

Prudential Pensions Limited

Incorporated 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 2008

(Appendices 9.1, 9.3, 9.4, 9.6)

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

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R2	992726	GL	31	12	2008	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11	9198	9127
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	11509	11041
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	20707	20168

Guarantee fund

Guarantee fund requirement	21	2518	2310
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	18189	17858

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	7030	6931
Resilience capital requirement	32	600	651
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	7630	7582
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	7630	7582
Excess (deficiency) of available capital resources to cover 50% of MCR	37	16892	16377
Excess (deficiency) of available capital resources to cover 75% of MCR	38	14984	14481

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	7630	7582

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	7630	7582
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	13077	12586

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51	11998	17638
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Covering Sheet to Form 2

Form 2

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2008**

..... N E T Prettejohn **Chief Executive**

..... D J Belsham **Director**

..... K Nunn **Director**

Date 27 March 2009

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	992726	GL	31	12	2008	£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			14835	14835	5477
Share premium account	13					
Positive valuation differences	14					8691
Fund for future appropriations	15					
Core tier one capital in related undertakings	16					
Core tier one capital (sum of 11 to 16)	19			20835	20835	20168

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31			20835	20835	20168
Investments in own shares	32					
Intangible assets	33					
Amounts deducted from technical provisions for discounting	34					
Other negative valuation differences	35			128	128	
Deductions in related undertakings	36					
Deductions from tier one (32 to 36)	37			128	128	
Total tier one capital after deductions (31-37)	39			20707	20707	20168

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	992726	GL	31	12	2008	£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 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
R3	992726	GL	31	12	2008	£000	
		General insurance business	Long-term insurance business	Total as at the end of this financial year	3	Total as at the end of the previous year	4
		1	2				

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		20707	20707	20168	
Inadmissible assets other than intangibles and own shares	73					
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		20707	20707	20168	

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		20707	20707	20168
Available capital resources for 50% MCR requirement	82		20707	20707	20168
Available capital resources for 75% MCR requirement	83		20707	20707	20168

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		11998	11998	17638
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		11998	11998	17638

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

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	992726	GL	31	12	2008	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings			11					

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43		
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	10610
	More than one month withdrawal	55	10152
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 2008**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	992726	GL	31	12	2008	£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		
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	889	870
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	10	19
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	11509	11041
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Analysis of admissible assetsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	992726	GL	31	12	2008	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	11509	11041
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	11509	11041
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
	R13	992726	GL	31	12	2008	£000
							10
							1
							2
Land and buildings							11

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43		
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	2050	1936
	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	26390	29848
	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	6913070	7519573

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

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	992726	GL	31	12	2008	£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	9757	
	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	1467	8759
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1548	5210
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	2391	421
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	6956673	7565747
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Analysis of admissible assetsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	992726	GL	31	12	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	6956673	7565747
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	661847	613443
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	7618520	8179190
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and marginsName of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2008**Total business/Sub fund **10 Ordinary Long Term**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	6906343	7498960	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	9198	9127	
Long term insurance business fund carried forward (11 to 13)	14	6915541	7508087	
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		
	Reinsurance accepted	32	340	12565
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	2	259
	Other	38	40424	44470
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	41132	57660	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	6956673	7565747	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1949	3427
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	6913070	7519573

Total liabilities (11+12+49)	71	6947475	7556620
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	661847	613443
Other adjustments to liabilities (may be negative)	74	(128)	8691
Capital and reserves and fund for future appropriations	75	9326	436
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	7618520	8179190

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

Global business

Financial year ended **31 December 2008**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	992726	GL	31	12	2008	£000
				As at end of this financial year	As at end of the previous year	
				1	2	

Technical provisions (gross amount)

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

Provisions and creditors

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

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	11509	11041
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	11509	11041

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

Global business

Financial year ended **31 December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	992726	GL	31	12	2008	£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					
Investment income	Income		14			654		698
	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			654		698
Tax on profit or loss on ordinary activities			31			186		209
Profit or loss on ordinary activities after tax (29-31)			39			468		489
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			468		489
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59			468		489

Long-term insurance business : Revenue account

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **10 Ordinary Long Term**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	1536403	1409863
Investment income receivable before deduction of tax	12	348906	299754
Increase (decrease) in the value of non-linked assets brought into account	13	114	9
Increase (decrease) in the value of linked assets	14	(1445202)	(507425)
Other income	15		
Total income	19	440221	1202201

Expenditure

Claims incurred	21	1010089	857663
Expenses payable	22	10609	15064
Interest payable before the deduction of tax	23	976	89
Taxation	24	4093	1863
Other expenditure	25	7000	4319
Transfer to (from) non technical account	26		
Total expenditure	29	1032767	878998

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(592546)	323203
Fund brought forward	49	7508087	7184884
Fund carried forward (39+49)	59	6915541	7508087

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **10 Ordinary Long Term**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11		848	848	750
Single premiums	12		1754742	1754742	1621195

Reinsurance - external

Regular premiums	13				
Single premiums	14		219187	219187	212082

Reinsurance - intra-group

Regular premiums	15				
Single premiums	16				

Net of reinsurance

Regular premiums	17		848	848	750
Single premiums	18		1535555	1535555	1409113

Total

Gross	19		1755590	1755590	1621945
Reinsurance	20		219187	219187	212082
Net	21		1536403	1536403	1409863

Long-term insurance business : Analysis of claims

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **10 Ordinary Long Term**
 Financial year ended **31 December 2008**
 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		2347		2347	1944
Disability periodic payments	12					
Surrender or partial surrender	13		1011943		1011943	865389
Annuity payments	14		19073		19073	9701
Lump sums on maturity	15					
Total	16		1033363		1033363	877034

Reinsurance - external

Death or disability lump sums	21		99		99	106
Disability periodic payments	22					
Surrender or partial surrender	23		15853		15853	12773
Annuity payments	24					
Lump sums on maturity	25					
Total	26		15952		15952	12879

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		7322		7322	6492
Lump sums on maturity	35					
Total	36		7322		7322	6492

Net of reinsurance

Death or disability lump sums	41		2248		2248	1838
Disability periodic payments	42					
Surrender or partial surrender	43		996090		996090	852616
Annuity payments	44		11751		11751	3209
Lump sums on maturity	45					
Total	46		1010089		1010089	857663

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **10 Ordinary Long Term**
 Financial year ended **31 December 2008**
 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		1449	1449	1741
Management - maintenance	14		8990	8990	12843
Management - other	15		170	170	480
Total	16		10609	10609	15064

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		1449	1449	1741
Management - maintenance	44		8990	8990	12843
Management - other	45		170	170	480
Total	46		10609	10609	15064

Long-term insurance business : Linked funds balance sheet

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	6783149	7466767
Directly held assets in collective investment schemes of connected companies	12	81178	22143
Directly held assets in other collective investment schemes	13	48743	30663
Total assets (excluding cross investment) (11+12+13)	14	6913070	7519573
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	24048	33019
Total net assets (14-15-16-17)	18	6889022	7486554

Directly held linked assets

Value of directly held linked assets	21		
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Total

Value of directly held linked assets and units held (18+21)	31	6889022	7486554
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	6889022	7486554

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

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11	1536403	1409863
Investment income attributable to the funds before deduction of tax	12	342848	293850
Increase (decrease) in the value of investments in the financial year	13	(1438004)	(506264)
Other income	14		
Total income	19	441247	1197449

Expenditure

Value of total cancellation of units	21	1010089	857663
Charges for management	22	25119	19772
Charges in respect of tax on investment income	23	2746	2797
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26	825	696
Total expenditure	29	1038779	880928

Increase (decrease) in funds in financial year (19-29)	39	(597532)	316521
Internal linked fund brought forward	49	7486554	7170033
Internal linked funds carried forward (39+49)	59	6889022	7486554

Long-term insurance business : Summary of new business

Name of insurer **Prudential Pensions Limited**
 Total business
 Financial year ended **31 December 2008**
 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		187		187	177
Total	13		187		187	177

**Amount of new regular
premiums**

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

**Amount of new single
premiums**

Direct insurance business	25		1041003		1041003	982162
External reinsurance	26		4953		4953	7898
Intra-group reinsurance	27		708785		708785	631135
Total	28		1754742		1754742	1621195

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Pensions Limited

Total business

Financial year ended

31 December 2008

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
400	Annuity non-profit (CPA)			187	2486
735	Group money purchase pensions property linked				1038517

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Pensions Limited

Total business

Financial year ended

31 December 2008

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				4953

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Pensions Limited

Total business

Financial year ended

31 December 2008

Units

£000

UK Pension / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
735	Group money purchase pensions property linked				708785

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

Name of insurer **Prudential Pensions Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 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	2058	2058	126	3.18	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	41545	41545	515	1.24	
Total	19	43603	43603	642	1.33	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Summary of mathematical reservesName of insurer **Prudential Pensions Limited**Total business / subfund **10 Ordinary Long Term**Financial year ended **31 December 2008**

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		92529	92529	95209
Form 52	13				
Form 53 - linked	14		7470802	7470802	8014377
Form 53 - non-linked	15		17321	17321	12406
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18		7580652	7580652	8121992

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24		581780	581780	527823
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28		581780	581780	527823

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		92529	92529	95209
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38		92529	92529	95209

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42				
Form 52	43				
Form 53 - linked	44		6889022	6889022	7486554
Form 53 - non-linked	45		17321	17321	12406
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48		6906343	6906343	7498960

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 **10 Ordinary Long Term**
 Financial year ended **31 December 2008**
 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) - Direct business	6671	8146					92512
405	Annuity non-profit (CPA impaired life)	1	1					17

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 **10 Ordinary Long Term**
 Financial year ended **31 December 2008**
 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		8146					92512
405	Annuity non-profit (CPA impaired life)		1					17

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

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **10 Ordinary Long Term**
 Financial year ended **31 December 2008**
 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	3753	45661	848	45661	45661	113	45774
735	Group money purchase pensions property linked		7425141		7425141	7425141	6086	7431227
800	Additional reserves property linked						11122	11122

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

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **10 Ordinary Long Term**
 Financial year ended **31 December 2008**
 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		581780		581780	581780		581780

Long-term insurance business : Unit prices for internal linked fundsName of insurer **Prudential Pensions Limited**

Total business

Financial year ended **31 December 2008**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	1734812	GILP	0.30	16.0563	15.3017	(4.70)
Cash Fund	24 - group managed fund - other managed fund	221541	GILP	0.10	72.2303	72.8634	0.88
Corporate Bond	24 - group managed fund - other managed fund	910884	GILP	0.30	19.3895	18.9842	(2.09)
Europe	26 - group managed fund - overseas equity	219502	GILP	0.50	22.8345	16.9264	(25.87)
Fixed Interest	24 - group managed fund - other managed fund	169489	GILP	0.25	332.1138	357.1046	7.52
Index Linked	24 - group managed fund - other managed fund	157642	GILP	0.25	251.8061	253.9198	0.84
Index Linked Passive	24 - group managed fund - other managed fund	148701	GILP	0.10	20.1908	20.8227	3.13
Long Term GILT	24 - group managed fund - other managed fund	412237	GILP	0.10	28.6645	32.5143	13.43
North America	26 - group managed fund - overseas equity	171722	GILP	0.50	14.0528	11.6549	(17.06)
Property	27 - group managed fund - property	475308	GILP	0.55	514.8071	398.9483	(22.51)
UK Specialist Equity	25 - group managed fund - UK equity	528242	GILP	0.69	27.0004	19.8315	(26.55)
Equity Growth	25 - group managed fund - UK equity	132950	GILP	0.75	10.0481	7.7604	(22.77)
Equity Dividend	25 - group managed fund - UK equity	104937	GILP	0.75	9.9839	7.7356	(22.52)
Superlong Fixed	24 - group managed fund - other managed fund	119611	GILP	0.10	12.5446	14.6093	16.46

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential Pensions Limited**
 Total business / subfund **10 Ordinary Long Term**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	6915541	7508087
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	6915541	7508087
Mathematical reserves	21	6906343	7498960
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	9198	9127

Composition of surplus

Balance brought forward	31	9127	9083
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	71	44
Total	39	9198	9127

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		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	9198	9127
Total (48+49)	59	9198	9127

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 2008**Units **£000**

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

Insurance death risk capital component

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

Insurance health risk and life protection reinsurance capital component

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

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	92529		0.85	786	809
Classes III, VII and VIII (investment risk)	33	1%	17495	17495	1.00	175	132
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%				3185	3167
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					4146	4108

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	92529		0.85	2359	2428
Classes III, VII and VIII (investment risk)	43	3%	17495	17495	1.00	525	395
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%	7470629	6888848			
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		7580652	6906343		2884	2823

Long term insurance capital requirement	51					7030	6931
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VALUATION REPORT ON PRUDENTIAL PENSIONS LIMITED

Valuation Report as at 31 December 2008

1. Introduction

- (1) The investigation relates to 31 December 2008.
- (2) The previous investigation related to 31 December 2007.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2007.

2. Product range

There were no significant changes in products during 2008.

3. Discretionary charges and benefits

- (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) The annual management charge for investments in the following funds has changed. Otherwise there have been no changes to service charges on linked policies.

Fund Charge	31 December 2008 bps	31 December 2007 bps
Specialist Global Equity	45.0	40.0
Balanced Non Property	62.5	50.0
Absolute Return	62.5	50.0
Specialist Equity	75.0	50.0

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

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

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

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

GILP Funds

The “Single Swinging Pricing” approach is used. If the net cashflow on the day is positive, all transactions are at the offer price. If the net cashflow on the day is negative, all transactions are at the 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 mainly invested in the GILP Funds or funds managed by external companies such as Barclays Global Investment, Baillie Gifford, UBS, Newton and Northern Trust. Series I and II funds buy the GILP fund units at the creation price and sell at the cancellation price. Series III and IV buy and sell the GILP fund units at the creation 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. 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 and so there is only a single price applied to policyholders).

Pru-Link Funds

The Pru-Link Managed Fund is wholly invested in units of the 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.

Units are allocated to policyholders at the offer price and deallocated at the bid price. The Pru-link Cash fund price is based on the GILP Cash fund that is currently priced on a mid basis and so the Pru-link creation price will be based on this mid price. The Pru-link Managed fund price is based on the GILP Discretionary fund price and the bid price is currently based on the GILP creation 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.
- (8) Not applicable as the Company writes pension business only.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

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

(10) Not applicable.

4. Valuation basis (other than for special reserves)

At 31 December 2008 the total gross mathematical reserves amounted to £7,581m. 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 future annuity payments, plus a provision for expenses of payment.

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 attributable expenses and renewal commission less the value of future management charges. An additional reserve for non-attributable expenses is calculated at a homogenous risk group level as described in section 6.

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

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

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 bid price of the assets and includes investment income received.

(2) The interest rates used are as follows:

Product code number	Product description	31 December 2008	31 December 2007
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Annuities Limited)	5.78	5.31
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Retirement Income Limited)	5.89	5.25
725	Individual pensions property linked	2.50	4.00
735	Group money purchase pensions property linked	2.50	4.00

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

(3) Not applicable.

(4)

Product code number	Product description	31 December 2008	31 December 2007
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Annuities Limited)		
	Mortality table	Modified 102% PNMA00 / 88% PNFA00	Modified 106% PNMA00 / 84% PNFA00
	Expectation of life age 65	23.6 (M), 25.3 (F)	23.1 (M), 25.6 (F)
	Expectation of life age 75	14.3 (M), 16.1 (F)	13.8 (M), 16.4 (F)
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Retirement Income Limited)		
	Mortality table	Modified 97% PNMA00/ 88% PNFA00	Modified 99% PNMA00/ 85% PNFA00
	Expectation of life age 65	24.1 (M), 25.3 (F)	23.7 (M), 25.5 (F)
	Expectation of life age 75	14.6 (M), 16.1 (F)	14.3 (M), 16.3 (F)

Mortality bases used at 31 December 2007 and 31 December 2008

Annuities are generally valued using a percentage of the 00 series tables for annuitants and pensioners (normal retirements). In order to allow for mortality improvement, improvement factors are applied from 2001. For males these future improvement factors are in line with 100% of the CMI medium cohort projections, subject to future improvement factors not being less than 2.25% p.a. until age 90, tapering linearly to zero at age 120. 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 1.25% p.a. until age 90, tapering linearly to zero at age 120.

(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 2008	31 December 2007
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Annuities Limited)	£19.60 p.a.	£22.11 p.a.
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Retirement Income Limited)	£18.89 p.a.	£17.92 p.a.
725	Individual pensions property linked	£18.71 p.a. per policy for premium-paying policies; £12.75 p.a. per policy for other policies; £73.14 per claim	£22.98 p.a. per policy for premium-paying policies; £15.32 p.a. per policy for other policies; £89.15 per claim
735	Group money purchase pensions property linked	GILP: £5,311,375 p.a. including £1,053 p.a. per scheme (having allowed for £730,805 p.a. of additional administration service charges) PIA: £69,069 p.a. including £144 p.a. per scheme Reassurance from PACL: £537,709 p.a.	GILP: £3,904,898 p.a. including £1,023 p.a. per scheme (having allowed for £725,556 p.a. of additional administration services charges) PIA: £66,566 p.a. including £140 p.a. per scheme Reassurance from PACL: £540,235 p.a.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

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

Product code number	Parameter	31 December 2008 %	31 December 2007 %
725 and 735	Unit fund growth rate	5.00%	5.25%
All products	Expense inflation rate	3.50%	3.75%
725 and 735	Policy charge inflation rate	Nil	Nil

(8) Not applicable.

(9) Not applicable.

(10) There were no other material assumptions.

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

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

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

(12) There have been no changes made to the mathematical reserves at the current valuation date as a result of the changes to the INSPRU rules at 31 December 2006.

5. Options and guarantees

(1) Not applicable.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

6. Expense reserves

(1)

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non – attributable expenses	Total
GILP	-	£3,354,286	£6,976,100	£1,607,675	£11,938,061
PIA	-	£2,300	£55,255	£13,814	£71,370
Prulink SP	-	£1,327	£1,606	£402	£3,335
Prulink RP	-	£44,143	£79,435	£19,859	£143,437
Total	-	£3,402,056	£7,112,396	£1,641,749	£12,156,202

(2) Not applicable.

(3) Maintenance expenses shown at line 14 of Form 43 are £9 million. These expenses are net of annual management charge income and hence total expense loadings expected to arise in 2009 as calculated in 6.(1).

(4) For new business expected to be written in the twelve months following the valuation date, the income and outgo are projected on a prudent basis over the entire lifetime of the business and discounted to the valuation date. A reserve is held if the present value of the outgo exceeds the present value of income to the extent that the excess exceeds the projected surplus on prudent assumptions from existing business. No reserve is held at 31 December 2008.

(5) In the first instance, expense reserves are calculated on the assumption that Prudential's UK insurance operations will continue to write new business indefinitely and hence that there will be no loss of economies of scale. In this scenario, the expense loadings for the remaining lifetime of the contracts in force at the valuation date are included in the reserves reported in Form 50.

In order to allow for the possibility that the firm will cease to 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 15% 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 an additional reserve of £508,000 is held for the impact of closing to new business.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

- (6) The additional reserve for non-attributable expenses at a homogenous risk group level is calculated as the present value of all future expenses less charges, subject to a maximum of the non-attributable expenses for policies in that risk group. Any future valuation strain is removed at the homogenous risk group level. The additional reserves for non-attributable expenses at 31 December 2008 were as follows:

Homogeneous Risk Group	Homogeneous Risk Group Reserve (£000)
GILP	-
PIA	379
Prulink SP	-
Prulink RP/PUP	-
TOTAL	379

7. Mismatching reserves

- (1) and (2) All assets and liabilities are denominated in sterling. There is no currency mismatching.
- (3) There is no reserve for currency mismatching.
- (4) In accordance with INSPRU 3.1.16R, for the purposes of calculating the resilience capital requirement in INSPRU 3.1.10R the most onerous scenario is as follows (prior year in brackets):

Asset class	Scenario
Equities:	
Market values – UK and overseas (excl. US and euro zone)	-10% (-10%)
Market values – US	-10% (-10%)
Market values – euro zone	-10% (-25%)
Earnings	-10% (-10%)
Dividends	0% (0%)
Property:	
Market values	-10% (-20%)
Rental income	-10% (-10%)
Fixed interest:	
Yields – UK and overseas	+75 bps (+91 bps)
Index-linked real yields	+25% (+25%)

- (5) Not applicable.
- (6) A Resilience Capital Requirement of £600,000 was held.

There was an increase of £488,010 in the aggregate amount of the long term liabilities.

The assets allocated to match such liabilities decreased in value by £82,161 from the amount of the assets shown in Form 13.

- (7) There is no reserve held under INSPRU 1.1.34R(2).

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

8. Other special reserves

Not applicable.

9. Reinsurance

(1) No premiums were paid in 2008 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 2008.

(d) Reinsurer	(e) Nature of cover	(f) Premiums £'000	(h) Open / Closed	(j) Reserves Ceded £'000	(k) 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	84,929	Nil
Barclays Global Investors Pensions Management Ltd	Reinsurance of unit-linked pension liabilities of the Company arising in relation to reinsurance of certain unit-linked pensions contracts issued by a member of the Prudential Group. The business is covered by a pari passu charge on assets.	208,702	Open	571,781	Nil

(g) There were no deposit back arrangements under the above treaties.

(i) There are no “undischarged obligations of the insurer”. Premiums are only payable if the gross business remains in force.

(l) The above reinsurers are authorised to carry on insurance business in the United Kingdom.

(m) An asterisk denotes companies connected to the cedant (*)

(n) In general the treaties are exposed to the credit risk of the reinsurers, against which a reserve is held.

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

(p) Not applicable.

PRUDENTIAL PENSIONS LIMITED

Appendix 9.4 (continued)

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 2008

Notes to the Returns

Form 2

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

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

Form 3

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

	£'000
Form 13 Line 89 (Long term) Grand total of admissible assets	6,956,673
Form 14 Line 11 Mathematical reserves after distribution of surplus	(6,906,343)
Form 14 Line 49 Total other insurance and non-insurance liabilities	(41,132)
Form 13 Line 89 (Other than long term) Grand total of admissible assets	11,509
Form 15 Line 69 Total	-
	<hr/> 20,707
Form 3 Line 79 Capital resources after deductions	<hr/> 20,707
Difference	<hr/> <hr/> 0

0308 There is one contingent loan at the year end repayable to a related group undertaking. Under a novation agreement The Prudential Assurance Company Limited replaced Prudential Capital plc as lender on 7 July 2008. 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 is repayable to the extent of a specified percentage of surplus of the Company, 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 its terms, the loan may be prepaid upon prior notice, and the repayment obligation discharged in whole or part.

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

Form 3 (continued)

0310 Valuation differences

	£'000
<i>Positive valuation differences where liabilities are lower than in the shareholder accounts</i>	
Contingent loan	11,998
	<u>11,998</u>
<i>Negative valuation differences where liabilities are higher than in the shareholder accounts</i>	
Additional reserves held in the long term fund	(16,821)
Deferred tax on additional reserves held in the long term fund	4,695
	<u>(12,126)</u>
Form 3 Line 35 Negative Valuation Differences	<u>(128)</u>

0313 Reconciliation of profit and loss account change

	£'000
Profit and loss account and reserves b/fwd	5,477
Profit and loss account and reserves c/fwd	14,835
Movement	<u>9,358</u>
Movement in additional reserves held for FSA	(4,434)
Movement in deferred tax	1,255
Movement in contingent loan balance	(5,640)
Movement in unallocated surplus	(71)
Form 16 Line 59 Profit retained for the financial year	<u>468</u>

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

1304 Statement on Set Off

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

1305 Maximum Counterparty Limits

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

1306 Counterparty exposures at year end

There were counterparty exposures held at year end that were greater than 5% of the sum of the base capital resources requirements and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These include cash on deposit with; Close Brother Ltd £3m, I I B Bank £2m and Bank of Ireland £6m.

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

Form 13

Notes 1308 to 1319 apply to long term business fund.

1308 Assets specified in instruction 5.

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

1310 Statement on Set Off

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

1312 Counterparty exposures at year end

There were counterparty exposures held at year end that were greater than 5% of the sum of the base capital resources requirements and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These include cash on deposit with; Deutsche Postbank £7m, Banco Popolare Society Corporate £6m, Bank of Scotland £2m, Close Brothers Ltd £6m, I I B Bank £5m and a cash balance of £1.5m with HSBC Bank.

1319 Maximum Counterparty Limits

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

Form 14

1401 Provision for adverse changes

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

1402 Uncertain and Potential Liabilities

- a) In the normal course of business certain reinsurance liabilities were secured by a floating charge, ranking these liabilities equally with amounts due under unsecured direct (non-reassurance) policies, over the long term insurance assets of the Company. The amounts secured by charges of this nature and included in Form 14 Line 11 were £1,830.0m, £31.5m and £0.3m. The whole of the amount at Form 13 line 89 is subject to charge.
- b) There were no potential capital gains tax liabilities at the year end.
- c) There was one contingent loan, not in Form 14, at the year end repayable to a related group undertaking. Under a novation agreement The Prudential Assurance Company Limited replaced Prudential Capital plc as lender on 7 July 2008. 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 £11,998k.

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

Form 14 (continued)

***1402* Uncertain and Potential Liabilities (continued)**

The loan is repayable to the extent of a specified percentage of surplus of the Company, 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.

- 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 (2007: £366,000).

***1405* Other adjustments to liabilities**

Included in line 74 are:

	£'000
Positive valuation differences (see note 0310)	11,998
Negative valuation differences (see note 0310)	<u>(12,126)</u>
Form 14 Line 74	<u>(128)</u>

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.

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

Form 16

***1601* Foreign Currencies**

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

Form 17

1700 Form 17 has been omitted, as no such contracts were used.

Form 40

4002 Other expenditure represents a repayment of a contingent loan repayable to a related group undertaking. Under a novation agreement The Prudential Assurance Company Limited replaced Prudential Capital plc as lender on 7 July 2008. 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, 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, Prudential Distribution Limited, Prudential Services Limited and M&G Investment Management Limited, all group companies. The Company was further assisted during the year with day to day management services by The Bank of New York Mellon (International) Limited, a third party.

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 £490m 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 £126m arising from claims under this reinsurance agreement and a claims recovery of £7m 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.

A contingent loan of £12.0m is in place with a related group undertaking. Under a novation agreement The Prudential Assurance Company Limited replaced Prudential Capital plc as lender on 7 July 2008.

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

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 bid-market price.

4402 Derivative Contracts

The value of rights under derivative contracts held by each internal linked fund was 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	4,015	(4,248)	4,015	(4,248)
All Stocks Corporate Bond	309,194	(347,485)	309,194	(347,485)
Corporate Bond	58,661	(63,769)	58,661	(63,769)
UK Equity Passive	6,207	(4,957)	6,207	(4,957)
Diversified Growth	2,356	(2,646)	2,356	(2,646)
Equity Passive	2,342	(1,977)	2,342	(1,977)
North America Passive	2,773	(2,339)	2,773	(2,339)
North America	9	(9)	9	(9)
Index Linked	14,079	(16,721)	14,079	(16,721)
Fixed Interest	19,956	(23,896)	19,956	(23,896)
Absolute Return	4,473	(5,024)	4,473	(5,024)
Cash	25,196	(30,416)	25,196	(30,416)

Form 45

4502 Other Expenditure

	2008 £000's	2007 £000's
Safe custody fees	(549)	(499)
Transaction fees	(276)	(197)
Total	<u>(825)</u>	<u>(696)</u>

Form 47

4701 for code 735 there are 51 schemes.

PRUDENTIAL PENSIONS LIMITED

Notes to the Returns (continued)

Form 48

4804 other assets

Included in Line 18 (Other assets) are:

	£000's
Assets producing income	27,938
Assets not producing income	13,607
	<hr/>
	41,545

Form 53

5301 For product code 735 there are 480 schemes.

5305 Non-unit reserves

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

PRUDENTIAL PENSIONS LIMITED

Financial year ended 31 December 2008

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

We certify:

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

.....
K Nunn
Director

27 March 2009

Report of the auditor to the Directors pursuant to the Interim Prudential Sourcebook IPRU(INS) rule 9.35

PRUDENTIAL PENSIONS LIMITED

Financial year ended 31 December 2008

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 IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance 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 16, 40 to 45, 48, 58 and 60 on pages 1 to 33 (including the supplementary notes);
- the statement required by IPRU(INS) rule 9.29 on page 54 (‘the Statement’);
- the valuation report required by rule IPRU(INS) 9.31(a) (‘the valuation report’).

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

- Forms 46, 47, 50 to 55 (including the supplementary notes) on pages 21 to 31 and pages 49 to 50;
- the statement required by IPRU(INS) rule 9.30 on page 55; and
- the certificate required by IPRU(INS) rule 9.34 on page 51 (‘the certificate’).

This report is made solely to the company’s directors, as a body, in accordance with the requirements of IPRU(INS) rule 9.35. We acknowledge that the directors are required to submit this report to the 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 IPRU(INS) rule 9.35 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 IPRU(INS) rule 9.35 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s directors as a body, for our audit work, for this report, or for the opinions we have formed.

Report of the auditor to the Directors pursuant to the Interim Prudential Sourcebook IPRU(INS) rule 9.35 (continued)

PRUDENTIAL PENSIONS LIMITED

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. Under IPRU(INS) 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 IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, 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 (revised)” issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the 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 IPRU(INS) rule 9.11.

In accordance with rule IPRU(INS) 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the 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 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 IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2.

KPMG Audit Plc
Registered Auditor
London

Date 27 March 2009

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 2008

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

a. **Investment Guidelines**

During 2008, 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.

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

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

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

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

The investment guidelines did not allow the writing of options.

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended Financial Year ended 31 December 2008

Rule 9.30 Statement on Shareholder Controllers

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