

Valuation Report as at 31 December 1999 (cont.)

- (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 £1,610,000 is held in respect of :-

	£
Resilience (Regulation 75(b))	470,000
Cashflow Mismatching (Regulation 75(a))	290,000
Other contingencies	<u>850,000</u>
Total	1,610,000

- (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 2010.
 - (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 tested were:
 - (a) 20% reduction in fixed interest yields, 25% reduction in the real yields on index-linked gilts, and a 10% fall in equity and property values
 - (b) 3 percentage points increase in fixed interest yields, 25% increase in the real yields on index-linked gilts, 25% fall in equity values, and a 20% fall in property values
 - (c) 10% decrease in fixed interest yields, 10% increase in the real yields on index-linked gilts, 25% fall in equity values, and a 20% fall in property values

Scenario (b) proved to be the most onerous.
- (7) An amount of £290,000 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.

Valuation Report as at 31 December 1999 (cont.)

- (8) An additional reserve of £470,000 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 £72,000 increase in the aggregate amount of the long term liabilities.
 - (ii) The assets allocated to match such liabilities have reduced in value by £398,000.
- (9) Not applicable.
8. (a) Not applicable.
- (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 SAS business, and Pru-Link Retirement Plan (PLRP) policies, the following parameters were used:

Valuation interest	4.50%
Fund growth rate	4.50% (before reduction for fund charge)
Renewal expenses:	<ul style="list-style-type: none"> GILP £2,220,000 p.a. plus £660 p.a. per scheme (of which £1,120,000 p.a. is covered by charges for additional administration services) PIA £85,000 p.a. plus £220 p.a. per scheme PLRP - per policy for premium-paying policies £34.50 p.a. <li style="padding-left: 20px;">- per policy for other policies £23.00 p.a. <li style="padding-left: 20px;">- per claim £39.00 Reassured business £330,000 p.a.
Expense inflation	3.25%
Fund charge	<p>The actual charged rate less 0.1% for actively managed funds (0.035% for passively managed funds) in respect of PPM investment management fees charged to PPL.</p> <p>The charged rate is initially 0.75% p.a. for PIA and Prulink, 0.25% for reassured business, and varies by fund for GILP (in the range 0.0% to 0.35%)</p>

Valuation Report as at 31 December 1999 (cont.)

Other income:	GILP:	A charge of £500 p.a. per scheme.
	PLA:	Fund management charge increases from 0.75% p.a. to 1.0% p.a. after 12 months.
	Pru-Link:	4% initial charge on each premium
Mortality	AM92 Ult	rated down 2 years (males) rated down 7 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 £7,203,000.
- (3) and (4) New business costs are covered by expected future profits.
- 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 1999 :
- (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.
- (e) Premiums of £7,397 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.
- (e) No premiums have been paid by the Company under the treaty during the period since the last investigation (the treaty transferred from Scottish Amicable Pensions Investments Limited to PPL at 31/12/99).
- (f) Not applicable.

Valuation Report as at 31 December 1999 (cont.)

- (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.

(3) Not applicable.

13-16 Not applicable.

17. See Form 46.

Group contracts not included in Form 46 are:

Group Investment Linked Policies (GILP) - 399 schemes at 31 December 1999.
Pensions Investment Account (PIA) - 131 schemes at 31 December 1999.

Reassurance accepted from Prudential Assurance Company - an estimated 55,000 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 1999.

20. See Forms 51 and 53.

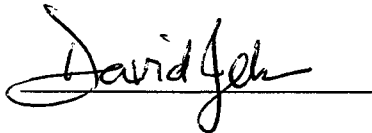
21. (1) See Form 57.

(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.

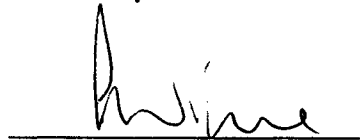
23. See Form 60.



D Jebson. Appointed Actuary



F Schinella. Director



S Windridge. Secretary

Long term business : Summary of changes in ordinary long term business

Name of company **Prudential Pensions Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 1999**

		Company registration number		GL/UK/CM			Period ended			Units	UK/OS	NL/LN	
		R46	992726	GL	day month year			£000	UK				NL
					31	12	1999						
		Life assurance and general annuity		Pensions business		Permanent health		Other business					
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums				
		1	2	3	4	5	6	7	8				
In force at beginning of year	11			5621									
New business and increases	12			1									
Net transfers and other alterations 'on'	13			5									
Total 'on' (12+13)	19			6									
Deaths	21			173									
Other insured events	22												
Maturities	23												
Surrenders	24												
Forfeitures	25												
Conversions to paid-up policies for reduced benefits	26												
Net transfers, expiries and other alterations 'off'	27												
Total 'off' (21 to 27)	29			173									
In force at end of year (11+19-29)	39			5454									

Long term business : Summary of changes in ordinary long term business

Name of company **Prudential Pensions Limited**

Global business

United Kingdom business

Linked

Financial year ended **31st December 1999**

	Company registration number	GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
			day	month	year				
	R46	992726	GL	31	12	1999	£000	UK	LN
	Life assurance and general annuity		Pensions business		Permanent health		Other business		
	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	
	1	2	3	4	5	6	7	8	
In force at beginning of year	11		7017	1819					
New business and increases	12			32					
Net transfers and other alterations 'on'	13								
Total 'on' (12+13)	19			32					
Deaths	21		14	4					
Other insured events	22								
Maturities	23		288	93					
Surrenders	24								
Forfeitures	25								
Conversions to paid-up policies for reduced benefits	26			125					
Net transfers, expiries and other alterations 'off'	27								
Total 'off' (21 to 27)	29		302	222					
In force at end of year (11+19-29)	39		6715	1629					

Returns under Insurance Companies Legislation
 Long term business : Analysis of new ordinary long term business

Name of company Prudential Pensions Limited

Global business

Financial year ended 31st December 1999

Company registration number	GL/JUK/CM			Period ended			Units
	992726	GL	31	12	1999	£000	

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
UK DIRECT WRITTEN BUSINESS Pension Business Other Linked Contracts	31	702020			32	
Group pension : GILP SAS business Deferred Annuity : Pru-Link Retirement Plan (top-ups)						
Sub total: Other Linked Contracts	31	702020			32	
Total: Pension Business	31	702020			32	
Total: UK Direct Written Business	31	702020			32	

Returns under Insurance Companies Legislation
 Long term business : Analysis of new ordinary long term business

Name of company Prudential Pensions Limited

Global business

Financial year ended 31st December 1999

Type of insurance	Single premium contracts				Regular premium contracts							
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit	Units					
	2	3	4	5	6	7	day	month	year			
1							GL	31	12	1999	£000	
UK REINSURANCE ACCEPTED Pension Business Other Linked Contracts												
Group pension : Reinsurance from PACL		60194										
Sub total: Other Linked Contracts		60194										
Total: Pension Business		60194										
Total: UK Reinsurance Accepted		60194										

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

Name of company Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended 31st December 1999

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/UK/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				
			Total actual number of units in force or directly held assets	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	Reinsurance ceded	Value of surplus units or directly held assets (7-8+9)							
Europe (passive)		11.9629	2140765	25610	25610											
Sub total: Europe (passive)				25610	25610											
Fixed Interest		214.0411	1007462	215637	183239	32398	32398									
Sub total: Fixed Interest				215637	183239	32398	32398									
GEI		2.5200	76602	193		193	193									
Sub total: GEI				193		193	193									
Global Equity		30.6348	2947928	90308	48340	41968	41968									
Sub total: Global Equity				90308	48340	41968	41968									
Global equity (passive)		11.4446	8092700	92617		92617	92617									
Sub total: Global equity (passive)				92617		92617	92617									
Index Linked		162.1216	119079	19305	2520	16785	16785									
Sub total: Index Linked				19305	2520	16785	16785									
Index linked (passive)		12.8997	3254946	41988		41988	41988									
Sub total: Index linked (passive)				41988		41988	41988									

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

Name of company Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended 31st December 1999

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	UKIOS	Category of surplus	IL/DH					
									Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	GL	31	12					1999	£000	8	9	11
International																							
Sub total: International						9990092	698043		687810	687810	10233	10233	10233	10233	10233	10233							
International (passive)						100000	1044		1044	1044													
Sub total: International (passive)							1044		1044	1044													
International A																							
Sub total: International A																							
International Bond						5993972	150048		147245	147245	2803	2803	2803	2803	2803								
Sub total: International Bond							150048		147245	147245	2803	2803	2803	2803	2803								
Japan						23611816	246882		135492	135492	111390	111390	111390	111390	111390								
Sub total: Japan							246882		135492	135492	111390	111390	111390	111390	111390								
Japan (passive)						2167856	28578		28578	28578													
Sub total: Japan (passive)							28578		28578	28578													
Light green						300000	3000		3000	3000													
Sub total: Light green							3000		3000	3000													

Returns under Insurance Companies Legislation
Long term business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

Name of company **Prudential Pensions Limited**

Global business

United Kingdom business

Financial year ended **31st December 1999**

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	Value of total actual units in force or directly held assets	5	GL/UK/CM			Units	UK/OS	Category of surplus	IL/DH				
										GL	31	12					£000	UK	11	ILH
										Value of actual units held by other internal linked funds	day	month								
Long term gilt																				
Sub total: Long term gilt																				
North America																				
Sub total: North America																				
North America (passive)																				
Sub total: North America (passive)																				
Pacific basin																				
Sub total: Pacific basin																				
Pacific markets (passive)																				
Sub total: Pacific markets (passive)																				
Property																				
Sub total: Property																				
MPP cash																				
Sub total: MPP cash																				

Long term 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 company Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended 31st December 1999

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	GLUK/ICM	Period ended			Units	UK/OS	Category of surplus	ILDH	
										day	month	year					
										31	12	1999					£000
MPP discretionary																	
Sub total: MPP discretionary				2.7988		106638451		992726	GL	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)
MPP equity				3.3560		8651865				298456	80992	217464	217464				
Sub total: MPP equity				2.3104		29036				29036	103	28933	28933				
MPP fixed interest				3.0084		2241916				29036	103	28933	28933				
Sub total: MPP fixed interest				2.2157		5180				5180	23	5157	5157				
MPP global equity				2.3451		16112074				48472	48472	48472	48472				
Sub total: MPP global equity				1.6932		48472				48472	23	48472	48472				
MPP index linked						1137298				2520	8	2512	2512				
Sub total: MPP index linked						6521746				2520	8	2512	2512				
MPP international						341352				578	9	569	569				
Sub total: MPP international						578				578	9	569	569				
MPP international bond						569				569	9	569	569				
Sub total: MPP international bond						569				569	9	569	569				

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

Name of company Prudential Pensions Limited

Global business

United Kingdom business

Financial year ended 31st December 1999

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/UK/CM	Period ended			Units £000	UK/OS	Category of surplus	IL/DH
						day	month	year				
1	2	3	4	992726	GL	31	12	1999	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			
MPP series II UK equity (passive) Sub total: MPP series II UK equity (passive)		1.0461	100									
MPP series II fixed interest Sub total: MPP series II fixed interest		1.0696	21484				23	23		23		
MPP series II global equity Sub total: MPP series II global equity		1.0420	100									
MPP series II index linked Sub total: MPP series II index linked		1.1723	6423				8	8		8		
MPP series II index linked (passive) Sub total: MPP series II index linked (passive)		1.0269	100									
MPP series II international bond Sub total: MPP series II international bond		1.0611	8047				9	9		9		
MPP series II international equity Sub total: MPP series II international equity		1.0749	100									

Long term business : Matching rectangle

Sterling liabilities

Name of company Prudential Pensions Limited

Valuation rate(s) of interest 4.50%

Global business

Type of business Pension Business

Financial year ended 31st December 1999

Non profit

Category of assets Total long term business assets

Company registration number	R57	992726	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						
		31	12	1999	£000	Stg	4.50%	Pens	NP	10		
The valuation												
Type of asset notionally allocated		Value of asset notionally allocated	1	Risk adjusted yield %	2	Value of assets notionally allocated	On original allocation	Increase or decrease	Total under resilience scenario	Risk adjusted yield %		
Land and buildings		11										
Fixed interest securities		12	1190	4.97		905	357	1262		7.97		
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										
Producing income		18										
Not producing income		19										
Total (11 to 19)		29	1190	4.97		905	357	1262		7.97		
Gross valuation interest rate %		31		4.50						6.56		
Net valuation interest rate % (where appropriate)		32										
Mathematical reserve or other liability, net of reinsurance		33	1190					1262				

Long term business : Valuation result and distribution of surplus

Name of company **Prudential Pensions Limited**

Global business

Financial year ended **31st December 1999**Company
registration
number

GL/UK/CM

Period ended

Units

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

R58	992726	GL	31	12	1999	£000	11
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			Period ended			Units	Category of surplus
			day	month	year		
Valuation result	Fund carried forward		11			4252836	
	Bonus payments made to policyholders in anticipation of a surplus		12				
	Transfers out of fund/ parts of fund	Transfer to non-technical account	13			5762	
		Transfer to other funds/parts of funds	14				
	Net transfer out of funds/parts of funds (13+14)		15			5762	
	Total (11+12+15)		16			4258598	
	Mathematical reserves for accumulating with profit policies		17				
	Mathematical reserves for other non linked contracts		18				
	Mathematical reserves for property linked contracts		19			4248676	
	Mathematical reserves for index linked contracts		20				
	Total (17 to 20)		21			4248676	
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)		29			9922		
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			5762	
Total (31+34+35)		39			9922		
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			5762	
	Total distributed surplus (46+47)		48			5762	
Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		49			4160		
Total (48+49)		59			9922		
Percentage of distributed surplus allocated to policyholders of fund/part of fund			61				
Corresponding percentage at three immediately previous valuations	Latest	(year of valuation 1998)	62				
	Earlier	(year of valuation 1997)	63				
	Earliest	(year of valuation 1996)	64				

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 1999

Notes to the Return

Form 9

0903 Orders under Section 68, Insurance Companies Act 1982 (as amended)

(660) The Secretary of State for Trade and Industry has issued to the Company Orders under section 68 of the Insurance Companies Act 1982 directing that Section 31 of that Act shall not apply to the Company in respect of transactions entered into with The Prudential Assurance Company Limited and Prudential Annuities Limited pursuant to various life reinsurance agreements.

See note 1318 for a further Section 68 order concerning admissibility of assets.

Form 10

1001 Reconciliation to shareholder accounts

	1999	1998
	£'000s	£'000s
<i>Net assets per the Annual Return</i>		
line 99 Form 13 (Other than Long Term Business)	16,421	11,175
line 59 Form 15	<u>(2,511)</u>	<u>(2,160)</u>
	13,910	9,015
<i>Per shareholder accounts</i>		
Capital + reserves	<u>19,480</u>	<u>14,708</u>
Difference	<u>(5,570)</u>	<u>(5,693)</u>
<u>Analysed as follows:</u>		
Brought forward additional reserves	5,693	1,370
Balance on long term technical account per shareholder accounts	5,639	4,160
Transfer to/(from) long term funds per form 16	(5,762)	163
Carried forward additional reserves held in long term funds	<u>5,570</u>	<u>5,693</u>

Notes to the Return (continued)

Form 13

1304 Statement on Set Off

1310

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

1305 Maximum Counterparty Limits

1311

The Company's investment guidelines set maximum counterparty limits in order to maintain the admissibility of assets in accordance with Schedule 12 of the Insurance Companies Regulations 1994.

The company receives premiums from a number of sources. One source is reassured premium from Prudential Assurance Company Ltd. Daily transfers take place from Prudential Assurance Company Ltd to Prudential Pensions Ltd. These premiums are, on a daily basis, of such a level that they do not threaten solvency. On one occasion during the year an administrative error occurred whereby an instruction was made to transfer £17,000,000 into the Prudential Pensions Ltd bank account, rather than the correct amount of £77,000. This was not recognised until later that day, by which time it was too late to place the money with separate external counterparties. This was corrected the following day. At all other times during the year and at the year end, the Company maintained the required minimum margin of solvency.

This breach is further referred to in the Director's Certificate pursuant to Regulation 28(a).

1306 Counterparty exposures at year end

1312

The other than long term business fund had counterparty exposures at year end greater than five percent of the long term business amount that were valued at £8,000,000 and held with the following approved counterparties:

Bank of America (London)	£1,500,000
Barclays Bank	£1,000,000
BCI London	£1,500,000
Mellon Bank	£1,000,000
Morgan Guaranty	£1,000,000
National Westminster Bank	£1,000,000
Svenska	£1,000,000

Notes to the Return (continued)

The long term business fund had counterparty exposures at year end greater than five percent of the long term business amount that were valued at £28,500,000 and held with the following approved counterparties:

Banca Di Roma	£1,500,000
Deutsche Bank	£1,500,000
Halifax Plc.	£1,500,000
Woolwich Building Society	£1,500,000
Alliance & Leicester	£1,500,000
Royal Bank of Canada	£1,500,000
Den Danske Bank	£1,500,000
Ing Bank	£1,500,000
Republic National New York	£1,500,000
Banque Brux. Lambert	£1,500,000
ANZ	£1,500,000
Dresdner London	£1,500,000
York Building Society	£1,500,000
ABN Amro London	£1,500,000
Anglo Irish Bank	£1,500,000
Bank of Montreal	£1,500,000
CIBC London	£1,500,000
National Australia Bank	£1,500,000
State Street Bank	£1,500,000

1318 Orders under Section 68, Insurance Companies Act 1982 (as amended)

(715) The Treasury issued to the Company in September 1999 an Order under section 68 of the Insurance Companies Act 1982. The effect of the Order was to modify the provisions of regulation 57 of, and schedule 12 to, The Insurance Companies Regulations 1994 so that (a) in respect of debts due from an approved credit institution which is a connected company of HSBC Holdings plc there was substituted a counterparty exposure limit and asset exposure limit of £25 million and (b) in respect of debts due from other approved credit institutions there was substituted a counterparty exposure limit and asset exposure limit of £10 million.

1319 Readily realisable assets

The Financial Services Authority issued to the Company Orders under section 78 of the Insurance Companies Act 1982 modifying schedule 10 of the Insurance Companies Regulations 1994, regarding descriptions of property by reference to which benefits may be determined, to include securities listed on the Malaysian Stock Exchange which were listed and readily realisable when first purchased.

Notes to the Return (continued)

The alteration ceased to have effect on 1 September 1999. The restrictions imposed on Malaysian Stocks were lifted on 1 September 1999 and the stocks were once again readily realisable.

1320 Other debtors and cash at bank

	Other debtors £000's	Cash at bank £000's
<i>Per the Annual Returns</i>		
Form 13 line 78 Other than long term	265	2,377
Form 13 line 78 Long term	98	393
Form 13 Line 92 Other than long term Inadmissible assets	<u>362</u> 725	<u>2,770</u>
<i>Per shareholder accounts</i>	<u>1,112</u>	<u>2,383</u>
Difference	<u>(387)</u>	<u>387</u>

This difference relates to an amount owed by the long term fund to shareholders and has been treated as settled as per Prudential Guidance Note 1995/1 paragraph 4.27.

Form 14

1401 Provision for adverse changes

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

1402 Uncertain and Potential Liabilities

- a) There were no charges attributable to the long-term business assets.
- b) If the properties on which capital allowances have been claimed were disposed of, tax on balancing charges up to a maximum of £54,013 (1998 £54,013) would be payable. No provision has been made for these items.
- 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.

Notes to the Return (continued)

- e) The Company has set up a provision of £6,300,000 to cover the cost of performing a review into certain of its processes and the cost of implementing the review's findings. During the year £1,600,000 was spent on this review and hence released from the provision. Any costs that arise in excess of this provision will be indemnified by Prudential plc, the Company's ultimate parent company, in accordance with a guarantee provided to the Company on 25 February 1998.

Form 15

1501 Provision for adverse changes

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

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

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

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.

Notes to the Return (continued)

Form 17

1700 Derivative Contracts

As all figures, including comparatives, are zero for the long-term and other than long term fund form 17, this form has been omitted. All derivative contracts are held in the internally linked funds and not within the other assets of the long-term fund or the other than long-term fund.

Form 40

4003 Investment income and capital gains

Included in the Line 26 figure (Transfer to non technical account) are the following investment incomes and capital gains:

	£'000s
Cash on deposit interest received	1,983
Bank overdraft interest paid	(908)
UK government gilt interest received	123
Unrealised capital loss on UK government gilt	(138)
	<u>1,060</u>

4008 Provision of Management Charges

The Company was provided throughout the year with day to day management services by The Prudential Assurance Company Limited (the immediate holding company), and Prudential Financial Services Limited, Prudential Portfolio Managers Limited, Prutech Limited and Prudential Services Limited, all group companies. The Company was further provided throughout the year with day to day management services by Mellon Fund Administration, an unconnected company.

Form 43

4301 Valuation of Linked Assets

These assets are included at market value or, in the case of properties, on the basis of an annual external professional valuation by Chartered Surveyors; CB Hillier Parker Limited, Bidwells, Healy & Barker, and Weatherall. Securities are valued at a market offer price except where a linked fund is priced on a full bid basis in which case the securities are valued on a bid basis. In accordance with the policy document, an appropriate adjustment is made to the linked asset prices to account for buying or selling expenses.

Notes to the Return (continued)

4302 Derivative Contracts

The value of rights under derivative contracts held by each internal linked fund were as follows. The figures are gross of variation margin and net of variation margin:

	Gross Assets £'000	Gross Liabilities £'000	Net Assets £'000	Net Liabilities £'000
Europe		2	-	-
Equity	4,956	-	756	-
UK Equity passive	209	-	55	-
International	13,712	13,701	13,712	13,700
International bond	40,211	35,525	40,211	35,525
Japan	36,841	-	36,841	-
Pacific Basin	30,981	31,053	30,981	31,053
Pacific Markets passive	8,357	-	8,357	-

4304 Variation in directly held assets and other liabilities

As described in note 5501, the total assets held to cover linked liabilities include credit balances, hence the difference between linked assets and linked liabilities. However, some of the linked liability balances (such as the net overdraft position), when split by fund, include debt balances. This is the reason why the asset and liability figures in form 43 differ from those in other forms, as detailed below:

The value of directly held assets

	Assets		Liabilities	
	4,304,522	(Form 13 Line 59)	58,356	(Included in Form 14 Line 38) *
Bank balances	39,733		39,733	
Cash balances	2,035		2,035	
Tax	632		632	
Interest	39		39	
Sundry	35		35	
Form 43 Total	<u>4,346,996</u>		<u>100,830</u>	

* (Note the total liabilities on Form 14 Line 38 include £2,096,000 non linked liabilities)

Notes to the Return (continued)

Form 44

4402 Other expenditure	1999
	£'000s
Estate expenses	2,866
Brokers fees	325
VAT on property	2,066
Total	<u>5,257</u>

Form 48

4801 Accrued income

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

Form 51

5101 Mortality Bases

The mortality bases corresponding to the codes are :

code (a)	81% RMV92 (u=2000), 81% RFV92 (u=2000)
code (b)	93% PMA92 (u=2000), 93% PFA92 (u=2000)
code (c)	IM80 rated down 5 years (C=2010), IF80 rated down 4 years (C=2010)

5102 Provision for annuity payment expenses

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

code (a)	4.0% increase in value of annuity
code (b)	1.75% increase in value of annuity
code (c)	£31.50 pa per annuitant plus 3.0% p.a. inflation

Notes to the Return (continued)

Form 53

5301 Interest and Mortality Bases

See answer to Schedule 4 question 9(a).

Form 55

5501 Unit linked liabilities

Included in the total assets held to cover linked liabilities (£4,246,166,000) are liabilities netted off against assets to the value of £58,356,000. This is the reason for the excess assets shown in forms 13 and 14 as follows:

	£000's
Property linked assets (per form 13 line 59)	4,304,522
Less unit linked creditors:	
Bank overdraft	(29,999)
Brokers	(21,174)
Income in advance	(5,230)
Sundry creditors	(1,953)
	(58,356)
Property linked liabilities (per Form 14 Line 62) plus Directly held assets (per Form 55 column 8)	4,246,166

Form 57

5701 Rationale

The resilience reserve is contained within the 0% rectangle.

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 1999

Statement in accordance with Regulation 23 of The Insurance Companies (Accounts and Statements) Regulations 1996

a. Investment Guidelines

During 1999, 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 Part I of Schedule 10 to the Insurance Companies Regulations 1994. The use of derivatives was not permitted in the non-linked funds.

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

b. Derivatives where exercise is unlikely

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

c. Quantification of derivatives in (b) above

No such contracts were used by the company.

d. Effect on Form 13 at 31 December 1999 of exercising derivatives where it would be prudent to assume options would be exercised

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

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

e. Effect on Form 13 of exercising all derivatives at year end

The only change would be to line 59 of Form 13 which would not reduce by a significant amount and would be directly offset by a reduction in the long-term liabilities shown on Form 14.

The assets of the company would not be impacted.

f. **Effect on Form 13 of exercising all derivatives at any time during year**

The assets of the company would not be impacted. Movement in linked assets would be offset by a corresponding change in the linked liability.

The assets of the company would not be impacted.

g. **Maximum loss**

The assets of the company would not be impacted. At the year end, linked assets would be reduced by a maximum of:

existing market conditions £5,169,000

foreseeable market conditions £6,512,000

This was also the highest exposure throughout the year.

PRUDENTIAL PENSIONS LIMITED

Returns for the year ended 31 December 1999

Statement in accordance with Regulation 24 of The Insurance Companies (Accounts and Statements) Regulations 1996

Additional information on shareholder controllers

We confirm that the following is a list of:

- (a) Persons who, to the knowledge of Prudential Pensions Limited (“the Company”), have been, at any time during the year ended 31 December 1999, a shareholder controller of the Company; and
- (b) In the case of each person who was a shareholder controller of the Company at 31 December 1999:
- (i) the percentage of shares he held at that time in the Company, or in another company of which the Company was a subsidiary undertaking; and
- (ii) the percentage of the voting power which he was entitled at that time to exercise, or control the exercise of, at any general meeting of the Company, or another company of which it was a subsidiary undertaking;

in each case, either alone or with any associate or associates.

Persons who, to the knowledge of the Company, have been, at any time during the year ended 31 December 1999, a shareholder controller of the Company.	In the case of each person who was a shareholder controller of the Company at 31 December 1999:	
	The percentage of shares he held at that time in the Company, or in another company of which the Company was a subsidiary undertaking, either alone or (<i>shown separately</i>) with any associate or associates	The percentage of the voting power which he was entitled at that time to exercise, or control the exercise of, at any general meeting of the Company, or another company of which it was a subsidiary undertaking, either alone or (<i>shown separately</i>) with any associate or associates
The Prudential Assurance Company Limited, being its immediate holding company	100%	100%
Prudential plc, being its ultimate holding company	100%	100%

PRUDENTIAL PENSIONS LIMITED

Financial year ended 31 December 1999

Directors' Certificate pursuant to Regulation 28(a) of the Insurance Companies (Accounts and Statements) Regulations 1996

We certify that:

1. (a) in relation to the part of this return comprising Forms 9, 10, 13 to 17 and 40 to 45 (including the supplementary notes thereto) and the statements required by Regulations 23 and 24 of the Insurance Companies (Accounts and Statements) Regulations 1996 ("the Regulations"):
 - (i) the return has been prepared in accordance with the Regulations as modified by the Orders issued under Section 68 of the Insurance Companies Act 1982 on 5 December 1997 and 2 September 1999;
 - (ii) proper accounting records have been maintained and adequate information has been obtained by the Company; and
 - (iii) an appropriate system of control has been established and maintained by the Company over its transactions and records;
- (b) in respect of the Company's business which is not excluded by regulation 32 of the Insurance Companies Regulations 1994, the assets held throughout the financial year enabled the Company to comply with regulations 27 to 31 (matching and localisation) of those regulations; and
- (c) in relation to the statement required by regulation 31 that:
 - (i) for the purpose of preparing the statement, proper accounts and records have been maintained; and
 - (ii) the information given has been ascertained in conformity with that regulation.

Certificate required by Regulation 28(a) (continued)

2. except as stated in the note below the margin of solvency required by section 32 of the Insurance Companies Act 1982 has been maintained throughout the financial year.

Note:

The margin of solvency required by section 32 of the Insurance Companies Act 1982 was breached on one instance during the year on 23 March 1999. This arose because of a large erroneous transfer from another group company that was not recognised until too late to place the money with separate external counterparties. The breach was cleared within 1 working day.

This breach is further referred to in the notes to the return, note 1311.

3.
 - (a) the requirements of sections 28 to 31 of the Insurance Companies Act 1982 have been fully complied with and in particular that, subject to the provisions of section 29(2) to (4) and section 30 of that Act, assets attributable to long term business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term business fund have not been applied otherwise than for the purpose of the long term business;
 - (b) any amount payable from or receivable by the long term business fund in respect of services rendered by or to any other business carried on by the Company or by a person who, for the purposes of section 31 of the Insurance Companies Act 1982, is connected with it or is a subordinate company of it, has been determined and where appropriate apportioned on terms which are believed to be no less than fair to those funds, and any exchange of assets representing such funds for other assets of the Company has been made at fair market value;
 - (c) no guarantees have been given by the Company of the performance by a related company of a contract binding on the related company which would fall to be met by any long term business fund;
 - (d) in respect of each internal linked fund, the investment policy and practice of the Company in respect of the internal linked funds maintained during the financial year was consistent with representations made to policyholders or potential policyholders of the Company;
 - (e) the return in respect of long term business is not distorted by agreements with any other company carrying on insurance business with which the Company has financial, commercial or administrative links or by any arrangements which could affect the apportionment of expenses and income; and
 - (f) the Company has fully complied with the requirement of section 31A of the Insurance Companies Act 1982.

Certificate required by Regulation 28(a) (continued)

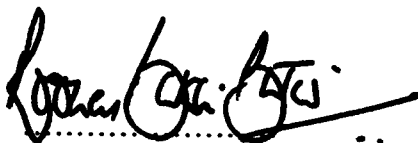
- (f) the Company has fully complied with the requirement of section 31A of the Insurance Companies Act 1982.
- 4. (a) the systems of control established and maintained by the Company in respect of its business complied at the end of the financial year with the following published guidance:
 - (i) Prudential Guidance Note 1994/6 - Systems of control over the investments (and counterparty exposure) of insurance companies with particular reference to the use of derivatives; and
 - (ii) Money Laundering - Guidance Notes for the Financial Sector (revised and consolidated June 1997 and updated by subsequent bulletins in 1998 and 1999)

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

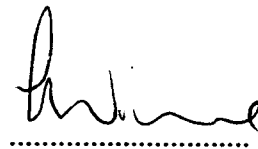
- (b) the return has been prepared in accordance with the following published guidance:
 - (i) Prudential Guidance Note 1995/1 - Guidance for insurance companies and auditors on the Valuation of Assets Regulations;
 - (ii) Prudential Guidance Note 1995/3 - The use of derivatives in insurance funds; and
 - (iii) Prudential Guidance Note 1998/1 - The preparation of annual returns to the Insurance Directorate of HM Treasury.



F Schinella
Director



Rodney Baker-Bates
Director



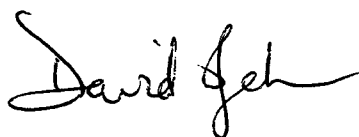
S Windridge
Secretary

27 June 2000

Returns under Insurance Companies Legislation
Schedule 6 - Certificates
Part II
Prudential Pensions Limited
Financial year ended 31 December 1999
Appointed Actuary's Certificate

I certify that -

- (a) (i) in my opinion proper records have been kept by the Company adequate for the purpose of the valuation of the liabilities of its long term business;
- (ii) the mathematical reserves shown in Form 14 constitute proper provision at 31 December 1999 for the liabilities (other than liabilities which had fallen due at 31 December 1999) arising under or in connection with contracts for long term business including any increase in those liabilities arising from distribution of surplus as a result of an investigation as at 31 December 1999 into the financial condition of the long term business;
- (iii) for the purpose of paragraph (ii) above, the liabilities have been assessed in accordance with Part IX of the Insurance Companies Regulations 1994 (as amended) in the context of assets valued in accordance with Part VIII of those Regulations, as shown in Form 13;
- (iv) the valuation complies with the guidance notes "(GN1): Actuaries and Long-Term Insurance Business" dated 1 December 1998 and "(GN8): Additional Guidance for Appointed Actuaries" dated 1 September 1996, issued by the Faculty and Institute of Actuaries;
- (v) in my opinion, premiums for contracts entered into during the financial year and the income earned thereon are sufficient, on reasonable actuarial assumptions, and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its commitments in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (b) the amount of required minimum margin applicable to the Company's long term business immediately following 31 December 1999 (including the amount resulting from any increase in liabilities arising from a distribution of surplus as a result of the investigation into the financial condition of the long term business) is £3,185,000.



D Jebson Appointed Actuary

27 June 2000

PRUDENTIAL PENSIONS LIMITED

Financial Year ended 31 December 1999

Report of the auditors to the directors pursuant to Regulation 29 of the Insurance Companies (Accounts and Statements) Regulations 1996

We have examined the documents prepared by the Company pursuant to section 17 of the Insurance Companies Act 1982 ("the Act") and the Insurance Companies (Accounts and Statements) Regulations 1996 ("the Regulations");

- Forms 9, 10, 13 to 17 and 40 to 45 (including the supplementary notes thereto) ("the Forms");
- the statement required by regulation 23 on pages 71 to 72 ("the statement"); and
- the certificate signed in accordance with regulation 28(a) on pages 74 to 76 ("the certificate").

In the case of the certificate, our examination did not extend to:

- (a) paragraph 1 in relation to the statements required by regulations 24 and 31;
- (b) sub-paragraph (d) of Paragraph 4 to Schedule 6, concerning the investment policy and practice of internal linked funds; and
- (c) paragraph 5 to Schedule 6 in so far as it relates to controls with respect to Money Laundering.

Respective responsibilities of the Company and its auditors

The Company is responsible for the preparation of an annual return (including the Forms, statements and the certificate) under the provisions of the Act and the Regulations. The requirements of the Regulations have been modified by Orders issued under section 68 of the Act on 5 December 1997 and 2 September 1999. Under regulation 5 the Forms and statements are required to be prepared in the manner specified by the Regulations and to state fairly the information provided on the basis required by the Regulations.

It is our responsibility to form an independent opinion as to whether the Forms and statements meet these requirements, and in the case of the certificate whether it was or was not unreasonable for the persons giving the certificate to have made the statements therein, and to report our opinions to you.

Bases of opinions

We conducted our audit in accordance with Bulletin 1998/3; "Auditors' reports on regulatory returns made under the Insurance Companies Act 1982" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms and statements.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms and statements are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with regulation 5.

In the case of the certificate, the work performed involves a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the Company's internal control systems.

In giving our opinion we have relied on the certificate of the actuary on page 77 with respect to the mathematical reserves and the required minimum margin.

Opinions

In our opinion:

- (a) the Forms and statements fairly state the information provided on the basis required by the Regulations as modified and have been properly prepared in accordance with the provisions of those Regulations; and
- (b) according to the information and explanations received by us:
 - (i) the certificate has been properly prepared in accordance with the provisions of the Regulations; and
 - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.

KPMG Audit Plc

KPMG Audit Plc
Registered Auditor
London

27 June 2000

