

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2002**

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

Type of asset	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	992726	GL	31	12	2002	£000	10
			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3	
Land and buildings		11						
Fixed interest securities	Approved securities	12	2138		126		4.48	
	Other	13						
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14						
	Other	15						
Equity shares and holdings in collective investment schemes		16						
Loans secured by mortgages		17						
All other assets	Producing income	18	12926		510		3.95	
	Not producing income	19	8983					
Total (11 to 19)		29	24047		636		2.52	

Valuation Report as at 31 December 2002 (cont.)

Appendix 9.4 – Valuation Report as at December 2002

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

A. The Group Investment Linked Plan (GILP)

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

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

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

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

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

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

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

Valuation Report as at 31 December 2002 (cont.)

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

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

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

an annual scheme investment charge of £500

additional services are charged on a cost basis

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

Fund

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

Valuation Report as at 31 December 2002 (cont.)

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

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

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

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

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

Cash Fund: Short term money market deposits and instruments.

Consensus Fund: Holdings currently in the following funds:

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

Discretionary Fund: Holdings currently in the following funds:

Cash Fund
Equity Fund

Valuation Report as at 31 December 2002 (cont.)

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

Valuation Report as at 31 December 2002 (cont.)

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

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

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

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

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

Valuation Report as at 31 December 2002 (cont.)

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

The creation price is the cash cost of purchasing an identical portfolio of assets to that in the unit fund including all the costs that would be incurred in purchasing such assets, divided by the number of units in existence. The cancellation price is the cash amount for which the assets of the unit fund can be sold net of all costs that would be incurred in disposing of the assets, divided by the number of units in existence.

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

GILP Funds

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

Weekly Platform

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

Daily Platform

The "Swinging single pricing" approach is used. If the net cashflow on the day is positive, all transactions are at the offer price. If the net cashflow on the day is negative, all transactions are at the cancellation (bid/bid) price.

Unit prices are calculated daily and transactions in these funds are carried out at the next available price (i.e. on a forward pricing basis).

MPP Funds

MPP Funds are 100% invested in units of the GILP Funds at the daily pricing of the GILP funds. Purchases of GILP fund units are made at the creation price of the GILP fund, and sales at the cancellation price. Creation and cancellation prices are determined daily by reference to the appropriate GILP price.

A smoothed equity approach is taken to unit pricing. This is different to the approach adopted for GILP funds. Units are allocated to policyholders at the offer price and deallocated at the bid price. While the trend in the number of units in a unit fund is believed to be upward, the bid price is the creation price. While the trend in the number of units is believed to be downward, the bid price is the cancellation price, where the trend is unclear or changing the bid price may be between the creation price and the cancellation price. The offer price is then set equal to the bid price plus the initial charge plus a rounding adjustment not exceeding 0.1p (there is no initial charge for Series II and Series III funds).

Pru-Link Funds

Valuation Report as at 31 December 2002 (cont.)

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

A smoothed equity approach is taken to unit pricing. This is different to the approach adopted for GILP funds. Units are allocated to policyholders at the offer price and deallocated at the bid price. While the trend in the number of units in the underlying unit fund (which is taken to be the MPP funds as a whole) is believed to be upward, the bid price is the creation price. While the trend in the number of units is believed to be downward, the bid price is the cancellation price. Where the trend is unclear or changing the bid price may be between the creation price and the cancellation price. The offer price is then set equal to the bid price plus the initial charge plus a rounding adjustment not exceeding 0.1p. (The initial charge was removed on 1 April 2001).

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

In particular the following principles have been observed:

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

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

Valuation Report as at 31 December 2002 (cont.)

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

Valuation Report as at 31 December 2002 (cont.)

- (b) Specific allowance is made for expenses of payment for all immediate annuities as indicated in note 5102.
 - (c) Not applicable.
 - (d) Not applicable.
9. (a) For group and individual linked business the unit liability has been obtained by valuing those units allocated to policyholders at the valuation unit price. This price is based on the mid-market price of the assets and includes investment income received.

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

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

Valuation interest:	4.25%
Fund growth rate:	4.50% (before reduction for fund charge)
Renewal expenses:	GILP* £3,000,000 p.a. plus £930 p.a. per scheme (of which £1,200,000 p.a. is covered by charges for additional administration services) * includes reinsurance from Schroder Pensions Limited PIA £45,000 p.a. plus £130 p.a. per scheme PLRP - per policy for premium-paying policies £37.00 p.a. - per policy for other policies £25.00 p.a. - per claim £42.00 Reassurance from PACL £710,000 p.a.
Expense inflation:	3.25%
Fund charge:	The actual charged rate less 0.1% for actively managed funds (0.035% for passively managed funds) in respect of M&G investment management fees charged to PPL. The charged rate is 0.75% p.a. for PIA and PLRP, 0.25% for reassured business, and varies by fund for GILP (in the range 0.0% to 0.75%)
Other income:	GILP: A charge of £500 p.a. per scheme.
Mortality:	AM92 Ult rated down 3 years (males) AM92 Ult rated down 8 years (females)

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

- (b) Not applicable.
10. (1) See 9 (a) above.
- (2) The aggregate amount of expense allowance arising in the next twelve months from the loadings described in paragraph 9 is £7,109,000.
 - (3) and (4) New business costs are covered by expected future profits.

Valuation Report as at 31 December 2002 (cont.)

11. Not applicable.
12. (1) No premiums in respect of reinsurance business ceded on a facultative basis were paid to reinsurers not permitted to carry on business in the United Kingdom.
- (2) The following reinsurance treaties were in force at 31 December 2002 :
- (i) (a) **Prudential Annuities Limited (PAL)**
- (b) The reinsurer is permitted to carry on business in the United Kingdom.
- (c) The reinsurer is a connected company.
- (d) All immediate annuities are wholly reassured on original terms. The current liability reassured is £98,277,000. The reinsurer is a member of the Prudential group of companies and the reinsurance is not covered by first charges on assets.
- (e) No premiums have been paid by the Company under the treaty during the period since the last investigation.
- (f) Not applicable.
- (g) No reinsurance commission is payable.
- (h) The agreement remains open to annuities arising under Pru-Link (PLRP), but is closed to Group Pensions business arising since 1 January 1990.
- (ii) (a) **Prudential Assurance Company Limited (PACL)**
- (b) The reinsurer is permitted to carry on business in the United Kingdom.
- (c) The reinsurer is a connected company.
- (d) All immediate annuities are wholly reassured on original terms. The current liability reassured is £7,160,000. The reinsurer is a member of the Prudential group of companies and the reinsurance is not covered by first charges on assets.
- (e) No premiums have been paid by the Company under the treaty during the period since the last investigation.
- (f) Not applicable.
- (g) No reinsurance commission is payable.
- (h) The agreement remains open to new business.
- (3) Not applicable.
- 13.-16. Not applicable.

Valuation Report as at 31 December 2002 (cont.)

17. See Form 46.

Group contracts not included in Form 46 are:

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

GILP reinsurance accepted - 1 scheme at 31 December 2002.

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

Reinsurance accepted from Prudential Assurance Company - an estimated 65,000 lives are covered by this business.

18. See Form 47.

19. See Forms 48 and 49.

No derivative contracts were held to cover non-linked long term liabilities at 31 December 2002.

20. See Forms 51 and 53.

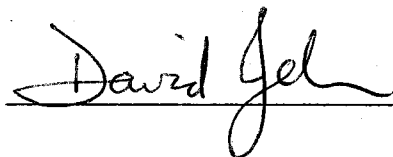
21. (1) See Form 57.

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

(3) No such assets were held.

22. See Form 58.

23. See Form 60.



D Jebson. Appointed Actuary

.....²⁵.....March 2003

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

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Type of business **Pension Insurance Business**

Category of surplus **Ordinary Long Term**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including reversionary bonuses	Value of annual premiums		Category of surplus
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums	Office premiums reserved for expenses and profits	Office premiums		Net premiums		
	1	2	3	4	5	6	7	8	9	10	11	12
Net total: Pension Insurance Business			9426									
Net total: United Kingdom Insurance Business			9426									

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Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Type of business **Pension Insurance Business**

Category of surplus **Ordinary Long Term**

Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link			Unit liability			Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	Unit liability			Other liabilities					
			2						3	4	5	6	7	8	9	10	11
1																	
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies																	
DIRECT INDIVIDUAL																	
Deferred annuity :																	
Pru-Link Retirement Plan - regular premium	(a)	(a)	5790		50018		1298		internal funds	50018	50018	50018	557			50575	
Pru-Link Retirement Plan - single premium	(a)	(a)	130		3141				internal funds	3141	3141	3141	3			3144	
DIRECT GROUP																	
Group pension :																	
PIA SAS Business	(a)	(a)	91						internal funds	6663	6663	6663	150			6813	
GILP SAS Business	(a)	(a)	350						internal funds	2806100	2806100	2806100	930			2807030	
MISMATCHING RESERVE																	
ADDITIONAL RESERVE																	
Sub total: Non-Profit Policies			6361		53159		1298			2865922	2865922	2865922	3705			2869627	
Sub total: Direct Written Insurance Business			6361		53159		1298			2865922	2865922	2865922	3705			2869627	

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

(Sheet 2)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Category of surplus **Ordinary Long Term**

Internal linked fund

Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Company registration number	GL/JUK/CM		Period ended				Units	UK/OS	Category of surplus	IL/DH		
					GL	CM	day	month	year	£000					UK	11
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
Europe		9.4445	18003654	170036	123948	46088	46088	46088	46088	46088	46088	46088				
Sub total: Europe				170036	123948	46088	46088	46088	46088	46088	46088	46088				
Europe Passive		7.1544	3923091	28068	16409	11659	11659	11659	11659	11659	11659	11659				
Sub total: Europe Passive				28068	16409	11659	11659	11659	11659	11659	11659	11659				
Fixed Interest		266.7763	780784	208294	87413	120881	120881	120881	120881	120881	120881	120881				
Sub total: Fixed Interest				208294	87413	120881	120881	120881	120881	120881	120881	120881				
GEI		0.1318	54370	7		7	7	7	7	7	7	7				
Sub total: GEI				7		7	7	7	7	7	7	7				
Global Equity		19.7388	4437144	87584	54719	32865	32865	32865	32865	32865	32865	32865				
Sub total: Global Equity				87584	54719	32865	32865	32865	32865	32865	32865	32865				
Global Equity (Passive)		7.2349	11762610	85101	1216	83885	83885	83885	83885	83885	83885	83885				
Sub total: Global Equity (Passive)				85101	1216	83885	83885	83885	83885	83885	83885	83885				
Index Linked		178.5384	247437	44177	8082	36095	36095	36095	36095	36095	36095	36095				
Sub total: Index Linked				44177	8082	36095	36095	36095	36095	36095	36095	36095				

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits (Sheet 3)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Category of surplus **Ordinary Long Term**

Internal linked fund

Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Company registration number	GL/JUK/CM	Period ended			Units £000	UK/OS	Category of surplus	IL/DH
						day	month	year				
						31	12	2002				
1	2	3	4	992726	GL	6	7	8	UK	11	ILH	
						Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts				Value of surplus units or directly held assets (7-8+9)
								Gross		Reinsurance ceded		
Index Linked (Passive)		14.2415	5101189			38	72610	72610	72610			
Sub total: Index Linked (Passive)						38	72610	72610	72610			
Internal Long Dated Corporate Bond		12.6921	2956557				37525	37525	37525			
Sub total: Internal Long Dated Corporate Bond							37525	37525	37525			
Internal Medium Dated Corporate Bond		12.3663	491419				6077	6077	6077			
Sub total: Internal Medium Dated Corporate Bond							6077	6077	6077			
Internal Short Dated Corporate Bond		11.9304	2086355				24891	24891	24891			
Sub total: Internal Short Dated Corporate Bond							24891	24891	24891			
International		44.1958	7040375			306053	5102	5102	5102			
Sub total: International						306053	5102	5102	5102			
International Bond		30.2455	2001667			46208	14334	14334	14334			
Sub total: International Bond						46208	14334	14334	14334			
International (Passive)		6.4770	100064			648	648	648	648			
Sub total: International (Passive)						648	648	648	648			

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

(Sheet 4)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Category of surplus **Ordinary Long Term**

Internal linked fund

Name of fund link or directly held asset	1	Name of unit type	2	Valuation price per unit or asset	3	Total actual number of units in force or directly held assets	4	Company registration number	GL/UK/CM	Period ended			Units	UK/IOS	Category of surplus	IL/DH
										day	month	year				
										31	12	2002				
R55		992726	GL	31	12	2002	£000	UK	11	ILH						
		Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)									
		5	6	7	Gross	Reinsurance ceded	10									
Japan																
Sub total: Japan				4.2078		11074042	46597	992726	GL	31	12	2002	18038	UK	11	
Japan (Passive)							46597						18038			
Sub total: Japan (Passive)				5.9551		3761442	22400						7699			
Light Green							4084						507			
Sub total: Light Green				6.4040		637699	4084						507			
Long Dated Corporate Bond							196723						171501			
Sub total: Long Dated Corporate Bond				15.2554		12895332	196723						171501			
Long Term Gilt							257020						243427			
Sub total: Long Term Gilt				23.0412		11154834	257020						243427			
Long Term Growth							1516						1405			
Sub total: Long Term Growth				6.3506		238774	1516						1405			
Medium Term Balanced							1						1			
Sub total: Medium Term Balanced				8.7597		100	1						1			

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

(Sheet 5)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Category of surplus **Ordinary Long Term**

Internal linked fund

Name of fund link or directly held asset	1	Name of unit type	2	Valuation price per unit or asset	3	Total actual number of units in force or directly held assets	4	Company registration number	GL/JUK/CM	Period ended			Units	UK/OS	Category of surplus	IL/DH
										day	month	year				
										31	12	2002	£000	UK	11	ILH
North America				9.5317		9245498		992726	GL	60592	60592	27534	27534	27534		
Sub total: North America						88126				60592	60592	27534	27534	27534		
North America (Passive)				6.6857		3702564				10849	10849	13905	13905	13905		
Sub total: North America (Passive)						24754				10849	10849	13905	13905	13905		
UK Equity Passive				8.2745		23650357				76996	76996	118702	118702	118702		
Sub total: UK Equity Passive						195698				76996	76996	118702	118702	118702		
Pacific Basin (excluding Japan)				7.7553		11448478				49756	49756	39031	39031	39031		
Sub total: Pacific Basin (excluding Japan)						88787				49756	49756	39031	39031	39031		
Property				305.3008		1119586				44210	44210	297600	297600	297600		
Sub total: Property						341810				44210	44210	297600	297600	297600		
Pacific Markets (Passive)				8.6697		3552887				21501	21501	9302	9302	9302		
Sub total: Pacific Markets (Passive)						30803				21501	21501	9302	9302	9302		
Pre-Retirement				11.2130		14331				20	20	141	141	141		
Sub total: Pre-Retirement						161				20	20	141	141	141		

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

(Sheet 6)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Category of surplus **Ordinary Long Term**

Internal linked fund

Name of fund link or directly held asset	1	Name of unit type	2	Valuation price per unit or asset	3	Total actual number of units in force or directly held assets	4	Company registration number	GL/UK/CM	Period ended				Units	UK/OS	Category of surplus	IL/DH
										day month year							
										31	12	2002	£000				
						Value of total actual units in force or directly held assets	5		Value of actual units held by other internal linked funds	6	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	7	8	9	11	ILH	
													Value of units or directly held assets deemed allocated to contracts				
													Gross	Reinsurance ceded			
Smaller Companies																	
Sub total: Smaller Companies																	
Specialist UK Equity																	
Sub total: Specialist UK Equity																	
Specialist Global Equity																	
Sub total: Specialist Global Equity																	
MPP All Stocks Corporate Bond																	
Sub total: MPP All Stocks Corporate Bond																	
MPP Cash																	
Sub total: MPP Cash																	
MPP Discretionary																	
Sub total: MPP Discretionary																	
MPP Equity																	
Sub total: MPP Equity																	

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

(Sheet 7)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Category of surplus **Ordinary Long Term**

Internal linked fund

Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Company registration number	GL/JUK/CM			Period ended			Units	UK/IOS	Category of surplus	IL/DH			
					GL	JUK	CM	day	month	year					£000	UK	11
		3	4	5	6	7	8	9	10			11	ILH				
MPP Equity (Passive) Sub total: MPP Equity (Passive)		0.6412	9585500	992726	6146 6146	6146 6146	6146 6146	6146 6146	6146 6146	6146 6146	6146 6146	11					
MPP Fixed Interest Sub total: MPP Fixed Interest		2.8394	3266290		9275 9275	76 76	9199 9199	9199 9199	9199 9199	9199 9199	9199 9199						
MPP Global Equity Sub total: MPP Global Equity		1.9166	28581928		54781 54781	54781 54781	54781 54781	54781 54781	54781 54781	54781 54781	54781 54781						
MPP Global Equity (Passive) Sub total: MPP Global Equity (Passive)		0.6111	1993879		1218 1218	1218 1218	1218 1218	1218 1218	1218 1218	1218 1218	1218 1218						
MPP Index Linked Sub total: MPP Index Linked		2.4037	2240514		5385 5385	24 24	5361 5361	5361 5361	5361 5361	5361 5361	5361 5361						
MPP International Sub total: MPP International		1.3782	10429882		14374 14374	14374 14374	14374 14374	14374 14374	14374 14374	14374 14374	14374 14374						
MPP International Bond Sub total: MPP International Bond		2.0222	285828		578 578	51 51	527 527	527 527	527 527	527 527	527 527						

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

(Sheet 11)

Prudential Pensions Limited

Name of insurer

Global business

United Kingdom business

Financial year ended

31st December 2002

Category of surplus

Ordinary Long Term

Internal linked fund

Name of fund link or directly held asset	1	Name of unit type	2	Valuation price per unit or asset	3	Total actual number of units in force or directly held assets	4	Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Category of surplus	IL/DH	
										day	month	year					
										31	12	2002					£000
MPP series III Cash Fund								992726	GL								
Sub total: MPP series III Cash Fund			2	1.0915	3	1142612	4			Value of actual units held by other internal linked funds	6	7	8	9	10		
MPP series III Corporate Bond				1.1386		207802	5			Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)							
Sub total: MPP series III Corporate Bond																	
MPP series III Discretionary				0.8096		2728685				Value of total actual units in force or directly held assets							
Sub total: MPP series III Discretionary																	
MPP series III Equity				0.7497		11099				Value of units or directly held assets deemed allocated to contracts							
Sub total: MPP series III Equity										Gross							
MPP series III Fixed Interest				1.1226		83572				Reinsurance ceded							
Sub total: MPP series III Fixed Interest																	
MPP series III Global Equity				0.7512		230334											
Sub total: MPP series III Global Equity																	
MPP series III Global Equity (Passive)				0.7255		100											
Sub total: MPP series III Global Equity (Passive)																	

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

(Sheet 13)

Name of insurer **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Category of surplus **Ordinary Long Term**

Internal linked fund

Name of fund link or directly held asset	1	Name of unit type	2	3	Valuation price per unit or asset	Total actual number of units in force or directly held assets	4	Company registration number	R55	GL/UK/CM			Period ended			Units	UK/OS	Category of surplus	IL/DH		
										GL	31	12	2002	£000	UK					11	ILH
MPP series III Pre-Retirement																					
Sub total: MPP series III Pre-Retirement						17873	19					19			19						
MPP series III Property						177482	196					196			196						
Sub total: MPP series III Property							196					196			196						
MPP series III Retirement Protection						1033007	1154					1154			1154						
Sub total: MPP series III Retirement Protection							1154					1154			1154						
MPP series III UK Equity (Passive)						7000887	5133					5133			5133						
Sub total: MPP series III UK Equity (Passive)							5133					5133			5133						
MPP series III UK Smaller Companies						91948	63					63			63						
Sub total: MPP series III UK Smaller Companies							63					63			63						
MPP series III UK Specialist Equity						149033	116					116			116						
Sub total: MPP series III UK Specialist Equity							116					116			116						
Total: Ordinary Long Term							5303591				2046693	3256898			3256898						

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Pensions Limited

Valuation rate(s) of interest 0.00%

Global business

Type of business Pension Insurance Business

Financial year ended 31st December 2002

Non profit

Total long term business assets

Category of assets

Company registration number

992726

GL/UK/CM

Period ended day month year

31 12 2002

Units

£000

Stg/NonStg

Stg

Valuation rate of interest

0.00

L.&GA/Pens/PHI/Other

Pens

WP/NP

NP

Category of assets

10

Type of asset notionally allocated	The valuation				The resilience scenario			
	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated		Increase or decrease	Total under resilience scenario	Risk adjusted yield %	
			On original allocation	Stg				NonStg
1	2	3	4	5	6			
11 Land and buildings								
12 Fixed interest securities	28	4.48	24	(24)				
13 Approved securities								
14 Other								
15 Variable interest and Variable yield securities (excluding items shown at line 16)								
16 Other								
17 Equity shares and holdings in collective investment schemes								
18 Loans secured by mortgages								
19 All other assets	1567	3.60	1567	(572)	995	5.60		
29 Total (11 to 19)	1595	3.62	1591	(596)	995	5.60		
31 Gross valuation interest rate %		0.00				0.00		
32 Net valuation interest rate % (where appropriate)								
33 Mathematical reserve or other liability, net of reinsurance	1595				995			

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Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Pensions Limited

Valuation rate(s) of interest 4.25%

Global business

Pension Insurance Business

Financial year ended 31st December 2002

Non profit

Category of assets Total long term business assets

Company registration number	R57	992726	GL/JK/CM	Period ended		Units	Stg/NonStg	Valuation rate of interest	L&GAI/Pens/PHI/Other	WP/NP	Category of assets	
				day	month							year
			GL	31	12	2002	£000	Stg	4.25	Pens	NP	10
The valuation												
Type of asset notionally allocated	Value of asset notionally allocated		Risk adjusted yield %		Value of assets notionally allocated			Risk adjusted yield %				
	1	2	3	4	5	6	7	8	9			
Land and buildings	11											
Fixed interest securities	12	2110	1811	24	1835	6.48						
	13											
Variable interest and Variable yield securities (excluding items shown at line 16)	14											
	15											
Equity shares and holdings in collective investment schemes	16											
Loans secured by mortgages	17											
All other assets	18			572	572	5.60						
	19											
Total (11 to 19)	29	2110	1811	596	2407	6.27						
Gross valuation interest rate %	31					4.25						
Net valuation interest rate % (where appropriate)	32											
Mathematical reserve or other liability, net of reinsurance	33	2110			2407							

Long term insurance business : Matching rectangle

Sterling/Non sterling liabilities

Name of insurer **Prudential Pensions Limited**

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

Global business

Type of business

Financial year ended **31st December 2002**

With profits/Non profit

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

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

Long term insurance business : Valuation result and distribution of surplus

Name of insurer **Prudential Pensions Limited**

Global business

Financial year ended **31st December 2002**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

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

		R58	992726	GL	31	12	2002	£000	11
Valuation result	Fund carried forward					11			3264762
	Bonus payments made to policyholders in anticipation of a surplus					12			
	Transfers out of fund/ parts of fund	Transfer to non-technical account				13			2335
		Transfer to other funds/parts of funds				14			
	Net transfer out of funds/parts of funds (13+14)					15			2335
	Total (11+12+15)					16			3267097
	Mathematical reserves for accumulating with profit policies					17			
	Mathematical reserves for other non linked contracts					18			
	Mathematical reserves for property linked contracts					19			3260602
	Mathematical reserves for index linked contracts					20			
	Total (17 to 20)					21			3260602
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)					29			6495
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation					31			4160
	Transfers into fund/part of fund	Transfer from non-technical account				32			
		Transfer from other funds/parts of fund				33			
	Net transfer into fund/part of fund (32+33)					34			
	Surplus arising since the last valuation					35			2335
Total (31+34+35)					39			6495	
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus					41			
	Allocated to policyholders by way of	Cash bonuses				42			
		Reversionary bonuses				43			
		Other bonuses				44			
		Premium reductions				45			
	Total allocated to policyholders (41 to 45)					46			
	Net transfer out of fund/part of fund					47			2335
	Total distributed surplus (46+47)					48			2335
Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated					49			4160	
Total (48+49)					59			6495	
Percentage of distributed surplus allocated to policyholders of fund/part of fund						61			
Corresponding percentage at three immediately previous valuations	Latest (year of valuation 2001)				62				
	Earlier (year of valuation 2000)				63				
	Earliest (year of valuation 1999)				64				

