	--

Total (11+21+39+41+51)	61	1470578	10.56	4.53%	4.29%
-------------------------------	-----------	---------	-------	-------	-------

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12		1567173	1567173	105837
Form 52	13				
Form 53 - linked	14		6261638	6261638	5217971
Form 53 - non-linked	15		7343	7343	4260
Form 54 - linked	16		37628	37628	54
Form 54 - non-linked	17		188	188	
Total	18		7873970	7873970	5328123

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24		354	354	10
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28		354	354	10

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		111077	111077	105837
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				54
Form 54 - non-linked	37				
Total	38		111077	111077	105891

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		1456096	1456096	
Form 52	43				
Form 53 - linked	44		6261284	6261284	5217961
Form 53 - non-linked	45		7343	7343	4260
Form 54 - linked	46		37628	37628	
Form 54 - non-linked	47		188	188	
Total	48		7762539	7762539	5222221

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

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA) - Ceded business	7709	8163					111077
400	Annuity non-profit (CPA) - Accepted Business	50690	101803					1437915
440	Additional reserves non-profit OB							18181

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

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA) - Ceded business	7709	8163					111077

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

Name of insurer **Prudential Pensions Limited**
Total business / subfund **Ordinary Branch Long Term**
Financial year ended **31 December 2005**
Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	4869	67583	908	67583	67583	219	67802
735	Group money purchase pensions property linked		6194055		6194055	6194055	3995	6198050
800	Additional reserves property linked						3129	3129

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

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
735	Group money purchase pensions property linked		354		354	354		354

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

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	558	2306		37628	37628	188	37816

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

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
All Stocks Corporate Bond	24 - group managed fund - other managed fund	991499	GILP	0.30%	14.4608	15.7509	0.0892
Cash Fund	24 - group managed fund - other managed fund	105988	GILP	0.10%	62.4353	65.5745	0.0503
Corporate Bond	24 - group managed fund - other managed fund	575339	GILP	0.30%	17.5600	19.5902	0.1156
Discretionary	22 - group managed fund - balanced managed fund	1009308	GILP	0.40%	513.5727	627.9061	0.2226
Equity	21 - group managed fund - stock market managed	442118	GILP	0.40%	622.5705	755.5614	0.2136
Equity Passive	24 - group managed fund - other managed fund	289937	GILP	0.10%	11.3373	13.8206	0.2190
Europe Passive	26 - group managed fund - overseas equity	22495	GILP	0.15%	10.4246	12.8692	0.2345
Fixed Interest	24 - group managed fund - other managed fund	185270	GILP	0.25%	290.4624	313.0417	0.0777
Global Equity	26 - group managed fund - overseas equity	188769	GILP	0.43%	27.0445	33.4149	0.2356
Global Equity Passive	26 - group managed fund - overseas equity	179868	GILP	0.10%	9.9824	12.3790	0.2401
Index Linked	24 - group managed fund - other managed fund	152405	GILP	0.25%	208.4561	227.5036	0.0914
Index Linked Passive	24 - group managed fund - other managed fund	142293	GILP	0.10%	16.5890	18.1665	0.0951
Japan Passive	26 - group managed fund - overseas equity	15437	GILP	0.15%	7.8815	10.9467	0.3889
Long Term GILT	24 - group managed fund - other managed fund	458139	GILP	0.10%	25.2270	27.9819	0.1092
North America Passive	26 - group managed fund - overseas equity	28733	GILP	0.15%	8.1089	9.6407	0.1889
Overseas Equity Passive	26 - group managed fund - overseas equity	7819	GILP	0.20%	8.8848	11.3234	0.2745
Pacific Markets Passive	26 - group managed fund - overseas equity	16967	GILP	0.15%	12.9056	17.3336	0.3431
Property	27 - group managed fund - property	571965	GILP	0.30%	406.7811	483.9932	0.1898
UK Specialist Equity	21 - group managed fund - stock market managed	199544	GILP	0.50%	16.5208	20.5521	0.2440

Long-term insurance business : Index linked business

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**

Type of assets and liabilities	Name of index link	Value of assets or liabilities	Gross derivative value
	1	2	3
Government and public body index linked bonds	RPI	25664	
Corporate index linked bonds	RPI	11238	
Prepayments and accrued income	RPI	821	
Cash at bank and in hand - deposits	RPI	93	
Total assets		37816	
Total liabilities			
Net total assets		37816	

Long-term insurance business: analysis of valuation interest rateName of insurer **Prudential Pensions Limited**Total business **Ordinary Branch Long Term**Financial year ended **31 December 2005**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
905 - Index linked annuity - Form 54	37628	1.12	1.12	1.15
400 - Annuity non-profit (CPA) - Form 51	1437915	4.24	4.24	4.35
440 - Additional reserves - Form 51	18181			4.35
Miscellaneous	7531			4.35
Total	1501255			

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	7797451	5222221
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		8356
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	7797451	5230577
Mathematical reserves	21	7762539	5222221
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	34912	8356

Composition of surplus

Balance brought forward	31		4160
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	34912	4196
Total	39	34912	8356

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		8356
Total distributed surplus (46+47)	48		8356
Surplus carried forward	49	34912	
Total (48+49)	59	34912	8356

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance capital requirementName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2005**Units **£000**

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

Insurance death risk capital component

Classes I, II and IX	11	0.1%				
Classes I, II and IX	12	0.15%				
Classes I, II and IX	13	0.3%				
Classes III, VII and VIII	14	0.3%				
Total	15					

Insurance health risk capital component

Class IV and supplementary classes 1 and 2	21					
--	----	--	--	--	--	--

Insurance expense risk capital component

Classes I, II and IX	31	1%	1604989	1493912	0.93	14939	900
Classes III, VII and VIII (investment risk)	32	1%	7932	7932	1.00	79	44
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%					
Classes III, VII and VIII (other)	34	25%				1473	1305
Class IV	35	1%					
Class V	36	1%					
Class VI	37	1%					
Total	38					16492	2249

Insurance market risk capital component

Classes I, II and IX	41	3%	1604989	1493912	0.93	44817	2700
Classes III, VII and VIII (investment risk)	42	3%	7932	7932	1.00	238	132
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%					
Classes III, VII and VIII (other)	44	0%	6261049	6260695			
Class IV	45	3%					
Class V	46	0%					
Class VI	47	3%					
Total	48		7873970	7762539		45055	2832

Long term insurance capital requirement	51					61547	5081
--	-----------	--	--	--	--	-------	------

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4

VALUATION REPORT ON PRUDENTIAL PENSIONS LIMITED

1. Introduction

- (1) The investigation relates to 31 December 2005.
- (2) The previous investigation related to 31 December 2004.
- (3) No interim valuations have been carried out for the purpose of rule 9.4 since 31 December 2004.

2. Product range

During the year PACL launched a new product called the Prudential Fund Delivery Service (FDS). This product is reassured to PPL and is an investment only arrangement that allows clients to access funds similar to those offered on the Series III platform. To service this product a further fund series was launched called Series IV, whose charges differ compared with Series III.

The charge made by the Company in respect of the FDS is a continuing investment charge of a percentage of the value of units under management deducted daily as $1/365$ of the annual amount and is reflected in the unit price of the fund.

During 2005, PPL acquired, via a reinsurance treaty, a portfolio of in-force pension annuities originally written by Phoenix Life and Pensions Limited (PLP). The portfolio covers 51,248 policies with assets of £1.5bn.

3. Discretionary charges and benefits

- (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) There have been no changes to service charges on linked policies.
- (5) There have been no changes to the benefit charges on linked policies.
- (6) Not applicable
- (7) (a) The creation price is the cash cost of purchasing an identical portfolio of assets to that in the unit fund including all the costs that would be incurred in purchasing such assets, divided by the number of units in existence.

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

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

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

GILP Funds

The business is currently administered on a daily dealing platform.

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). The valuation point of each fund is 9.00 p.m.

Series I, II, III & IV Funds

Series I, II, III & IV funds are solely invested in 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 de-allocated at the bid price. When the trend in the number of units in a unit fund is believed to be upward, the bid price is the creation price. Whereas, if 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, Series III and Series IV funds).

Pru-Link Funds

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

Pru-Link Funds buy and sell Series I units at the current Series I 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 unallocated at the bid price. When the trend in the number of units in the underlying unit fund (which is taken to be the Series I, II, III & IV funds as a whole) is believed to be upward, the bid price is the creation price. Whereas, if 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).

(b) Unit pricing bases are determined at fund level, so all policies invested in the same fund have the same basis applied.

(c) Not applicable.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

(8) Not applicable as the Company writes pension business only.

(9) Not applicable as the Company writes pension business only.

(10) Not applicable.

4. Valuation basis (other than for special reserves)

At 31 December 2005 the total gross mathematical reserves amounted to £7,874m. The lesser of £10m and 1% of the total gross mathematical reserves was therefore equal to £10.0m.

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

The mathematical reserve for annuities in payment is the present value of the annuities and expenses allowing for inflation, less the present value of future premiums where applicable.

The mathematical reserve for RPI-linked annuities is, in general, determined without an explicit allowance for future increases in annuity payments, which is consistent with the treatment of the matching assets. The treatment of RPI-linked annuities which are subject to maximum and/or minimum percentage increases are, for valuation purposes, treated as being identical to normal RPI-linked annuities.

Unit-linked deferred annuities and group pensions

The mathematical reserves for linked business consist of the unit liability together with a non-unit liability. A discounted cashflow method of valuation is used to determine the non-unit liability allowing for the value of future expenses and renewal commission less the value of future management charges.

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

No derivatives were held outside of the internal linked funds.

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

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

No reserve for investment performance guarantees is held, because 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.

The unit liability has been obtained by valuing the 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.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

- (2) Interest rates used to value the liabilities are calculated in accordance with a waiver received under section 148 of the Financial Services and Markets Act 2000, the effect of which is to modify the provisions of PRU 4.2.35R and IPRU (INS) Appendix 9.4 so that a more appropriate rate of interest will be used for assets taken in combination.

The interest rates used are as follows:

Product code number	Product description	31 December 2005 %	31 December 2004 %
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Annuities Limited)	4.30	4.83
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Retirement Income Limited)	4.29	4.71
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from PLP)	4.24	N/A
905	Index linked annuity – individual annuities in payment (reassurance accepted from PLP)	1.12%	N/A
725	Individual pensions property linked	3.75	4.0
735	Group money purchase pensions property linked	3.75	4.0

- (3) Aggregate yields on the backing assets have been adjusted by 0.25% to allow for potential defaults within the non-linked and index-linked asset portfolios respectively. These default adjustments include margins for prudence.

The default allowance is determined from data supplied by our investment manager, which itself is based upon research carried out by one of the major rating agencies. This analysis, based on actual default experience over a 35 year period, produces mean default rates according to credit quality and term to redemption.

In the event of default it may be possible to recover some capital, especially if the loan is secured. The allowance for recovery (or partial recovery) of the loan varies according to the level of security and the following recovery rates are assumed:

First Mortgage Debenture/Senior Secured	75%
Senior Unsecured	45%
Subordinated Debt	20%

To calculate the overall default provision, the corporate bond portfolio is broken down according to credit rating and level of security. The default rate for each category is assumed to vary between 100% and 200% of the appropriate mean default rate, reduced by the expected recovery, plus a further amount for credit risk. The derived default rates for each level of security are set out below:

Default rates – basis points per annum:

Seniority	AAA	AA	A	BBB	BB	B and lower
First Mortgage Debenture / Senior Secured	6.1	12.3	20.9	45.9	140.2	254.4
Senior Unsecured	10.3	18.1	31.0	68.1	218.4	427.8
Subordinated Debt	13.9	22.9	39.4	86.5	283.6	572.2

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

Regard is also paid to the yield differential between corporate and government bonds, and prevailing economic circumstances.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of PRU 4.2. The risk adjusted yields shown in Form 57 column 5 were calculated using the method of the section 148 waiver, after allowance for defaults.

(4)

Product code number	Product description	31 December 2005 %	31 December 2004 %
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Annuities Limited)		
	Mortality table	Modified 93% PMA92 / 84% PFA92 (C=2004)	Modified 97% PMA92 / 84% PFA92 (C=2004)
	Expectation of life age 65	21.6 (M), 25.0 (F)	21.2 (M), 24.0 (F)
	Expectation of life age 75	13.0 (M), 16.3 (F)	12.7 (M), 15.4 (F)
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Retirement Income Limited)		
	Mortality table	Modified 89% PMA92 / 84% PFA92 (C=2004)	Modified 87% PMA92 / 82% PFA92 (C=2004)
	Expectation of life age 65	22.1 (M), 24.9 (F)	21.4 (M), 24.5 (F)
	Expectation of life age 75	13.4 (M), 16.2 (F)	12.8 (M), 15.8 (F)
400 and 905	Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from PLP)		
	Mortality table	Modified 79% PMA92 / 77% PFA92 (C=2004)	N/A
	Expectation of life age 65	23.2 (M), 25.8 (F)	N/A
	Expectation of life age 75	14.3 (M), 17.0 (F)	N/A

Mortality bases used at 31 December 2004 and 31 December 2005:

Annuities are generally valued using a percentage of the 92 series (year of birth) tables for annuitants and pensioners. In order to allow for mortality improvement, the CMIR 17 mortality improvement factors are applied up to and including 2004. Future improvement factors are applied from 2005, and for males are in line with 100% of the CMI medium cohort projections, subject to future improvement factors not being less than 1.25% p.a. For females, future improvement factors are in line with 75% of the CMI medium cohort projections, subject to future improvement factors not being less than 0.75% p.a. For impaired lives, an adjustment is made to the annuitant's age to allow for impairment.

(5) Not applicable.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

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

Product code number	Product description	31 December 2005 %	31 December 2004 %
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Annuities Limited)	1.7% (equivalent to £20 p.a.) of annuity amount	2% of annuity amount
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Retirement Income Limited)	2.3% (equivalent to £24 p.a.) of annuity amount	1.75% of annuity amount
400 and 905	Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from PLP)	£23.93 p.a. per annuitant plus 3.5% p.a. inflation. For other business: 2.0% increase in value of annuity.	N/A
725	Individual pensions property linked	£30.00 p.a. per policy for premium-paying policies; £20.00 p.a. per policy for other policies; £62.00 per claim	£30 p.a. per policy for premium paying policies; £20 p.a. per policy for other policies; £48 per claim.
735	Group money purchase pensions property linked	GILP: £3,853,505 p.a. including £950 p.a. per scheme (of which £640,000 p.a. is covered by charges for additional administration services) PIA: £61,841 p.a. including £130 p.a. per scheme Reassurance from PACL: £697,282 p.a.	GILP: £3,184,700 p.a. including £950 p.a. per scheme (of which £640,000 p.a. is covered by charges for additional administration services) PIA: £59,750 including £130 p.a. per scheme. Reassurance from PACL: £660,000 p.a.
All products	Expense Inflation	3.50%	3.50%
725 and 735	Fund Growth Rate	5.00%	5.00%

(7) Not applicable.

(8) Not applicable.

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

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

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

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

5. Options and guarantees

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

6. Expense Reserves

- (1) The aggregate amount of expense allowance arising in the next twelve months from the loadings described in section 4.6 above, are a total of £9,607,606, of which £5,951,523 are maintenance and termination expenses and £3,656,083 are investment expenses.
- (2) Implicit allowances are not shown in (1) above.
- (3) This excludes an allowance of £1,650,000 in respect of segregated clients and the annual management charge rebate of £3,106,439 to Prudential Assurance Company (PAC) arising from the associated linked funds, both of which are included in line 14 of Form 43.
- (4) For new business expected to be written in the twelve months following the valuation date, the income and outgo are projected on a prudent basis over the entire lifetime of the business and discounted to the valuation date. A reserve is held if the present value of the outgo exceeds the present value of income to the extent that the excess exceeds the projected surplus on prudent assumptions from existing business. No reserve will be held at 31 December 2005.
- (5) In the first instance, expense reserves are calculated on the assumption that Prudential's UK insurance operations will continue to write new business indefinitely and hence that there will be no loss of economies of scale. In this scenario, the expense loadings for the remaining lifetime of the contracts in force at the valuation date are included in the reserves reported in Forms 50.

In order to allow for the possibility that the firm will cease to write new business twelve months after the valuation date, the expense loading is recalculated on the assumption that, over a two year period, unit costs would be reduced by 25% and that thereafter loss of economies of scale would result in overall expenses being cut more slowly than the rate at which policies run off. If this revised calculation results in a higher reserve than described in the paragraph above, then the difference is held as an additional reserve. In addition the costs associated with closing to new business, such as redundancy costs or the costs of terminating management agreements, are estimated. To the extent that these costs exceed the projected surplus, on prudent assumptions, from existing business, a further additional reserve is held. At the valuation date, no additional reserve is held for the impact of closing to new business.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

7. Mismatching reserves

- (1) And (2) All assets and liabilities are denominated in GBP. There is no currency mismatching.
- (3) There is no reserve for currency mismatching.
- (4) In accordance with PRU 4.2.17R for the purposes of calculating the resilience capital requirement in PRU 4.2.11R, the most onerous scenario is as follows:

The most onerous scenario is shown below (prior year in brackets):

Asset class	Scenario
Equities:	
Market values – UK and overseas (excl. US and euro zone)	-10% (-10%)
Market values – US	-13% (-22%)
Market values – euro zone	-14% (-10%)
Earnings	-10% (-10%)
Dividends	0% (0%)
Property:	
Market values	-20% (-20%)
Rental income	-10% (-10%)
Fixed interest:	
Yields – UK and overseas (excl. US and euro zone)	+83 bps (+95 bps)
Yields – US	+83 bps (+95 bps)
Yields – euro zone	+70 bps (+95 bps)
Index-linked real yields	+25% (+25%)

- (5) Not applicable.
- (6) No Resilience Capital Requirement was held.

There was a £356,560 decrease in the aggregate amount of the long-term liabilities.

The assets allocated to match such liabilities decreased in value by £118,983 from the amount of the assets shown in Form 13.

- (7) A reserve of £7.3m was held arising from the test on assets in PRU 7.2.34R(2).

This reserve was set at a level which was sufficient to ensure that it covered the results of projecting:

- (i) the risk adjusted cashflows of the assets backing the liabilities, and;
- (ii) the future liability payments on the valuation assumptions.

In any year where asset income exceeds liability outgo, the excess is assumed to be invested in a cash asset, and this cash asset is assumed to accumulate at 97.5% of the maximum reinvestment rate specified in PRU 4.2.45R. In any year when asset income is insufficient to meet liabilities, the cash reserve is used to meet the shortfall. In the event that the cash reserve is reduced to zero, then the shortfall is assumed to be borrowed at a rate 2% higher than 97.5% of the maximum reinvestment rate.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

8. Other special reserves

A contingency reserve of £11.0m has been established at 31 December 2005, in respect of the reinsurance accepted from PLP. This contingency reserve has been calculated as 0.75% of the reserves.

9. Reinsurance

- (1) No premiums were paid in 2005 in respect of reinsurance business ceded on a facultative basis to reinsurers not authorised to carry on business in the United Kingdom.
- (2) The reinsurance treaties shown in the table below meet the FSA criteria for being reported in this section and were in force as at 31 December 2005.

Reinsurance treaties:

(d)	(e)	(f)	(h)	(j)	(k)
Reinsurer	Nature of cover	Premiums £'000	Open / Closed	Reserves Ceded £'000	Retention
Prudential Annuities Limited	Immediate annuities which are wholly reassured on original terms. The reinsurer is a member of the Prudential group of companies and the business is covered by a pari passu charge on assets	Nil	Closed	102,466	Nil

- (g) There were no deposit back arrangements under the above treaty.
- (i) There are no "undischarged obligations of the insurer". Premiums are only payable if the gross business remains in force.
- (l) The above reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The reinsurer is a connected Company.
- (n) In business that is reassured within the Prudential Group, it is assumed that there is no risk that the reinsurer will not meet its obligations.
- (o) The net liability includes no allowance for the refund of any reinsurance commission.

10. Reversionary (or annual) bonus

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

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2005

Notes to the Return

Form 2

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

(FSA Ref: 520101) The FSA, on application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in September 2005. The effect of the direction is to modify the provisions of PRU 4.2.35R and IPRU (INS) Appendix 9.4 so that a more appropriate rate of interest is used for assets taken in combination.

(FSA Ref: 573447) In order to rectify a breach of permitted links rules (as notified in the application), the firm applied for a modification of IPRU (INS) 3.7R and Appendix 3.2. The Financial Services Authority, on application of the firm, made a direction in February 2006 under section 148 of the Act. The effect of the direction was to modify rule IPRU (INS) 3.7 so the firm could continue to retain a holding in Planestation Group Plc shares or warrants which are in default as assets within the UK Specialist Equity Fund.

The FSA, on the application of the Company, made a direction under section 148 of the Financial Services and Markets Act 2000 in July 2005 for the period 13 July 2005 to 31 March 2006. The effect of the direction is to modify rules PRU 4.3.38R, PRU 4.3.40R and PRU 4.3.41R on what is considered adequate and sufficiently immediate for cash collateral and the conditions for a letter of credit. (FSA Ref: 487344)

Form 3

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

	£'000
Form 13 Line 89 (Long term) Grand total of admissible assets	7,824,255
Form 14 Line 11 Mathematical reserves after distribution of surplus	(7,762,539)
Form 14 Line 49 Total other insurance and non-insurance liabilities	(26,804)
Form 13 Line 89 (Other than long term) Grand total of admissible assets	63,962
Form 15 Line 69 Total	<u>(4,348)</u>
	94,526
Form 3 Line 79 Capital resources after deductions	<u>94,526</u>
Difference	<u>0</u>

0308 There is one contingent loan at the year end repayable to a related group undertaking, Prudential Finance (UK) Limited. The loan and interest on the loan is repayable out of the surplus emerging on its business and is contingent on surpluses arising, but can be repaid by the Company at any time. The loan has no repayment obligation during the first year.

The loan is repayable to the extent of a specified percentage of surplus of the Company (determined by reference to line 35 of Form 58), a repayment obligation crystallising on the last day of the Company's financial year and being discharged by application of funds on a date nominated by the Company (being prior to the last working day for submission of its regulatory returns for such financial year).

In accordance with their terms, the loans may be prepaid upon prior notice, and the repayment obligation discharged in whole or part.

PRUDENTIAL PENSIONS LIMITED

Notes to the Return (continued)

Form 3 (continued)

0310 Valuation differences

	£'000
<i>Positive valuation differences where liabilities are lower than in the shareholder accounts</i>	
Contingent loan	<u>32,723</u>
	<u>32,723</u>
 <i>Negative valuation differences where liabilities are higher than in the shareholder accounts</i>	
Additional reserves held in the long term fund	(45,897)
Deferred tax on additional reserves held in the long term fund & on inadmissible asset	<u>13,411</u>
	<u>(32,486)</u>
 Form 3 Line 14 Positive Valuation Differences	<u>237</u>

Form 13

Notes 1301 to 1319 apply to other than long term business fund.

1301 Assets specified instruction 5

The Company held no unlisted investments, listed investments that are not readily realisable, or any other investments specified in instruction 5.

1304 Statement on Set Off

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

1305 Maximum Counterparty Limits

The 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 during the financial year.

1306 Counterparty exposures at year end

There were no counterparty exposures held at year end that were greater than 5% of the sum of the base capital resources requirements and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

1319 Total other than long term business assets analysis of derivatives

Form 17 has been submitted blank, as no such contracts were used.

Notes 1308 to 1321 apply to long term business fund.

1308 Assets specified in instruction 5.

The Company held no unlisted investments, listed investments that are not readily realisable, or any other investments specified in instruction 5, except as referred to in note 0201.

PRUDENTIAL PENSIONS LIMITED

Notes to the Return (continued)

Form 13 (continued)

1310 Statement on Set Off

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

1311 Maximum Counterparty Limits

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 during the financial year.

1312 Counterparty exposures at year end

There were no counterparty exposures held at year end that were greater than 5% of the sum of the base capital resources requirements and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

1320 Total long term business assets analysis of derivatives

Form 17 has been submitted blank, as no such contracts were used.

1321 Other debtors and cash at bank

	Other debtors £000's	Cash at bank £000's
<i>Per the Annual Returns</i>		
Form 13 line 76/78/81 Other than long term business	20	-
Form 13 line 78/81 Long term business	3,714	35,550
	<hr/>	<hr/>
	3,734	35,550
<i>Per shareholder accounts</i>		
Difference	3,734	35,550
	<hr/>	<hr/>
	0	0
	<hr/>	<hr/>

Form 14

1401 Provision for adverse changes

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

1402 Uncertain and Potential Liabilities

a) In the normal course of business reinsurance liabilities included in Form 14 Line 11 and amounting to £1,493.9m were secured by a priority floating charge over assets in the long term fund representing the reinsurance premium, the assets and liabilities to be revalued from time to time with additional long term fund assets to be placed in charge if the value of the liabilities increase in comparison with the value of the assets. The charge is expected to be temporary, as the underlying policies are expected to transfer under part VII of the Financial Services and Markets Act to a sister company, Prudential Retirement Income Limited, after which the reinsurance will be recaptured and hence the charge will terminate.

PRUDENTIAL PENSIONS LIMITED

Notes to the Return (continued)

Form 14 (continued)

The assets subject to the charge on Form 13 are:

	£'000
Line 45	634,800
Line 46	809,700
Line 58	37,800
Line 81	23,200
Line 84	24,000
Total	<u>1,529,500</u>

- b) There were no potential capital gains tax liabilities at the year end.
- c) There was one contingent loan, not in Form 14, at the year end repayable to a related group undertaking, Prudential Finance (UK) Limited. The loan and interest on the loan is repayable out of the surplus emerging on its business and is contingent on surpluses arising, but can be repaid by the Company at any time. The value of this loan is £32,723k.

The loan is repayable to the extent of a specified percentage of surplus of the Company (determined by reference to line 35 of Form 58), a repayment obligation crystallising on the last day of the Company's financial year and being discharged by application of funds on a date nominated by the Company (being prior to the last working day for submission of its regulatory returns for such financial year).

In accordance with their terms, the loans may be prepaid upon prior notice, and the repayment obligation discharged in whole or part. The loan has no repayment obligation during the first year.

- 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) Provision for claims outstanding: the Company has instigated a full review of its defined benefit payment processes and has set up a reasonable and prudent provision to cover the cost of performing the review and the cost of any contingent loss, if any, arising out of the review's findings. A provision of £366,000 is included on F14 line 15 (2004: £366,000).

1405 Other adjustments to liabilities

Included in line 74 are:

	£'000
Positive valuation differences (see note 0310)	32,723
Negative valuation differences (see note 0310)	<u>(32,486)</u>
Form 14 Line 74	<u>237</u>

PRUDENTIAL PENSIONS LIMITED

Notes to the Return (continued)

Form 15

***1501* Provision for adverse changes**

No derivatives were held by the other than long term fund at any time during the year and therefore no provision for adverse changes is required.

***1502* Charges, potential tax liability, contingent liabilities, guarantees and fundamental uncertainties**

a) There were no charges attributable to the other than long term business assets.

b) There was no potential tax liability arising in the other than long term fund at the year end.

c) There were no contingent liabilities at the year-end.

d) There are no guarantees, indemnities or other contractual commitments, effected other than in the ordinary course of insurance business, in respect of related companies.

e) There were no fundamental uncertainties at the year-end.

Form 16

***1601* Foreign Currencies**

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

Form 40

4002 Other income represents a contingent loan repayable to a related group undertaking, Prudential Finance (UK) Limited. The loan and interest on the loan is repayable out of the surplus emerging on its business and is contingent on surpluses arising, but can be repaid by the Company at any time. The loan has no repayment obligation during the first year.

The loan is repayable to the extent of a specified percentage of surplus of the Company (determined by reference to line 35 of Form 58), a repayment obligation crystallising on the last day of the Company's financial year and being discharged by application of funds on a date nominated by the Company (being prior to the last working day for submission of its regulatory returns for such financial year).

In accordance with their terms, the loans may be prepaid upon prior notice, and the repayment obligation discharged in whole or part.

***4008* Provision of management services**

The Company was provided throughout the year with day to day management services by The Prudential Assurance Company Limited (the immediate holding Company), and Prudential Property Investment Managers Limited, Prudential UK 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 European Fund Services, a third party.

PRUDENTIAL PENSIONS LIMITED

Notes to the Return (continued)

Form 40 (continued)

4009 The Company has a reinsurance agreement with a related Company, The Prudential Assurance Company Limited, in respect of linked premiums. Included in earned premiums for the year is an amount of £124m 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 £46m arising from claims under this reinsurance agreement and a claims recovery of £6m received from a related Company, Prudential Annuities Limited.

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

During the year, the Company issued £40m of perpetual non-cumulative preference shares to its immediate parent undertaking, The Prudential Assurance Company.

A contingent loan of £32m has also been set up with a related group undertaking, Prudential Finance (UK) Limited.

Form 44

4401 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 Manual. All the properties are currently valued by CB Richard Ellis Limited. Securities are valued at a mid-market price. In accordance with the policy documents, an adjustment is made to the linked asset prices to account for buying or selling expenses.

4402 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
International Bond	2,365	(2,362)	2,365	(2,362)
All Stocks Corporate Bond	13,388	(12,813)	13,388	(12,813)
Corporate Bond	1,431	(1,453)	1,431	(1,453)
Fixed Interest	2,311	(2,337)	2,311	(2,337)
International	19,571	(19,420)	19,571	(19,420)
Pacific Markets Passive	111	(111)	111	(111)
Equity Passive	69		57	
North America Passive	333	(24)	333	(24)

PRUDENTIAL PENSIONS LIMITED

Notes to the Return (continued)

Form 45

4502 Other Expenditure

	2005 £000's	2004 £000's
Other investment expenses	(50)	35
Safe custody fees	(415)	(589)
Transaction fees	(184)	(155)
Total	<u>(649)</u>	<u>(709)</u>

Form 47

4701 For code 735 there are 57 schemes.

Form 48

4804 Other assets

Included in Line 18 (Other assets) are:

	£000's
Assets producing income	36,195
Assets not producing income	<u>3,977</u>
	<u>40,172</u>

Form 49

4901 Credit ratings used on Form 49 are lowest of 3 external rating agencies, namely Fitch, S&P and Moody's.

Form 53

5301 For product code 735 there are 468 schemes.

5304 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.

Form 57

5701 Long term insurance business: Matching rectangle

Product group	Risk adjusted yield on matching assets (Form 57 column 5)	Corresponding asset yield
Form 51: Immediate & deferred annuities	4.35%	4.60%
Form 54: Immediate & deferred annuities	1.15%	1.40%

Returns under the Interim Prudential Sourcebook for Insurers and the Integrated Prudential Sourcebook

PRUDENTIAL PENSIONS LIMITED

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

Financial year ended 31 December 2005

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU as modified by waivers, dated 13 July 2005 and 9 September 2005, issued under section 148 of the Financial Services and Markets Act 2000; and
 - (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS) and PRU, except for: 11th May 2005 when the Company was technically insolvent due to a breach of the permitted links rules and this was corrected immediately and resulted in no financial profit or loss for the Company or policyholders; and the Company breached the permitted links rules by holding a non-readily realisable security from 23 July 2005 to 10 February 2006 when a waiver was granted allowing the Company to hold this security; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
 - (b) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
 - (c) that we have, in preparing the return, taken and paid due regard to-
 - (i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

.....
N E T Prettejohn
Chief Executive

.....
D J Belsham
Director

.....
R C Everett
Director

..... March 2006

Report of the auditor to the Directors pursuant to rule 9.35 of the Accounts and Statements Rules.

PRUDENTIAL PENSIONS LIMITED

Financial year ended 31 December 2005

We have examined the following documents prepared by the Company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to the Interim Prudential Sourcebook for Insurers and PRU, the Integrated Prudential Sourcebook, (“the Rules”) made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 17, 40 to 45, 48, 49, 58 and 60, (including the supplementary notes) on pages 1 to 39 and pages 49 to 55 (‘the Forms’);
- the statement required by rule 9.29 on pages 59 to 60 (‘the Statement’); and
- the valuation report required by rule 9.31(a) (‘the valuation report’)

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

- Forms 46 to 47, 50 to 55 and 57 (including the supplementary notes) on pages 23 to 37 and page 55;
- the statement required by rule 9.30 on page 61 and
- the certificate required by rule 9.34 on page 56 (‘the certificate’)

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, the Statement and the valuation report, the forms and statement not examined by us and the certificate under the provisions of the Rules). The requirements of the rules have been modified by waivers issued under section 148 of the Financial Services and Markets Act 2000 on 13 July 2005 and 9 September 2005, and the section 68 order granted on 5 December 1997. Under rule 9.11 the Forms, the Statement, valuation report, the forms and statement not examined by us and the certificate are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the Company and used to perform the actuarial investigation as set out in the valuation report, prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement and the valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information we require for our examination.

Basis of opinion

We conducted our work in accordance with Practice Note 20 “The audit of insurers in the United Kingdom” and Bulletin 2004/5 issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the Company for the financial year. It also included an assessment of the significant estimates and judgements made by the Company in the preparation of the Forms, the Statement and the valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In accordance with rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the Company.

Opinion

In our opinion:

- i) the Forms, the Statement and the valuation report fairly state the information provided on the basis required by the Rules (as modified) and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the Company and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with rule 9.31 appropriately reflect the requirements of PRU 7.3.

KPMG Audit Plc
Registered Auditor

London

.....March 2006

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2005

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

a. **Investment Guidelines**

During 2005, 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 2005 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 net assets of the Company would not be impacted. At the year end, linked assets would be reduced by a maximum of:

Existing market conditions £1,093,411

Foreseeable market conditions £2,099,478

The highest exposure throughout the year was £2,654,000

h. **Provisions for reasonably foreseeable variations arising from derivative contracts, rule PRU 4.3. 17R**

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

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

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

The investment guidelines did not allow the writing of options.

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2005

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 2005, 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 2005:
 - (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 2005, a shareholder controller of the Company.	In the case of each person who was a shareholder controller of the Company at 31 December 2005:	
	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%