

# **Prudential Pensions Limited**

**Incorporated in England and Wales Registered No 992726**

**Registered Office: Laurence Pountney Hill, London EC4R 0HH**

**Annual PRA Insurance Returns for the year ended**

**31 December 2013**

**IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6**



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## Statement of solvency - long-term insurance business

Name of insurer Prudential Pensions Limited

Global business

Financial year ended 31 December 2013

Solo solvency calculation

	Company registration number	GL/UK/CM	day	month	year	Units	
	R2	992726	GL	31	12	2013	£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	14746	13192
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	22347	17238
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	37093	30430

## Guarantee fund

Guarantee fund requirement	21	3559	3387
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	33534	27043

## Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	10676	10162
Resilience capital requirement	32	4070	3030
Base capital resources requirement	33	3146	2984
Individual minimum capital requirement	34	14746	13192
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	14746	13192
Excess (deficiency) of available capital resources to cover 50% of MCR	37	29720	23834
Excess (deficiency) of available capital resources to cover 75% of MCR	38	26034	20536

## Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	14746	13192

## Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	14746	13192
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	22347	17238

## Contingent liabilities

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

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	992726	GL	31	12	2013	£000
			General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

**Core tier one capital**

Permanent share capital	11		6000	6000	6000
Profit and loss account and other reserves	12		47104	47104	40756
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		53104	53104	46756

**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				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		53104	53104	46756
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		15841	15841	16326
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		15841	15841	16326
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		37263	37263	30430

Components of capital resources

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2013**

R3	Company registration number	GL/UK/CM	day month year			Units
			31	12	2013	
	992726	GL				£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				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>				

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

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

**Components of capital resources**

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2013**

Company registration number	GL/UK/CM	day month year			Units	
<b>R3</b>	<b>992726</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
	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		
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>		

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		37263	37263	30430
Inadmissible assets other than intangibles and own shares	<b>73</b>		170	170	
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		37093	37093	30430

**Available capital resources for GENPRU/INSRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>		37093	37093	30430
Available capital resources for 50% MCR requirement	<b>82</b>		37093	37093	30430
Available capital resources for 75% MCR requirement	<b>83</b>		37093	37093	30430

**Financial engineering adjustments**

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



**Analysis of admissible assets**

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2013**

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	2013	£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	22483
	More than one month withdrawal	55	18685
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

**Analysis of admissible assets**

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2013**

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	2013	£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	31	327
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1	1
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	22515	19013
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**Analysis of admissible assets**

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2013**

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	2013	£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	22515	19013
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	22515	19013
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

**Analysis of admissible assets**

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2013**

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	2013	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	12843	14350
	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	21017	27315
	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	11475238	10652995

**Analysis of admissible assets**

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2013**

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	2013	£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		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		2360
	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	510	951
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	10265	7452
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	38	38
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	11519911	10705461
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**Analysis of admissible assets**

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2013**

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	2013	£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	11519911	10705461
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	170	
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	1889785	1763022
Other asset adjustments (may be negative)	101	(170)	
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	13409696	12468483
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	105	761

## Long term insurance business liabilities and margins

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31 December 2013**Total business/Sub fund **Ordinary Long Term**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		<b>11</b>	11495139	10674351
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>	14916	13192
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	11510055	10687543
Claims outstanding	Gross	<b>15</b>		
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>		
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	12	185
	Reinsurance accepted	<b>32</b>	1265	
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	8749	17733
Accruals and deferred income		<b>39</b>		
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	10026	17918
Excess of the value of net admissible assets		<b>51</b>		
Total liabilities and margins		<b>59</b>	11520081	10705461

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	239	1372
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	11475238	10652995

Total liabilities (11+12+49)	<b>71</b>	11505165	10692269
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	1889785	1763022
Other adjustments to liabilities (may be negative)	<b>74</b>	(16011)	(16326)
Capital and reserves and fund for future appropriations	<b>75</b>	30757	29518
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	13409696	12468483

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

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/UK/CM	day month year			Units
<b>R15</b>	<b>992726</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
			As at end of this financial year			As at end of the previous year
			<b>1</b>			<b>2</b>

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>	168	1775
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>		
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>	168	1775
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
Total (59 to 63)		<b>69</b>	168	1775

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>			
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Amounts deducted from technical provisions for discounting	<b>82</b>			
Other adjustments (may be negative)	<b>83</b>			
Capital and reserves	<b>84</b>	22347		17238
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)	<b>85</b>	22515		19013



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

Global business

Financial year ended **31 December 2013**

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	992726	GL	31	12	2013
					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			5075	5483
Investment income	Income		14			56	51
	Value re-adjustments on investments		15				
	Gains on the realisation of investments		16				
Investment charges	Investment management charges, including interest		17			12	
	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			5119	5534
Tax on profit or loss on ordinary activities			31			10	12
Profit or loss on ordinary activities after tax (29-31)			39			5109	5522
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			5109	5522
Dividends (paid or foreseeable)			51				
Profit or loss retained for the financial year (49-51)			59			5109	5522

## Long-term insurance business : Revenue account

Name of insurer                      **Prudential Pensions Limited**  
Total business / subfund            **Ordinary Long Term**  
Financial year ended                **31 December 2013**  
Units                                      **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	1484325	1033452
Investment income receivable before deduction of tax	12	422817	407994
Increase (decrease) in the value of non-linked assets brought into account	13	(1507)	52
Increase (decrease) in the value of linked assets	14	323139	719294
Other income	15		
<b>Total income</b>	<b>19</b>	<b>2228774</b>	<b>2160792</b>

**Expenditure**

Claims incurred	21	1378718	1567481
Expenses payable	22	15997	16902
Interest payable before the deduction of tax	23	57	123
Taxation	24	6415	3909
Other expenditure	25		
Transfer to (from) non technical account	26	5075	5483
<b>Total expenditure</b>	<b>29</b>	<b>1406262</b>	<b>1593898</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	822512	566894
Fund brought forward	49	10687543	10120649
Fund carried forward (39+49)	59	11510055	10687543

## Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Pensions Limited**  
 Total business / subfund **Ordinary Long Term**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Regular premiums	11		296		296	373
Single premiums	12		1784538		1784538	1337437

**Reinsurance - external**

Regular premiums	13					
Single premiums	14		300509		300509	304358

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17		296		296	373
Single premiums	18		1484029		1484029	1033079

**Total**

Gross	19		1784834		1784834	1337810
Reinsurance	20		300509		300509	304358
Net	21		1484325		1484325	1033452

## Long-term insurance business : Analysis of claims

Name of insurer Prudential Pensions Limited  
 Total business / subfund Ordinary Long Term  
 Financial year ended 31 December 2013  
 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		4592		4592	3508
Disability periodic payments	12					
Surrender or partial surrender	13		1825360		1825360	1868938
Annuity payments	14		6270		6270	8851
Lump sums on maturity	15					315
<b>Total</b>	<b>16</b>		<b>1836222</b>		<b>1836222</b>	<b>1881612</b>

**Reinsurance - external**

Death or disability lump sums	21		223		223	359
Disability periodic payments	22					
Surrender or partial surrender	23		451011		451011	307299
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>		<b>451234</b>		<b>451234</b>	<b>307658</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					11
Annuity payments	34		6270		6270	6462
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>6270</b>		<b>6270</b>	<b>6473</b>

**Net of reinsurance**

Death or disability lump sums	41		4369		4369	3149
Disability periodic payments	42					
Surrender or partial surrender	43		1374349		1374349	1561628
Annuity payments	44					2389
Lump sums on maturity	45					315
<b>Total</b>	<b>46</b>		<b>1378718</b>		<b>1378718</b>	<b>1567481</b>

## Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Pensions Limited**  
 Total business / subfund **Ordinary Long Term**  
 Financial year ended **31 December 2013**  
 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		489	489	495
Management - maintenance	14		15039	15039	15695
Management - other	15		469	469	712
<b>Total</b>	<b>16</b>		<b>15997</b>	<b>15997</b>	<b>16902</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
<b>Total</b>	<b>26</b>				

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43		489	489	495
Management - maintenance	44		15039	15039	15695
Management - other	45		469	469	712
<b>Total</b>	<b>46</b>		<b>15997</b>	<b>15997</b>	<b>16902</b>

## Long-term insurance business : Linked funds balance sheet

Name of insurer **Prudential Pensions Limited**  
 Total business  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Internal linked funds (excluding cross investment)**

Directly held assets (excluding collective investment schemes)	11	9543314	9383889
Directly held assets in collective investment schemes of connected companies	12	1874194	1148960
Directly held assets in other collective investment schemes	13	139499	144701
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>11557007</b>	<b>10677550</b>
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	81769	24555
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>11475238</b>	<b>10652995</b>

**Directly held linked assets**

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

**Total**

Value of directly held linked assets and units held (18+21)	31	11475238	10652995
Surplus units	32		
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>11475238</b>	<b>10652995</b>

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

Name of insurer **Prudential Pensions Limited**  
 Total business  
 Financial year ended **31 December 2013**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Value of total creation of units	11	1484325	1033452
Investment income attributable to the funds before deduction of tax	12	422024	407133
Increase (decrease) in the value of investments in the financial year	13	324512	721269
Other income	14		
<b>Total income</b>	<b>19</b>	<b>2230861</b>	<b>2161854</b>

**Expenditure**

Value of total cancellation of units	21	1378718	1567481
Charges for management	22	27078	28545
Charges in respect of tax on investment income	23	1691	1926
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26	1131	929
<b>Total expenditure</b>	<b>29</b>	<b>1408618</b>	<b>1598881</b>

Increase (decrease) in funds in financial year (19-29)	39	822243	562973
Internal linked fund brought forward	49	10652995	10090022
Internal linked funds carried forward (39+49)	59	11475238	10652995

**Long-term insurance business : Summary of new business**

Name of insurer **Prudential Pensions Limited**  
 Total business  
 Financial year ended **31 December 2013**  
 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					
<b>Total</b>	<b>13</b>					

**Amount of new regular  
premiums**

Direct insurance business	21					
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>					

**Amount of new single  
premiums**

Direct insurance business	25		965114		965114	678548
External reinsurance	26		108782		108782	24775
Intra-group reinsurance	27		710642		710642	634114
<b>Total</b>	<b>28</b>		<b>1784538</b>		<b>1784538</b>	<b>1337437</b>



Long-term insurance business : Analysis of new business

Name of insurer  
Prudential Pensions Limited

Total business

Financial year ended

Units

UK Pension / Direct Insurance Business

31 December 2013

£000

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				965114

Long-term insurance business : Analysis of new business

Name of insurer  
Prudential Pensions Limited

Total business

Financial year ended

31 December 2013

Units

£000

UK Pension / Reinsurance accepted external

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				108782

Long-term insurance business : Analysis of new business

Name of insurer **Prudential Pensions Limited**

Total business

Financial year ended

**31 December 2013**

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				710642

## 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 2013  
 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	12881	12881	577	3.05	
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	31792	31792	83	0.26	
<b>Total</b>	<b>19</b>	<b>44673</b>	<b>44673</b>	<b>660</b>	<b>1.07</b>	

## 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					
<b>Total</b>	<b>29</b>					

## Overall return on with-profits assets

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

## Long-term insurance business : Summary of mathematical reserves

Name of insurer **Prudential Pensions Limited**  
 Total business / subfund **Ordinary Long Term**  
 Financial year ended **31 December 2013**  
 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		69674	69674	78186
Form 52	13				
Form 53 - linked	14		13300759	13300759	12344136
Form 53 - non-linked	15		19901	19901	21356
Form 54 - linked	16				
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>		<b>13390334</b>	<b>13390334</b>	<b>12443679</b>

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24		1825521	1825521	1691141
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>		<b>1825521</b>	<b>1825521</b>	<b>1691141</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32		69674	69674	78186
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>		<b>69674</b>	<b>69674</b>	<b>78186</b>

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42				
Form 52	43				
Form 53 - linked	44		11475238	11475238	10652995
Form 53 - non-linked	45		19901	19901	21356
Form 54 - linked	46				
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>		<b>11495139</b>	<b>11495139</b>	<b>10674351</b>

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 Long Term

Financial year ended 31 December 2013

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	3434	5883					69674

**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 Long Term**  
 Financial year ended: **31 December 2013**  
 Units: **£000**  
 UK Pension / Reinsurance ceded infra-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		5883					69674

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

Name of insurer **Prudential Pensions Limited**  
 Total business / subfund **Ordinary Long Term**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Gross

<b>1</b> Product code number	<b>2</b> Product description	<b>3</b> Number of policyholders / scheme members	<b>4</b> Amount of benefit	<b>5</b> Amount of annual office premiums	<b>6</b> Nominal value of units	<b>7</b> Discounted value of units	<b>8</b> Other liabilities	<b>9</b> Amount of mathematical reserves
725	Individual pensions property linked	2328	42761	296	42761	42761	63	42825
735	Group money purchase pensions property linked		13257998		13257998	13257998	13272	13271270
800	Additional reserves property linked						6566	6566



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

Name of insurer **Prudential Pensions Limited**  
 Total business / subfund **Ordinary Long Term**  
 Financial year ended **31 December 2013**  
 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		1825521		1825521	1825521		1825521

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

Name of insurer Prudential Pensions Limited

Total business

Financial year ended 31 December 2013

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	4964328	GILP	0.30	23.6998	24.1234	1.79
Cash Fund	24 - group managed fund - other managed fund	204829	GILP	0.10	77.8468	78.0839	0.30
Corporate Bond	24 - group managed fund - other managed fund	1187970	GILP	0.30	30.2511	30.2978	0.15
Europe	26 - group managed fund - overseas equity	206352	GILP	0.50	19.1841	24.4950	21.68
Index Linked	24 - group managed fund - other managed fund	313384	GILP	0.25	386.9829	390.6201	0.94
Index Linked Passive	24 - group managed fund - other managed fund	173487	GILP	0.10	29.7290	29.8976	0.57
Long Term GILT	24 - group managed fund - other managed fund	281886	GILP	0.10	43.6538	41.0299	(6.01)
North America	26 - group managed fund - overseas equity	231541	GILP	0.50	18.1705	23.8566	31.29
Property	27 - group managed fund - property	619574	GILP	0.55	492.5028	522.0279	5.99
UK Specialist Equity	25 - group managed fund - UK equity	907826	GILP	0.75	33.4280	39.0524	16.83
Equity Growth	25 - group managed fund - UK equity	156416	GILP	0.75	12.0043	14.5506	21.21
Equity Dividend	25 - group managed fund - UK equity	121139	GILP	0.75	12.1344	15.1173	24.58
Global Leaders	26 - group managed fund - overseas equity	247483	GILP	0.75	11.2580	14.1894	26.04

**Long-term insurance business : Distribution of surplus**

Name of insurer **Prudential Pensions Limited**  
 Total business / subfund **Ordinary Long Term**  
 Financial year ended **31 December 2013**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	11510055	10687543
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	5075	5483
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	11515130	10693026
Mathematical reserves	21	11495139	10674351
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	19991	18675

**Composition of surplus**

Balance brought forward	31	13192	10515
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	6799	8160
Total	39	19991	18675

**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	5075	5483
Total distributed surplus (46+47)	48	5075	5483
Surplus carried forward	49	14916	13192
Total (48+49)	59	19991	18675

**Percentage of distributed surplus allocated to policyholders**

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

## Long-term insurance capital requirement

Name of insurer Prudential Pensions Limited

Global business

Financial year ended 31 December 2013

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%				
<b>Total</b>	<b>16</b>					

## Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					
--	----	--	--	--	--	--

## Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	69674		0.85	592
Classes III, VII and VIII (investment risk)	33	1%	20373	20373	1.00	204
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				7492
Class IV (other)	36	1%				
Class V	37	1%				
Class VI	38	1%				
<b>Total</b>	<b>39</b>					8288

## Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	69674		0.85	1777
Classes III, VII and VIII (investment risk)	43	3%	20373	20373	1.00	611
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%	13300287	11474766		
Class IV (other)	46	3%				
Class V	47	0%				
Class VI	48	3%				
<b>Total</b>	<b>49</b>		13390334	11495139		2388

<b>Long term insurance capital requirement</b>	<b>51</b>					10676
						10162

## VALUATION REPORT ON PRUDENTIAL PENSIONS LIMITED

### Appendix 9.4 Abstract of Valuation Report as at 31 December 2013

#### 1. Introduction

- (1) The investigation relates to 31 December 2013.
- (2) The previous investigation related to 31 December 2012.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2012.

#### 2. Product range

There were no significant changes in products during 2013.

#### 3. Discretionary charges and benefits

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

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

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

## PRUDENTIAL PENSIONS LIMITED

### Appendix 9.4 (continued)

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

#### GILP Funds

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

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

#### Series 1, 3, & 4 Funds

Series 1, 3 & 4 Funds are invested in the GILP Funds or funds managed by external companies such as BlackRock, Baillie Gifford, Newton and Schroders. The funds buy and sell units in the GILP Funds at the prevailing daily swinging price. The Series 2 funds were merged into equivalent Series 3 funds on 20 October 2013.

A smoothed equity approach is taken to unit pricing. This is different to the approach adopted for GILP Funds. Units are allocated to policyholders at the offer price and de-allocated at the bid price. When the trend in the number of units in a unit fund is believed to be upward, the bid price is the creation price. If the trend in the number of units is believed to be downward the bid price is the cancellation price. The offer price is then set equal to the bid price plus the initial charge plus a rounding adjustment, not exceeding 0.1p (there is no initial charge for Series 3 and Series 4 Funds and so there is only a single price applied to policyholders).

#### Pru-Link Funds

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

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

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

## PRUDENTIAL PENSIONS LIMITED

### Appendix 9.4 (continued)

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

#### 4. Valuation basis (other than for special reserves)

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

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

##### Unit-linked group pensions

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

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

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

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

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

**PRUDENTIAL PENSIONS LIMITED**

**Appendix 9.4 (continued)**

(2) The interest rates used are as follows:

<b>Product code number</b>	<b>Product description</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Annuities Limited)	3.69%	3.34%
725	Individual pensions property linked	2.25%	2.00%
735	Group money purchase pensions property linked	2.25%	2.00%

(3) Not applicable.

(4)

<b>Product code number</b>	<b>Product description</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance ceded to Prudential Annuities Limited)		
	Mortality table	Modified 99% PCMA00 / 89% PCFA00	Modified 99% PCMA00 / 89% PCFA00
	Expectation of life age 65	24.7 (M), 26.9 (F)	24.7 (M), 26.8 (F)
	Expectation of life age 75	15.0 (M), 17.1 (F)	15.1 (M), 17.0 (F)
725	Individual pensions property linked	AM/AF92 less 3 years	AM/AF92 less 3 years

**Mortality bases used at 31 December 2013 and 31 December 2012**

Annuities are generally valued using a percentage of the 00 series PCxA tables for annuitants and pensioners. In order to allow for mortality improvement, future improvement factors are applied from 2000. For males, these future improvement factors are in line with Prudential’s own calibration of the CMI 2012 mortality model (CMI 2011 for 31 December 2012 valuation), with a long term improvement rate of 2.25% p.a. (2.25% p.a. in the 31 December 2012 valuation). For females, future improvement factors are in line with Prudential’s own calibration of the CMI 2012 mortality model (CMI 2011 for 31 December 2012 valuation), with a long term improvement rate of 1.75% p.a. (1.75% p.a. in the 31 December 2012 valuation). The calibration of the CMI 2012 mortality model includes the removal of the negative cohort feature for years of birth after 1947. Compared with the core CMI mortality model, Prudential's calibration:



## PRUDENTIAL PENSIONS LIMITED

### Appendix 9.4 (continued)

- (a) blends period improvements between ages 60 to 80 to the long term improvement rate over a 15 year period (compared with a 20 year period in the core CMI model), and
- (b) assumes that cohort improvements dissipate over a 30 year period, or by age 90 if earlier (compared with a 40 year period, or by age 100 if earlier, in the core CMI model).
- (5) Not applicable.
- (6) The renewal expenses per annum used are described in the table below:

<b>Product code number</b>	<b>Product description</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
400	Annuity non-profit (CPA) - individual annuities in payment (reassurance ceded to Prudential Annuities Limited)	£22.31 p.a.	£21.57 p.a.
725	Individual pensions property linked	£32.14 p.a. per policy for premium-paying policies; £29.11 p.a. per policy for other policies	£31.86 p.a. per policy for premium-paying policies; £29.63 p.a. per policy for other policies
735	Group money purchase pensions property linked	GILP: £8,517,946 p.a. including £1,622 p.a. per scheme (having allowed for £93,241 p.a. of additional administration service charges)  PIA: £37,583 p.a. including £1,622 p.a. per scheme	GILP: £7,193,641 p.a. including £1,663 p.a. per scheme (having allowed for £138,324 p.a. of additional administration service charges)  PIA: £40,146 p.a. including £1,663 p.a. per scheme

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

## PRUDENTIAL PENSIONS LIMITED

### Appendix 9.4 (continued)

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

Product code number	Product description	31 December 2013	31 December 2012
400	Annuity non-profit (CPA) - individual annuities in payment (reassurance ceded to Prudential Annuities Limited)	0.057%	0.057%
725	Individual pensions property linked	0.150%	0.100%
735	Group money purchase pensions property linked	GILP: 0.132% PIA: 0.199%	GILP: 0.145% PIA: 0.198%

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

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

Product code number	Parameter	31 December 2013 %	31 December 2012 %
725 and 735	Unit fund growth rate	5.50%	5.00%
All products	Expense inflation rate	4.00%	3.50%
725 and 735	Policy charge inflation rate	Nil	Nil

- (8) Not applicable.

- (9) No allowance is made for lapses in the valuation.

- (10) There are 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.

## PRUDENTIAL PENSIONS LIMITED

### Appendix 9.4 (continued)

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

#### 6. Expense reserves

(1)

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non – attributable expenses	Total
GILP	-	£11,500,102	£8,517,946	£1,900,970	£21,919,018
PIA	-	£8,292	£37,583	£5,795	£51,670
Prulink SP	-	£1,718	£291	£0	£2,009
Prulink RP	-	£62,858	£52,954	£0	£115,812
<b>Total</b>	-	<b>£11,571,291</b>	<b>£8,608,773</b>	<b>£1,906,765</b>	<b>£22,088,508</b>

- (2) Not applicable.
- (3) Maintenance expenses shown at line 14 of Form 43 are £15.0 million. These expenses are net of annual management charge income and hence are less than the total expense loadings arising in 2013 as shown in 6.(1).
- (4) For new business expected to be written in the twelve months following the valuation date, the income and outgo are projected on a prudent basis over the entire lifetime of the business and discounted to the valuation date. A reserve is held if the present value of the outgo exceeds the present value of income to the extent that the excess exceeds the projected surplus on prudent assumptions from existing business. No reserve was held at 31 December 2013.
- (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 provisions are recalculated on the assumption that, over a two year period, unit costs would be reduced by 20% and that thereafter loss of economies of scale would result in overall expenses being cut more

## PRUDENTIAL PENSIONS LIMITED

### Appendix 9.4 (continued)

slowly than the rate at which policies run off. In calculating this reserve it has been assumed that the projected per policy costs are capped after 15 years. At this point, the projected per policy costs are expected to have doubled in real terms compared with the current open-fund costs. In addition the costs associated with closing to new business, such as redundancy costs or the costs of terminating management agreements, are estimated. To the extent that the sum of the closed fund expense reserves and additional costs exceed the projected surplus, on prudent assumptions, from existing business, a further additional reserve is held. At the valuation date an additional reserve of £532,478 is held for the impact of closing to new business.

- (6) The additional reserve for non-attributable expenses at a homogeneous risk group level is calculated as the present value of all future expenses less charges, subject to a maximum of the non-attributable expenses for policies in that risk group. Any future valuation strain is removed at the homogeneous risk group level. The additional reserves for non-attributable expenses at 31 December 2013 were as follows:

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

### 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
<b>Equities:</b>	
Market values – UK and overseas (excl. US and euro zone)	-10% (-10%)
Market values – US	-10% (-10%)
Market values – euro zone	-10% (-10%)
<b>Property:</b>	
Market values	-20% (-18%)
<b>Fixed interest:</b>	
Yields – UK and overseas	+69 bps (+47 bps)

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

## **PRUDENTIAL PENSIONS LIMITED**

### **Appendix 9.4 (continued)**

- (5) Not applicable.
- (6)
  - (a) A Resilience Capital Requirement of £4,070,000 was held.
  - (b) There was an increase of £3,184,526 in the aggregate amount of the non-unit long term liabilities.
  - (c) The assets allocated to match such liabilities decreased in value by £877,907 from the amount of the assets shown in Form 13.
- (7) There is no reserve held under INSPRU 1.1.34R(2).

### **8. Other special reserves**

Not applicable.

## PRUDENTIAL PENSIONS LIMITED

### Appendix 9.4 (continued)

#### 9. Reinsurance

- (1) No premiums were paid in 2013 in respect of reinsurance business ceded on a facultative basis to reinsurers not authorised to carry on business in the United Kingdom.
- (2) The reinsurance treaties shown in the table below meet the PRA criteria for being reported in this section and were in force as at 31 December 2013.

(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	69,100	Nil
Blackrock Life Ltd	Reinsurance of unit-linked pension liabilities of the Company arising in relation to reinsurance of certain unit-linked pensions contracts issued by a member of the Prudential Group. The business is covered by a pari passu charge on assets.	278,688	Open	1,753,810	Nil
Baillie Gifford Life Ltd	Reinsurance of unit-linked pension liabilities of the Company arising in relation to reinsurance of certain unit-linked pensions contracts issued by a member of the Prudential Group. The business is covered by a pari passu charge on assets.	13,432	Open	35,410	Nil
Schroder Pension Management Ltd	Reinsurance of unit-linked pension liabilities of the Company arising in relation to reinsurance of certain unit-linked pensions contracts issued by a member of the Prudential Group. The business is covered by a pari passu charge on assets.	6,946	Open	32,459	Nil

## PRUDENTIAL PENSIONS LIMITED

### Appendix 9.4 (continued)

- (g) There were no deposit back arrangements under the above treaties.
- (i) There are no “undischarged obligations of the insurer”. Premiums are only payable if the gross business remains in force.
- (l) The above reinsurers are authorised to carry on insurance business in the United Kingdom.
- (m) An asterisk denotes companies connected to the cedant (\*).
- (n) In general the treaties may be exposed to the credit risk of the reinsurers, against which a reserve is held, if required.
- (o) The net liability includes no allowance for the refund of any reinsurance commission.
- (p) Not applicable.

### **10. Reversionary (or annual) bonus**

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

**PRUDENTIAL PENSIONS LIMITED**

**Returns for the year ended 31 December 2013**

**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	11,519,911
Form 14 Line 11 Mathematical reserves after distribution of surplus	(11,495,139)
Form 14 Line 49 Total other insurance and non-insurance liabilities	(10,026)
Form 13 Line 89 (Other than long term) Grand total of admissible assets	22,515
Form 15 Line 69 Total	<u>(168)</u>
	37,093
Form 3 Line 79 Capital resources after deductions	<u>37,093</u>
Difference	<u>0</u>

\*0310\* Valuation differences

	£'000
<i>Negative valuation differences where liabilities are higher than in the shareholder accounts</i>	
Additional reserves held in the long term fund	(19,801)
Deferred tax on additional reserves held in the long term fund	<u>3,960</u>
Form 3 Line 35 Negative Valuation Differences	<u>(15,841)</u>

\*0313\* Reconciliation of profit and loss account change

	£'000
Profit and loss account and reserves b/fwd	40,756
Profit and loss account and reserves c/fwd	<u>47,104</u>
Movement	6,348
Movement in additional reserves held for PRA	1,355
Movement in deferred tax	(870)
Movement in unallocated surplus	<u>(1,724)</u>
Form 16 Line 59 Profit retained for the financial year	<u>5,109</u>



**PRUDENTIAL PENSIONS LIMITED**

**Notes to the Returns (continued)**

**Form 13**

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

**\*1304\* Statement on Set Off**

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

**\*1305\* Maximum Counterparty Limits**

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

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

There were counterparty exposures held at year end that were greater than 5% of the sum of the base capital resources requirements and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These include cash on deposit with HSBC Bank plc £5.5m, Barclays Bank plc £7.0m and Cooperative Centrale Raiffeisen – Boerenleenbank B.A £10.0m.

Notes 1308 to 1319 apply to long term business fund.

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

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

**\*1310\* Statement on Set Off**

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

**\*1312\* Counterparty exposures at year end**

There were counterparty exposures held at year end that were greater than 5% of the sum of the base capital resources requirements and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These include cash on deposit with Cooperative Centrale Raiffeisen – Boerenleenbank B.A £26.0m and UBS Ag £11.0m and a cash balance of £10.3m with HSBC Bank Plc.

**\*1318\* Other asset adjustments**

	£'000
Deferred tax on additional reserves held in the long term	(170)
Line 101 on Form 13	<u>(170)</u>

**PRUDENTIAL PENSIONS LIMITED**

**Notes to the Returns (continued)**

**Form 13 (continued)**

**\*1319\* Maximum Counterparty Limits**

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

**Form 14**

**\*1401\* Provision for adverse changes**

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

**\*1402\* Uncertain and Potential Liabilities**

- a) In the normal course of business certain reinsurance liabilities were secured by a floating charge, ranking these liabilities equally with amounts due under unsecured direct (non-reassurance) policies, over the long term insurance assets of the Company. The amounts secured by charges of this nature and included in Form 14 Line 11 were £4,558.7m, £233.8m, £59.7m, £46.6m, £8.4m and £5.8m. The whole of the amount at Form 13 line 89 is subject to charge.
- b) There were no potential capital gains tax liabilities at the year-end.
- c) There were no contingent liabilities at the year-end.
- d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business and in respect of related companies.

**\*1405\* Other adjustments to liabilities**

	£'000
Additional reserves held in the long term fund	(19,801)
Deferred tax on life tax transitional arrangements held in the long term fund offset against deferred tax assets	3,790
Line 74 on Form 14	<u>(16,011)</u>

## **PRUDENTIAL PENSIONS LIMITED**

### **Notes to the Returns (continued)**

#### **Form 15**

##### **\*1501\* Provision for adverse changes**

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

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

- a) There were no charges attributable to the other than long term business assets.
- b) There was no potential tax liability arising in the other than long term fund at the year end.
- c) There were no contingent liabilities at the year-end.
- d) There are no guarantees, indemnities or other contractual commitments, effected other than in the ordinary course of insurance business, in respect of related companies.
- e) There were no fundamental uncertainties at the year-end.

#### **Form 16**

##### **\*1601\* Foreign Currencies**

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

#### **Form 17**

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

#### **Form 40**

##### **\*4008\* Provision of management services**

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

## PRUDENTIAL PENSIONS LIMITED

### Notes to the Returns (continued)

#### Form 40 (continued)

\*4009\* The Company has a reinsurance agreement with a related Company, The Prudential Assurance Company Limited, in respect of linked premiums. Included in earned premiums for the year is an amount of £711m 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 £814m arising from claims under this reinsurance agreement and claims recovery received from related Companies, Prudential Annuities Limited £6.2m and The Prudential Assurance Company Limited £0.1m.

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.

#### Form 44

##### \*4401\* Valuation of Linked Assets

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

##### \*4402\* Derivative Contracts

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

	<b>Assets £000's</b>	<b>Liabilities £000's</b>
Futures:		
Gross of variation margin	2,043	0
Net of variation margin	348	(2)
Swaps:		
Gross of variation margin	0	(766)
Net of variation margin	0	(766)
Forwards:		
Gross of variation margin	9,497	(1,008)
Net of variation margin	9,497	(1,008)
Warrants:		
Gross of variation margin	38	0
Net of variation margin	38	0

**PRUDENTIAL PENSIONS LIMITED**

**Notes to the Returns (continued)**

**Form 45**

\*4502\* Other Expenditure

	<b>2013</b>	<b>2012</b>
	<b>£000's</b>	<b>£000's</b>
Safe custody fees	(821)	(742)
Transaction fees	(310)	(187)
Total	<u>(1,131)</u>	<u>(929)</u>

**Form 47**

\*4701\* for code 735 there are 23 schemes.

**Form 48**

\*4804\* other assets

Included in Line 18 (Other assets) are:

	<b>£000's</b>
Assets producing income	31,282
Assets not producing income	510
	<u>31,792</u>

**Form 53**

\*5301\* For product code 735 there are 372 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.

**Form 58**

\*5803\* There is a difference between line 49 and Form 2 line 11 of £170k. This difference relates to the inadmissible assets shown on Form 13 (Long term Business) line 93.

**PRUDENTIAL PENSIONS LIMITED**

Global business

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

**Financial year ended 31 December 2013**

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.



J Hunt  
Chief Executive



D J Belsham  
Director



H A Hussain  
Director

25th March 2014

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

**PRUDENTIAL PENSIONS LIMITED**

Global business

Financial year ended 31 December 2013

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance Prudential Sourcebook, ("the Rules") made by the Prudential Regulation Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 16, 40 to 45, 48, 58 and 60 (including the supplementary notes) on pages 1 to 49 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on page 53 ('the Statement');
- the valuation report required by rule IPRU(INS) 9.31(a)(i) on pages 33 to 43 ('the valuation report').

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

- Forms 46, 47, 50, 51, 53 and 55 (including the supplementary notes) on pages 20 to 30 and page 49;
- the statement required by IPRU(INS) rule 9.30 on page 54; and
- the certificate required by IPRU(INS) rule 9.34(1) on page 50 ('the certificate').

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

**Respective responsibilities of the company and its auditors**

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement and the valuation report) under the provisions of the Rules. Under IPRU(INS) rule 9.11 the Forms, the Statement and the valuation report, are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report, are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement and the valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion:

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

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

**PRUDENTIAL PENSIONS LIMITED**

Global business

**Basis of opinion**

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

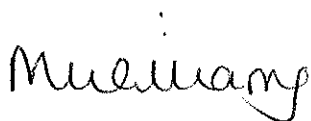
We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement and the valuation report are free from material misstatement, whether caused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

**Opinion**

In our opinion:

- i) the Forms, the Statement and the valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.



**Marie Williams**  
**for and on behalf of KPMG Audit plc, Statutory Auditor**  
Chartered Accountants  
Registered Auditor  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

Date 25 March 2014



## PRUDENTIAL PENSIONS LIMITED

### Returns for the year ended 31 December 2013

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

a. **Investment Guidelines**

During 2013, investment guidelines allowed the use of derivative contracts in the GILP (and hence MPP) internal linked funds. The derivatives and use thereof was restricted to that permitted by Appendix 3.2 of the Accounts and Statements Rules. The use of derivatives was not permitted in the non-linked funds.

Derivatives are limited to: exchange traded warrants; exchange traded index or stock futures; forward currency contracts; interest rate swaps; partly paid shares; and convertible bonds. Derivatives must be listed or with an approved counterparty and must be capable of being readily closed out at a price the basis of which is pre-determined. Exchange traded index and stock futures must be based on underlying assets which are themselves permitted links.

b. **Derivatives where exercise is unlikely**

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

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

No such contracts were used by the Company.

The largest exposure during the year to out of the money call options/warrants was £189k.

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

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

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

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

The investment guidelines did not allow the writing of options.

## **PRUDENTIAL PENSIONS LIMITED**

**Returns for the year ended 31 December 2013**

### **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.