



PRUDENTIAL

1998

Prudential Annuities Limited

**RETURNS UNDER THE
INSURANCE COMPANIES ACT 1982**
(as amended)

deposited with HM Treasury

SCHEDULES 1, 3, 4 AND 6 (PARTS I, II & III)

of The Insurance Companies (Accounts and Statements) Regulations 1996 (as amended)

For the year ended 31 December 1998

Prudential Annuities Limited

Incorporated and Registered in England Registered number 2554213
Registered office 142 Holborn Bars London EC1N 2NH
Part of Prudential Corporation

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Prudential Annuities Limited

Year ended 31st December 1998

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Statement of solvency

Name of company **Prudential Annuities Limited**

Global business

Financial year ended **31st December 1998**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R9	2554213	GL	31	12	1998	£000
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	As at the end of this financial year	As at the end of the previous year	Source		
			Form	Line	Column
	1	2			

GENERAL BUSINESS**Available assets**

Other than long term business assets allocated towards general business required minimum margin	11			See instructions 1 and 2
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Required minimum margin

Required minimum margin for general business	12			12 . 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13			

LONG TERM BUSINESS**Available assets**

Long term business admissible assets	21	8667303	6686150	10 . 11
Other than long term business assets allocated towards long term business required minimum margin	22	397449	354676	See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23	8604184	6663862	See instruction 4
Other insurance and non-insurance liabilities	24	63119	22288	See instruction 5
Available assets for long term business required minimum margin (21+22-23-24)	25	397449	354676	

Implicit items admitted under regulation 23(5) of the Insurance Companies Regulations 1994

Future profits	31			
Zillmerising	32			
Hidden reserves	33			
Total of available assets and implicit items (25+31+32+33)	34	397449	354676	

Required minimum margin

Required minimum margin for long term business	41	344152	266547	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	57359	44425	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	340090	310251	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44	53297	88129	

CONTINGENT LIABILITIES

Quantifiable contingent liabilities in respect of other than long term business as shown in a supplementary note to Form 15	51			See instruction 6
Quantifiable contingent liabilities in respect of long term business as shown in a supplementary note to Form 14	52			See instruction 6

Covering sheet to Form 9

Name of company Prudential Annuities Limited

Global business

Financial year ended 31st December 1998

..... **J K Elbourne Director**

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

..... **A P Rutherford Secretary**

May 1999

Statement of net assets

Name of company **Prudential Annuities Limited**

Global business

Financial year ended **31st December 1998**

Company registration number **GL/JUK/CM** Period ended **day month year** Units

R10	2554213	GL	31	12	1998	£000
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		As at the end of this financial year 1	As at the end of the previous year 2	Source		
				Form	Line	Column
Long term business - admissible assets	11	8667303	6686150	13	89	1
Long term business - liabilities and margins	12	8667303	6686150	14	59	1

Other than Long term business - admissible assets	21	405322	392850	13	89	1
Other than Long term business - liabilities	22	7873	38174	15	69	1
Net admissible assets (21-22)	23	397449	354676			
Other assets allowed to be taken into account in covering the required minimum margin		Unpaid amounts (including share premium) on partly paid shares				
	24					
Liabilities allowed to be left out of account in covering the required minimum margin		Supplementary contributions for a mutual carrying on general business				
	25					
Subordinated loan capital						
	26					
Cumulative preference share capital						
	27					
Available assets (23 to 27)	29	397449	354676			

Represented by:

Paid up share capital (other than cumulative preference share capital)	51	400000	400000			
Amounts included in lines 24 to 27 above	52					
Amounts representing the balance of net assets	56	(2551)	(45324)			
Total (51 to 56) and equal to line 29 above	59	397449	354676			

Movement of balance of net assets for solvency purposes - as per line 56

Balance brought forward at the beginning of the financial year	61	(45324)	53126	10	56	2
Retained profit/(loss) for the financial year	62	42773	(98450)	16	59	1
Movement in asset valuation differences	63					See instruction 2
Decrease/(increase) in the provision for adverse changes	64					See instruction 3
Other movements (particulars to be specified by way of supplementary note)	65					
Balance carried forward at the end of the financial year (61 to 65)	69	(2551)	(45324)			

Analysis of admissible assets

Name of company **Prudential Annuities Limited**
 Global business
 Financial year ended **31st December 1998**
 Category of assets **Total other than long term business assets**

Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of
assets

R13

2554213

GL

31

12

1998

£000

1

Investments			As at the end of this financial year 1	As at the end of the previous year 2
Land and buildings			11	
Investments in group undertakings and participating interests	UK insurance dependants	Shares	21	
		Debt securities issued by, and loans to, dependants	22	
	Other insurance dependants	Shares	23	
		Debt securities issued by, and loans to, dependants	24	
	Non-insurance dependants	Shares	25	
		Debt securities issued by, and loans to, dependants	26	
	Other group undertakings and participating interests	Shares	27	
		Debt securities issued by, and loans to, group undertakings	28	
		Participating interests	29	
		Debt securities issued by, and loans to, undertakings in which the company has a participating interest	30	
Total sheet 1 (11 to 30)			39	

Analysis of admissible assetsName of company **Prudential Annuities Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	2554213	GL	31	12	1998	£000	1
					day	month	year		
Investments (continued)					As at the end of this financial year		As at the end of the previous year		
Deposits with ceding undertakings					1		2		
Assets held to cover linked liabilities									
Other financial investments	Equity shares			41					
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43					
	Rights under derivative contracts			44					
	Debt securities and other fixed income securities	Fixed interest	Approved securities		45			93735	8785
			Other		46			32540	41164
		Variable interest	Approved securities		47			157397	184568
			Other		48			59145	42331
	Participation in investment pools			49					
	Loans secured by mortgages			50					2975
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51					
		Loans secured by policies of insurance issued by the company		52					
		Other		53					
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54					20000
		Withdrawal subject to a time restriction of more than one month		55					
	Other			56					
	Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58						
	Property linked		59						
Reinsurers' share of technical provisions	Provision for unearned premiums		60						
	Claims outstanding		61						
	Provision for unexpired risks		62						
	Other		63						
Total sheet 2 (41 to 63)			69				342817	299823	

Analysis of admissible assetsName of company **Prudential Annuities Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total other than long term business assets**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

Category
of
assets

R13

2554213

GL

31

12

1998

£000

1

				As at the end of this financial year 1	As at the end of the previous year 2	
Debtors						
Other assets						
Debtors arising out of direct insurance operations	Policyholders			71		
	Intermediaries			72		
Salvage and subrogation recoveries				73		
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74		
	Due from reinsurers and intermediaries under reinsurance contracts ceded			75		
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year		76		
		Due more than 12 months after the end of the financial year		77		
	Other	Due in 12 months or less after the end of the financial year		78	76	90476
		Due more than 12 months after the end of the financial year		79		
Tangible assets				80		
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities			81	59343	
	Cash in hand			82		
Other assets (particulars to be specified by way of supplementary note)				83		
Prepayments and accrued income	Accrued interest and rent			84	3086	2551
	Deferred acquisition costs			85		
	Other prepayments and accrued income			86		
Deductions (under regulations 57(2)(b) and 57(3) of the Insurance Companies Regulations 1994) from the aggregate value of assets				87		
Total sheet 3 (71 to 86 less 87)				88	62505	93027
Grand total of admissible assets (39+69+88)				89	405322	392850
Reconciliation to asset values determined in accordance with the shareholder accounts rules						
Total admissible assets (as per line 89 above)				91	405322	392850
Total assets in excess of the admissibility limits of Schedule 12 of the Insurance Companies Regulations 1994, (as valued in accordance with those Regulations before applying admissibility limits)				92		
Solvency margin deduction for insurance dependants				93		
Other differences in the valuation of assets (other than for assets not valued above)				94		
Assets of a type not valued above, (as valued in accordance with the shareholder accounts rules)				95		
Total assets determined in accordance with the shareholder accounts rules (91 to 95)				99	405322	392850
Amounts included in line 89 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance				100	76	42986

Analysis of admissible assets

Name of company **Prudential Annuities Limited**
 Global business
 Financial year ended **31st December 1998**
 Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	2554213	GL	31	12	1998	£000	10
				day	month	year			
Investments					As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings					11				
Investments in group undertakings and participating interests	UK insurance dependants	Shares	21						
		Debt securities issued by, and loans to, dependants	22						
	Other insurance dependants	Shares	23						
		Debt securities issued by, and loans to, dependants	24						
	Non-insurance dependants	Shares	25						
		Debt securities issued by, and loans to, dependants	26						
	Other group undertakings and participating interests	Shares	27						
		Debt securities issued by, and loans to, group undertakings	28						
		Participating interests	29						
		Debt securities issued by, and loans to, undertakings in which the company has a participating interest	30						
Total sheet 1 (11 to 30)					39				

Analysis of admissible assetsName of company **Prudential Annuities Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total long term business assets**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

Category
of
assets

R13	2554213	GL	31	12	1998	£000	10
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Investments (continued)				As at the end of this financial year 1		As at the end of the previous year 2	
Deposits with ceding undertakings							
Assets held to cover linked liabilities							
Other financial investments	Equity shares			41			
	Other shares and other variable yield securities			42			
	Holdings in collective investment schemes			43			
	Rights under derivative contracts			44			
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	926180	880758	
			Other	46	6410029	4699661	
		Variable interest	Approved securities	47	45323	14500	
			Other	48	26388	14645	
	Participation in investment pools			49			
	Loans secured by mortgages			50	329319	265402	
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51	5780	5427	
		Loans secured by policies of insurance issued by the company		52			
		Other		53			
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	81582	46660	
		Withdrawal subject to a time restriction of more than one month		55			
	Other			56			
Deposits with ceding undertakings			57				
Assets held to match linked liabilities	Index linked		58	618705	429200		
	Property linked		59				
Reinsurers' share of technical provisions	Provision for unearned premiums		60				
	Claims outstanding		61				
	Provision for unexpired risks		62				
	Other		63				
Total sheet 2 (41 to 63)			69	8443306	6356253		

Analysis of admissible assetsName of company **Prudential Annuities Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	2554213	GL	31	12	1998	£000	10
				day	month	year			
Debtors							As at the end of this financial year 1	As at the end of the previous year 2	
Other assets									
Debtors arising out of direct insurance operations	Policyholders			71	22				
	Intermediaries			72					
Salvage and subrogation recoveries				73					
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74	2300			47661	
	Due from reinsurers and intermediaries under reinsurance contracts ceded			75					
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year		76					
		Due more than 12 months after the end of the financial year		77					
	Other	Due in 12 months or less after the end of the financial year		78	23816			15474	
		Due more than 12 months after the end of the financial year		79					
Tangible assets				80					
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities			81				94370	
	Cash in hand			82					
Other assets (particulars to be specified by way of supplementary note)				83					
Prepayments and accrued income	Accrued interest and rent			84	197859			172392	
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86					
Deductions (under regulations 57(2)(b) and 57(3) of the Insurance Companies Regulations 1994) from the aggregate value of assets				87					
Total sheet 3 (71 to 86 less 87)				88	223997			329897	
Grand total of admissible assets (39+69+88)				89	8667303			6686150	
Reconciliation to asset values determined in accordance with the shareholder accounts rules									
Total admissible assets (as per line 89 above)				91	8667303			6686150	
Total assets in excess of the admissibility limits of Schedule 12 of the Insurance Companies Regulations 1994, (as valued in accordance with those Regulations before applying admissibility limits)				92					
Solvency margin deduction for insurance dependants				93					
Other differences in the valuation of assets (other than for assets not valued above)				94	71			12010	
Assets of a type not valued above, (as valued in accordance with the shareholder accounts rules)				95					
Total assets determined in accordance with the shareholder accounts rules (91 to 95)				99	8667374			6698160	
Amounts included in line 89 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance				100	6027			381	

Long term business liabilities and margins

Name of company **Prudential Annuities Limited**

Global business

Financial year ended **31st December 1998**

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

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R14	2554213	GL	31	12	1998	£000	10
				As at the end of this financial year 1	As at the end of the previous year 2			Source	
Mathematical reserves, after distribution of surplus		11	8604184	6663862				See Instruction 2	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12						See Instruction 3	
Balance of surplus/(valuation deficit)		13						See Instruction 4	
Long term business fund carried forward (11 to 13)		14	8604184	6663862				See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
Provisions for other risks and charges	Taxation	21							
	Other	22							
Deposits received from reinsurers		23							
Creditors and other liabilities	Arising out of insurance operations	Direct business	31	11					
		Reinsurance accepted	32						
		Reinsurance ceded	33						
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36	55622					
	Other creditors	Taxation	37						
		Other	38	7486	22288				
Accruals and deferred income		39							
Provision for adverse changes (calculated in accordance with regulation 61 of the Insurance Companies Regulations 1994)		41							
Total other insurance and non-insurance liabilities (17 to 41)		49	63119	22288					
Excess of the value of net admissible assets		51						See Instruction 6	
Total liabilities and margins		59	8667303	6686150					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	7481	2397					
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62							
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate		63						See Instruction 7	

Liabilities (other than long term business)

 Name of company **Prudential Annuities Limited**

Global business

 Financial year ended **31st December 1998**

		Company registration number	GL/UK/CM	Period ended			Units		
		R15	2554213	GL	31	12	1998	£000	
				As at the end of this financial year			As at the end of the previous year		
				1			2		
				day			month	year	
Technical provisions (gross amount)	Provision for unearned premiums			11					
	Claims outstanding			12					
	Provision for unexpired risks			13					
	Equalisation provisions	Credit business			14				
		Other than credit business			15				
	Other			16					
	Total (11 to 16)			19					
Provisions for other risks and charges	Taxation			21					
	Other			22					
Deposits received from reinsurers				31					
Creditors	Arising out of insurance operations	Direct business			41				
		Reinsurance accepted			42				
		Reinsurance ceded			43				
	Debenture loans	Secured			44				
		Unsecured			45				
	Amounts owed to credit institutions				46				
	Other creditors	Taxation			47	7752			
		Recommended dividend			48				
		Other			49	121		38174	
Accruals and deferred income				51					
Total (19 to 51)				59	7873		38174		
Provision for adverse changes (calculated in accordance with regulation 61 of the Insurance Companies Regulations 1994)				61					
Cumulative preference share capital				62					
Subordinated loan capital				63					
Total (59 to 63)				69	7873		38174		
Amounts included in line 69 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance				71	121		38007		

Profit and loss account (non-technical account)

Name of company **Prudential Annuities Limited**

Global business

Financial year ended **31st December 1998**

Company registration number **GL/UK/CM** Period ended **31 12 1998** Units **£000**

R16	2554213	GL	31	12	1998	£000
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		This financial year	Previous year	Source		
		1	2	Form	Line	Column
Transfer (to)/from the general business technical account	From Form 20	11		20 . 59		
	Equalisation provisions	12				
Transfer from the long term business revenue account		13	3014	(205884)	40 . 26	
Investment income	Income	14	15386	24152		
	Value re-adjustments on investments	15	20557	18557		
	Gains on the realisation of investments	16	22180	15143		
Investment charges	Investment management charges, including interest	17	198	189		
	Value re-adjustments on investments	18				
	Loss on the realisation of investments	19				
Allocated investment return transferred to the general business technical account		20			20 . 51	
Other income and charges (particulars to be specified by way of supplementary note)		21	(75)	(74)		
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	60864	(148295)		
Tax on profit or loss on ordinary activities		31	18091	(49845)		
Profit or loss on ordinary activities after tax (29-31)		39	42773	(98450)		
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41				
Tax on extraordinary profit or loss		42				
Other taxes not shown under the preceding items		43				
Profit or loss for the financial year (39+41-(42+43))		49	42773	(98450)		
Dividends (paid and proposed)		51				
Profit or loss retained for the financial year (49-51)		59	42773	(98450)		

Long term business : Revenue account

Name of company **Prudential Annuities Limited**

Global business

Ordinary business

Financial year ended **31st December 1998**

Name and number of fund **Ordinary Branch Long Term 1**

R40	Company registration number 2554213	GL/UK/CM GL	Period ended			Units £000	OB/IB OB	No of fund/ Summary 1	No of part of Fund 0
			day	month	year				
			31	12	1998				

Items to be shown net of reinsurance ceded	The financial year		Previous year
	1	2	2
Earned premiums	11	989450	882711
Investment income receivable before deduction of tax	12	521938	454679
Increase (decrease) in the value of non-linked assets brought into account	13	1000259	598508
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income (11 to 15)	19	2511647	1935898
Claims incurred	21	539195	473078
Expenses payable	22	27224	15198
Interest payable before deduction of tax	23	1241	553
Taxation	24	651	159
Other expenditure	25		
Transfer to (from) non technical account	26	3014	(205884)
Total expenditure (21 to 26)	29	571325	283104
Increase (decrease) in fund in financial year (19-29)	39	1940322	1652794
Fund brought forward	49	6663862	5011068
Fund carried forward (39+49)	59	8604184	6663862

Long term business : Analysis of premiums and expenses

Name of company **Prudential Annuities Limited**

Global business

Ordinary business

Financial year ended **31st December 1998**

Name and number of fund **Ordinary Branch Long Term 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	2554213	GL	31	12	1998	£000	OB	1	0
				Gross			Payable to or recoverable from reinsurers	Net of reinsurance (1-2) 3			
				1			2	3			
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium	11								
		Regular premium	12								
	Pension business contracts	Single premium	13	989450					989450		
		Regular premium	14								
	Permanent health contracts	Single premium	15								
		Regular premium	16								
	Other contracts	Single premium	17								
		Regular premium	18								
	Total premiums	Single premium	19	989450					989450		
		Regular premium	29								
Total premiums at lines 19 and 29 attributable to	UK contracts	31	989450					989450			
	Overseas contracts	32									
Expenses payable in the financial year	Commission payable in connection with acquisition of business		41	2050				2050			
	Other commission payable		42								
	Management expenses in connection with acquisition of business		43	6860				6860			
	Management expenses in connection with maintenance of business		44	10394				10394			
	Other management expenses		45	7920				7920			
	Total expenses (41 to 45)		49	27224				27224			
	Total expenses at line 49 attributable to	UK contracts	51	27224				27224			
Overseas contracts		52									

Long term business : Analysis of claims

Name of company **Prudential Annuities Limited**

Global business

Ordinary business

Financial year ended **31st December 1998**

Name and number of fund **Ordinary Branch Long Term 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R42	2554213	GL	31	12	1998	£000	OB	1	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers	Net of reinsurance (1-2) 3			
					1	2	3				
Life assurance and annuity contracts	On death	11									
	By way of lump sums on maturity	12									
	By way of annuity payments	13									
	By way of payments arising from other insured events	14									
	On surrender or partial surrender	15									
	Total life assurance and annuity claims (11 to 15)	19									
Pension business contracts	On death	21	2027							2027	
	By way of lump sums on vesting	22	1864							1864	
	By way of vested annuity payments	23	534356	136						534220	
	On surrender or partial surrender	24	1084							1084	
	Total pension business claims (21 to 24)	29	539331	136						539195	
Permanent health contracts	By way of lump sums	31									
	By way of periodical payments	32									
	Total permanent health claims (31+32)	39									
Other contracts	By way of lump sums	41									
	By way of periodical payments	42									
	Total claims (41+42)	49									
Total claims (19+29+39+49)					59	539331	136			539195	
Total claims at line 59 attributable to	UK contracts	61	539331	136						539195	
	Overseas contracts	62									

PRUDENTIAL ANNUITIES LIMITED

Returns for the year ended 31 December 1998

Supplementary notes to the returns

Form 9

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

- (a) The Secretary of State, on the application of the Company, made an order on 1 August 1992 pursuant to section 68 of the Insurance Companies Act 1982 directing that section 31 of the Insurance Companies Act 1982 should not apply to the Company in respect of transactions entered into by the Company with The Prudential Assurance Company Limited, Prudential Holborn Pensions Limited and Prudential Pensions Limited pursuant to the reinsurance agreements dated 1 August 1992.
- (b) The Secretary of State, on the application of the Company, issued to the Company in December 1995 an Order under section 68 of the Insurance Companies Act 1982 requiring the Company to calculate the rates of interest to be used in calculating the present value of future payments by or to the Company on the aggregate yield basis defined as that rate of interest which equates the discounted value of the aggregate cash flows on the relevant asset portfolio with the total market value of that portfolio.

Form 10

1001 Reconciliation to shareholder accounts

	1998	1997
	£'000s	£'000s
<i>Net assets per HMT return</i>		
Line 99 on form 13 (OLTB)	405,322	392,850
Line 59 on form 15	<u>(7,873)</u>	<u>(38,174)</u>
	397,449	354,676
<i>Per shareholder accounts</i>		
Capital and reserves	612,179	561,136
<i>Difference</i>		
Additional reserves held in long term fund	<u>214,730</u>	<u>206,460</u>

Supplementary notes to the returns (continued)

Form 13

Notes 1301 to 1306 apply to the other than long term business fund.

1301 The Company held £11m in unlisted securities.

1304 Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

1305 The maximum permitted exposure to any one counterparty other than short term deposits with an approved credit institution is set at 5% of the long term business amount. Maximum permitted exposure to any one approved credit institution is set at 20%. There were no breaches of these limits during the year.

1306 No counterparty exposure at the year end exceeded 5% of the long term business amount. Counterparty limits set were not exceeded during the year.

Notes 1308 to 1312 apply to the long term business fund.

1308 The Company held £493m in unlisted securities.

1309 The Company held £1,344m in hybrid securities.

1310 Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

1311 The maximum permitted exposure to any one counterparty other than short term deposits with an approved credit institution is set at 5% of the long term business amount. Maximum permitted exposure to any one approved credit institution is set at 20%. There were no breaches of these limits throughout the year.

1312 No counterparty exposure at the year end exceeded 5% of the long term business amount. Counterparty limits set were not exceeded during the year.

Supplementary notes to the returns (continued)

Form 14

1401 No derivatives were held by the long term fund at any time during the year and therefore no provision for adverse changes is required.

1402 (a) There were no charges attributable to the long term business assets.

(b) The long term fund does not attract tax (other than irrecoverable tax credits on franked investment income), and therefore no provision, potential or otherwise, has been made for any liability to tax which might arise if the company disposed of its assets at the values stated in this return.

(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.

Form 15

1501 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 (a) There were no charges attributable to the other than long term business assets.

(b) The total potential liability to taxation on capital gains which might arise if the company disposed of its assets was £1,100k. No provision has been made at the year end.

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

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

Form 16

1601 Revenue account items are translated at rates ruling on the transaction date.

1603 Balances in line 21 relate to management expenses.

Form 17

1700 As all figures, including comparatives, are zero for the long term form 17 and other than long term form 17, these forms have been omitted.

Supplementary notes to the returns (continued)

Form 40

- 4008 Management services are provided to the Company for day to day administration from The Prudential Assurance Company Ltd (the immediate holding company), Prudential Financial Services Ltd, Prudential Portfolio Managers Ltd and Prudential Services Ltd, all being group companies.

PRUDENTIAL ANNUITIES LIMITED

Returns for the year ended 31 December 1998

Statement required by Regulation 23 of the Insurance Companies (Accounts and Statements) Regulations 1996

(a) Investment guidelines

As requested by Regulation 23 of the Insurance Companies (Accounts and Statements) Regulations 1996, the investment guidelines for the use of derivative contracts for both long term and other than long term funds are set out below. These are fully explained in the Company's Investment Management Agreement with its fund manager and are consistent with the investment strategy.

- (i) Derivatives may be used for the purpose of efficient portfolio management or to reduce risk, specific examples being to hedge cash flows, or control the risk profile of an identified strategy.
- (ii) A number of restrictions on the use of derivatives have been agreed with the Company's fund managers and can only be overruled by prior agreement between the two parties:
 - all derivatives that impose obligations on the fund must be strictly covered.
 - all derivative contracts must satisfy the definition of approved under Regulation 55 of the Insurance Companies Regulations 1994 (as amended).
 - the maximum allowable exposure to counterparties should not be exceeded.
 - only certain permitted exchanges and contracts can be used.
- (iii) Convertible corporate bonds have been held in the long term fund. The total value of these bonds on form 13 is £100,670,000.

(b) Derivatives where exercise is unlikely

There are no specific guidelines for the use of contracts not reasonably likely to be exercised. However the Investment Management Agreement only allows the use of derivatives for the purpose of efficient portfolio management or to reduce risk and the Company's investment managers work within these constraints. During 1998 no such contracts were used.

(c) Quantification of derivatives in (b) above

No such contracts were used.

(d) Effect on form 13 at 31 December 1998 of exercising derivatives where it would be prudent to assume options would be exercised.

No derivatives were held at the year end.

(e) Effect on form 13 at 31 December 1998 of exercising all derivatives

No derivatives were held at the year end.

(f) Effect on form 13 under the conditions noted in (d) and (e) above at any other time during the year.

No derivatives were held during the year.

(g) Maximum exposure

No derivatives were held during the year or at the year end.

(h) Derivatives not covered by paragraph (2) of regulation 55 of, or paragraph 15 of Schedule 10 to, the Insurance Company Regulations

No such contracts have been entered into during 1998.

(i) Consideration for granting rights under derivative contracts

No rights under derivative contracts have been granted.

PRUDENTIAL ANNUITIES LIMITED

Returns for the year ended 31 December 1998

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 Annuities Limited (“the Company”), have been, at any time during the year ended 31 December 1998, 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 1998:
 - (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 1998, a shareholder controller of the Company.	In the case of each person who was a shareholder controller of the Company at 31 December 1998:	
	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 Corporation plc, being its ultimate holding company	100%	100%

PRUDENTIAL ANNUITIES LIMITED

Returns for the year ended 31 December 1998

Statement of information on the Appointed Actuary pursuant to Regulation 31 of the Insurance Companies (Accounts and Statements) Regulations 1996

P J Nowell: Appointed Actuary to 3 July 1998

The Company has made a request to the Appointed Actuary to furnish to it the particulars specified in Regulation 31(1) of the above Regulations.

The information provided is as follows:

- (a) The Appointed Actuary had an interest in shares in Prudential Corporation as follows:

<u>At beginning of year</u>	<u>At cessation of appointment</u>	<u>At end of year</u>
115,978	98,160	61,548

- (b) The Appointed Actuary had an interest in shares held in trust, representing the maximum award that could be made if performance requirements under the Prudential Restricted Share Plan are met of shares in Prudential Corporation plc as follows:

<u>At beginning of year</u>	<u>At cessation of appointment</u>	<u>At end of year</u>
52,271	70,446	70,446

- (c) Throughout the year the Appointed Actuary held options granted under the Prudential Executive Share Option Scheme to subscribe for shares in Prudential Corporation plc as follows:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Exercise Dates</u>
27,000	201p	Between May 1995 and May 2002
88,000	328p	Between October 1996 and October 2003
13,000	309p	Between April 1997 and April 2004
34,000	296p	Between October 1997 and October 2004

- (d) Throughout the year the Appointed Actuary held options granted under the Prudential Savings-Related Share Option Scheme to subscribe for shares in Prudential Corporation plc as follows:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Exercise Dates</u>
5,769	156p	Exercised February 1998
4,477	201p	Between November 1998 and May 1999
1,566	249p	Between June 2001 and December 2001
2,267	344p	Between June 2003 and December 2003
2,172	359p	Between December 2003 and May 2004

Statement required by Regulation 31 (continued)

The Appointed Actuary had no interest in the shares in or debentures of any other group company.

- (e) The aggregate amount of
- (i) any remuneration and the value of any other benefits (other than a pension or other future or contingent benefit) for services as the Appointed Actuary to the Company, and
 - (ii) any emoluments, pensions or compensation as director of the Company which are required by Part 1 of Schedule 6 to the Companies Act 1985 (as amended by the Companies Act 1989) to be included in a note to the accounts of the Company

receivable by the Appointed Actuary in respect of the year was £225,079.

Additionally, the Appointed Actuary is a member of the Prudential Staff Pension Scheme and contributions in respect of the year were paid by the Company together with AVC payments made by the Appointed Actuary.

- (f) The following life and general insurance policies issued by the Company subsisted throughout the year:
- (i) four endowment assurance with-profits policies maturing between 2010 and 2013 with participating sums assured totalling £11,190 and annual premiums of £551.
 - (ii) three temporary assurance without-profits policies expiring between 2005 and 2014 with sums assured totalling £122,395 and annual premiums of £326.
 - (iii) a home insurance policy covering buildings, household contents and personal effects.
 - (iv) two motor insurance policies.
 - (v) one endowment assurance with-profits policy matured during the year with a participating sum assured of £6,515 and an annual premium of £276.

Statement required by Regulation 31 (continued)

D J Belsham: Appointed Actuary from 3 July 1998

The Company has made a request to the Appointed Actuary to furnish to it the particulars specified in Regulation 31(1) of the above Regulations.

The information provided is as follows:

- (a) The Appointed Actuary had an interest in shares in Prudential Corporation as follows:

<u>At beginning of year</u>	<u>At date of appointment</u>	<u>At end of year</u>
26,778	30,241	24,761

- (c) The Appointed Actuary had an interest in shares held in trust, representing the maximum award that could be made if performance requirements under the Prudential Restricted Share Plan are met of shares in Prudential Corporation plc as follows:

<u>At beginning of year</u>	<u>At date of appointment</u>	<u>At end of year</u>
22,049	33,593	33,593

- (c) Throughout the year the Appointed Actuary held options granted under the Prudential Executive Share Option Scheme to subscribe for shares in Prudential Corporation plc as follows:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Exercise Dates</u>
25,000	256p	Between October 1997 and October 2002

- (d) Throughout the year the Appointed Actuary held options granted under the Prudential Savings-Related Share Option Scheme to subscribe for shares in Prudential Corporation plc as follows:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Exercise Dates</u>
1,306	264p	Exercised June 1998
2,005	344p	Between June 2001 and December 2001
1,922	359p	Between December 2001 and May 2002
454	759p	Between June 2003 and December 2003 - granted June 1998

The Appointed Actuary had no interest in the shares in or debentures of any other group company.

Statement required by Regulation 31 (continued)

- (e) The aggregate amount of
- (i) any remuneration and the value of any other benefits (other than a pension or other future or contingent benefit) for services as the Appointed Actuary to the Company, and
 - (ii) any emoluments, pensions or compensation as director of the Company which are required by Part 1 of Schedule 6 to the Companies Act 1985 (as amended by the Companies Act 1989) to be included in a note to the accounts of the Company

receivable by the Appointed Actuary in respect of the year was £151,694.

Additionally, the Appointed Actuary is a member of the Prudential Staff Pension Scheme and contributions in respect of the year were paid by the Company.

- (f) The following life and general insurance policies issued by the Company subsisted throughout the year:
- (i) three endowment assurance with-profits policies maturing between 2009 and 2011 with participating sums assured totalling £18,720, non participating minimum death benefits of £48,000 and annual premiums of £776.
 - (ii) two without-profits term assurance policies on the lives of the Appointed Actuary and his partner expiring in 2011 with sums assured totalling £202,000 and annual premiums of £457.
 - (iii) a home insurance policy covering buildings, household contents and personal effects.
 - (iv) a motor insurance policy.

Valuation Report (continued)

- (g) Not applicable.
- (h) No reserve is held.
- (2) Not applicable.
7. (1) See Forms 51 and 54.
- (2) PMA92 and PFA92 refer to the Proposed New Tables for Life Office Pensioners, Normal, Male and Female, based on 1991-94 Experiences, published in the Continuous Mortality Investigation (CMI) Reports No.16. Projected values for the year 1999 were derived using the mortality improvement factors presented at the CMI seminar on 7 December 1998.
- (3) All business is written in the UK and UK-based mortality tables have been used.
- (4) The mortality assumptions for annuities in payment allow for future mortality improvement at a prudent rate, in excess of that implicit in the tables derived from CMI Reports No.10 and 16. For annuity contracts in deferment a further deduction of 0.25% from the valuation rates of interest of 5.3% (Fixed) and 2.05% (Index-Linked) has been made to allow for expected mortality improvements prior to vesting.
- (5) No allowance is made or reserve is 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) a 20% decrease in fixed interest yields and a 25% decrease in real yields on index-linked stocks.
 - (b) a 3 percentage points increase in fixed interest yields and a 25% increase in real yields on index-linked stocks.
- Scenario (a) was the most onerous.
- (7) Projected cashflows from the assets held and future liability payments are calculated. An iterative method is used to calculate the reserve that is required to eliminate:
- any shortfall in the revised value of the assets compared to that of the liabilities, and
 - any reinvestment loss arising because asset and liability cashflows were unequal
- under each investment scenario.
- A total reserve of £180,039,000 is held at 31 December 1998.
- (8) (a) No other assumptions are changed.

Valuation Report (continued)

- (b) See answer to 7 (7) above. The reserve shown there includes the provision in respect of Regulations 75(a) and 75(b).
- (c) Under the scenario which produces the most onerous requirement:
- (i) the aggregate amount of the long term liabilities increased by £850,901,000 after allowing for the release of the mismatching reserve.
 - (ii) the aggregate amount of the assets backing these liabilities increased by £991,230,000
- (9) Liabilities are all in sterling covered by sterling assets. There is therefore no currency mismatching.
8. (a) Not applicable.
- (b) See Forms 51.
- (c) Not applicable.
- (d) Not applicable.
9. (a) See Form 54 and 6 (1) above.
- (b) The annuity loadings in 10 (1) are calculated without assuming any contribution from the loadings in new business written after the valuation date.
10. (1) A real discount rate of 2% p.a. was used to convert prudent per policy renewal expenses into percentage of annuity loadings.
The implicit per policy loadings at the end of 1998, before inflation, were approximately:
- | | |
|--|----------|
| Fixed Immediate Annuities - IFAs/Group | £22 p.a. |
| Fixed Immediate Annuities - Direct Sales | £19 p.a. |
| Linked Immediate Annuities | £28 p.a. |
- Deferred annuities costs were assumed to be £1 p.a. per life during deferment and then as IFA/Group IA's in possession.
Additionally an allowance was made for current systems developments.
- (2) Based on the annualised annuity payments, in payment and deferment, at 31 December 1998, the amount released to meet renewal expenses over 1999 is £7,440,000.
- (3) New business premium rates incorporate a charge to cover acquisition and set-up costs.

Valuation Report (continued)

- (4) The annuity loadings in 10 (1) are calculated without assuming any contribution from the loadings in new business written after the valuation date.
11. (1) Not applicable.
- (2) Not applicable.
12. Long term business is reassured on a facultative basis to a reinsurer, who is authorised to carry on business in the UK.
13. to 16. Not applicable.
17. See Form 46.
Group non-profit deferred annuities are not included in Form 46. These consist of 1,408 schemes covering an estimated 87,696 lives, and 2,232 individual arrangements for non-linked contracts and 18 individual arrangements for linked contracts at 31 December 1998.
18. See Form 47. Group non profit.
19. See Forms 48 and 49. No derivative contracts were held to cover long term liabilities at 31 December 1998.
20. See Forms 51 and 54.
On Form 54 the figures shown in column 7 are the amounts of annuity per annum in payment; the figures in columns 11 and 12 are the total net liability including allowance for future mortality and expenses.
21. (1) See Form 57.
- (2) Yields have been adjusted to allow for default on fixed-interest and RPI linked assets other than government securities. This adjustment has been determined having regard to the nature of the portfolio and credit rating agency default probabilities. The yields shown in Form 57 Column 2 were calculated just as they would have been if the section 68 order were not in force. However, the aggregate yields on the portfolio were used to derive the valuation rates of interest in Form 57 Row 31.
- (3) No such assets were held.
22. See Form 58.
23. See Form 60.

D J Belsham, Appointed Actuary

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

Name of company **Prudential Annuities Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 1998**

Company registration number

GL/UK/CM

Period ended
day month year

Units

UK/OS

NL/LN

R46	2554213	GL	31	12	1998	£000	UK	NL
-----	---------	----	----	----	------	------	----	----

		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			330583	2				
New business and increases	12			45069					
Net transfers and other alterations 'on'	13								
Total 'on' (12+13)	19			45069					
Deaths	21			10654					
Other insured events	22								
Maturities	23			3	1				
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			10657	1				
In force at end of year (11+19-29)	39			364995	1				

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

Name of company **Prudential Annuities Limited**

Global business

United Kingdom business

Linked

Financial year ended **31st December 1998**

		Company registration number		GL/UK/CM	Period ended			Units	UK/OS	NL/LN
		R46	2554213		GL	day	month			
		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			2057						
New business and increases	12			1141						
Net transfers and other alterations 'on'	13									
Total 'on' (12+13)	19			1141						
Deaths	21			62						
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			62						
In force at end of year (11+19-29)	39			3136						

Long Term business : Analysis of new ordinary long term business

Name of company Prudential Annuities Limited

Global business

Non-linked

Financial year ended 31st December 1998

Company
registration
number

GL/UK/CM

Units

NL/LN

Period ended
day month year

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	Premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
PENSIONS BUSINESS						
Non-linked Non-Profit Policies:						
UK DIRECT WRITTEN BUSINESS						
Annuity in payment	6031	298025	17336 pa			
Deferred annuities	181	9183	459 pa			
Sub-total	6212	307208	17795 pa			
UK REINSURANCE ACCEPTED						
Annuity in payment	39038	564943	39948 pa			
Deferred annuities	10	7803	385 pa			
Sub-total	39048	572746	40333 pa			
TOTAL	45260	879954	58128 pa			

Long Term business : Analysis of new ordinary long term business

Name of company Prudential Annuities Limited

Global business

Linked

Financial year ended 31st December 1998

Company registration number	GLUK/CM	Period ended			Units	N/L/N
		day	month	year		
R47	2554213	GL	31	12	1998	£000
						LN

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	Premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
PENSIONS BUSINESS						
Linked Non-Profit Policies:						
UK DIRECT WRITTEN BUSINESS						
Annuity in payment	981	98853	5582 pa			
Deferred annuities	18	3988	176 pa			
Sub-total	999	102841	5758 pa			
UK REINSURANCE ACCEPTED						
Annuity in payment	160	6655	327 pa			
Sub-total	160	6655	327 pa			
TOTAL	1159	109496	6085 pa			

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

Name of company **Prudential Annuities Limited**
 Global business
 Financial year ended **31st December 1998**
 Category of assets **Total long term business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	2554213	GL	31	12	1998	£000	10
Type of asset			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	946642	59126	5.30			
	Other	13	6571776	439832	6.01			
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14	48401	1416	2.34			
	Other	15	28899	1392	4.11			
Equity shares and holdings in collective investment schemes	16							
Loans secured by mortgages	17		333293	24520	7.45			
All other assets	Producing income	18	87362	5387	6.17			
	Not producing income	19	32225					
Total (11 to 19)	29		8048598	531673	5.93			

Long term business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefitsName of company **Prudential Annuities Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total long term business assets**

Redemption period in years	Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3	GL/JUK/CM	Period ended			Gross redemption yield % 5	Value of admissible higher yielding assets 6	
					day	month	year			
			R49	2554213	GL	31	12	1998	£000	10
11										
12	21233	5.47			Variable interest and variable yield approved securities excluding equities		1589	2.30		
13	52344	5.84	1127				1154	2.47		
14	82233	5.77					21581	2.31		
15	331120	5.31					2351	2.01		
16	207971	5.50					5375	2.32		
17	73999	5.23					16351	2.43		
18	177742	4.68								
19	946642	5.30	1127				48401	2.34		
21	11651	6.89	1177							
22	181068	6.48	1441		Other variable interest and variable yield securities excluding equities		3961	9.28		
23	387123	6.49	20355				8138	2.75		
24	1063308	6.31	45368				7341	3.53		
25	1572930	5.92	27660				2566	3.65		
26	1966283	5.95					2263	3.44		
27	1257009	5.69					4630	3.61		
28	132404	6.58								
29	6571776	6.01	96001				28899	4.11		
Total (21 to 28)										

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

Name of company Prudential Annuities Limited

Global business

United Kingdom business

Financial year ended 31st December 1998

Category of surplus

11 : Global business issued in the UK

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses		Value of annual premiums		Amount of mathematical reserves	
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums		£000	UK	Pens	Office premiums		Net premiums
1	2	3	4	5	6	7	8	9	10	11	12		
Direct written business : individual													
Annuities in payment (ex-Group)	5.30	A(a)	23448	138421 pa				2184362				2184362	
Direct written business : group													
Deferred annuities	5.30	C(c)	744	2600 pa				30405				30405	
Direct written sub-total			24192	141021 pa				2214767				2214767	
Reinsurance accepted : individual													
Annuities in payment	5.30	B(b)	227523	213286 pa				2583683				2583683	
Annuities in payment	5.30	A(a)	4102	8808 pa				118612				118612	
Annuities in payment (ex-Group)	5.30	A(a)	109911	175647 pa				2643962				2643962	
Reinsurance accepted : group													
Deferred annuities	5.30	C(c)	2896	15950 pa								210046	
Miscellaneous deferred annuities	5.30	D(c)	11	89 pa								3273	
Reinsurances accepted sub-total			344443	413780 pa				5559576				5559576	

A 73% PMA92 (C=1999) / 73% PFA92 (C=1999)
 B 75% IM80 (C=2010) / 75% IF80 (C=2010) / PFA92 (C=1999) / PFA92 (C=1999) (in possession)
 C [AM / AF80] - 5 (in deferral), 73% PMA92 (C=1999) / PFA92 (C=1999) (in possession)
 D Nil (in deferral), 73% PMA92 (C=1999) / 73% PFA92 (C=1999) (in possession)

a Expense loading of 1.5%
 b Expense loading of 3.5%
 c Expense loading of 30%
 d Expense loading of 0.3%

Long Term business : Valuation summary of non-linked contracts (other than accumulating with-profit policies) (page 2)

Name of company Prudential Annuities Limited

Global business

United Kingdom business

Financial year ended

31st December 1998

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses		Value of annual premiums		Units	UKIOS	Type of business	Category of surplus				
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums		GL	31	12	1998					£000	UK	Pens	11
1	2	3	4	5	6	7	8	9	10	11	12								
Total direct and reinsured			368635	554801 pa	1			7774343							7774343				
Mismatching reserves								155416							155416				
Additional reserves								32177							32177				
Total Pensions			368635	554801 pa	1			7961936							7961936				
Deduct reinsurances				130 pa				3523							3523				
NET TOTAL			368635	554671 pa	1			7958413							7958413				

Returns under Insurance Companies Legislation

Long Term business : Valuation summary of index linked contracts

Name of company

Prudential Annuities Limited

Global business

United Kingdom business

Financial year ended

31st December 1998

Type of business

Pension business

Category of surplus

11 : Global business issued in the United Kingdom

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Name of index link	Investment liability			Other liabilities		Category of surplus		
	Rate of interest	Mortality or mortality table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums		GL	Current benefit value	Discounted value	Mortality and expenses	Options & guarantees other than investment performance guarantees		UK	Pens
Direct written business : individual																	
Annuities in payment (ex-Group)	2.05	A (d)	1625			13308 pa				264231					264231		
Direct written business : group																	
Deferred annuities	2.05	C (c)	18			176 pa				6247					6247		
Direct written sub-total			1643			13484 pa				270478					270478		
Reinsurance accepted : individual																	
Annuities in payment	2.05	A (d)	14			102 pa				1570					1570		
Annuities in payment (ex-Group)	2.05	A (d)	1497			19745 pa				348457					348457		
Reinsurances accepted sub-total			1511			19847 pa				350027					350027		
Direct and reinsured total			3154			33331 pa				620505					620505		
Mismatching reserves																	
Additional reserves																	
Total pensions business			3154			33331 pa				620505					620505		
Deduct reinsurances						93 pa				1800					1800		
NET TOTAL			3154			33238 pa				618705					618705		

A 75% PMA92 (C=1999) / 75% PFA92 (C=1999)
 B 75% IM90 (C=2010) / 75% IF80 (C=2010)
 C [AM / AF80] - 5 (in deferment), 73% PMA92 (C=1999) / 73% PFA92 (C=1999) (in possession)
 D Nil (in deferment), 73% PMA92 (C=1999) / 73% PFA92 (C=1999) (in possession)

a Expense loading of 1.5%
 b Expense loading of 3.5%
 c Expense loading of 30%
 d Expense loading of 0.3%

Long term business : Analysis of assets and liabilities matching investment liabilities in respect of index linked benefits

Name of company **Prudential Annuities Limited**

Global business

United Kingdom business

Financial year ended **31st December 1998**

Category of surplus **11: Global Business (Issued in the United Kingdom)**

	Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Category of Surplus	
			day	month	year				
	R56	2554213	GL	31	12	1998	£000	UK	11
Type of assets and liabilities	Name of index link		Value of assets or liabilities			Gross derivative value			
	1		2			3			
Government and public body index linked bonds	RPI		394432						
Corporate index linked bonds	RPI		215855						
Deposits with credit institutions	RPI		8418						
Sub total assets			618705						
Sub total liabilities									
Sub total net assets			618705						
Total assets			618705						
Total liabilities									
Net total assets			618705						

Returns under Insurance Companies Legislation
Long term business : Matching rectangle

Sterling liabilities

Name of company **Prudential Annuities Limited**

Valuation rate(s) of interest **0.00%**

Global business

Type of business **Pension Business**

Financial year ended **31st December 1998**

Non profit

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

Company registration number

Company registration number	R57	2554213	GL	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets																												
				day	month	year																																		
			31	12	1998	£000	Stg	0.00	Pens	NP	10																													
<table border="1"> <thead> <tr> <th colspan="3"></th> <th colspan="3">The valuation</th> <th colspan="6">The resilience scenario</th> </tr> <tr> <th rowspan="2">Type of asset notionally allocated</th> <th rowspan="2">Value of asset notionally allocated</th> <th rowspan="2">Risk adjusted yield %</th> <th colspan="3">Value of assets notionally allocated</th> <th rowspan="2">Risk adjusted yield %</th> </tr> <tr> <th>On original allocation</th> <th>Increase or decrease</th> <th>Total under resilience scenario</th> </tr> <tr> <th></th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> <th>6</th> </tr> </thead> </table>															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 %	On original allocation	Increase or decrease	Total under resilience scenario		1	2	3	4	5	6
			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 %																																		
			On original allocation	Increase or decrease	Total under resilience scenario																																			
	1	2	3	4	5	6																																		
Land and buildings	11																																							
Fixed interest securities	12	Approved securities	110997		4.95	124391		(57255)	67136			3.96																												
	13	Other																																						
Variable interest and Variable yield securities (excluding items shown at line 16)	14	Approved securities	48401		2.14	51935			51935			1.61																												
	15	Other	28041		3.91	30926		(858)	30068			2.93																												
Equity shares and holdings in collective investment schemes	16																																							
Loans secured by mortgages	17																																							
All other assets	18	Producing income																																						
	19	Not producing income	27219			27219																																		
Total (11 to 19)	29		214658		3.55	234471		(58113)	176358			2.48																												
Gross valuation interest rate %	31																																							
Net valuation interest rate % (where appropriate)	32																																							
Mathematical reserve or other liability, net of reinsurance	33		214658						36030																															

Long term business : Matching rectangle

Sterling liabilities

Name of company Prudential Annuities Limited

Valuation rate(s) of interest 2.05%

Global business

Type of business Pension Business

Financial year ended 31st December 1998

Non profit

Category of assets Total long term business assets

Type of asset notionally allocated	Company registration number	R57	2554213	GL	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
					day	month	year						
				31	12	1998	£000	Stg	2.05	Pens	NP	10	
				1	2		3	4	5	6			
				Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated	On original allocation	Increase or decrease	Total under resilience scenario	Risk adjusted yield %			
				The valuation			The resilience scenario						
Land and buildings			11										
Fixed interest securities			12										
Approved securities													
Other			13										
Variable interest and Variable yield securities (excluding items shown at line 16)			14	394432	2.14	423234	423234		423234	1.61			
Other			15	215855	3.10	233405	233405	858	234263	2.33			
Equity shares and holdings in collective investment schemes			16										
Loans secured by mortgages			17										
Producing income			18	8418	5.81	8418	8418		8418	4.36			
Not producing income			19										
All other assets			29	618705	2.52	665057	665057	858	665915	1.90			
Total (11 to 19)			31		2.05					1.45			
Gross valuation interest rate %			32										
Net valuation interest rate % (where appropriate)			33	618705					665915				
Mathematical reserve or other liability, net of reinsurance													

Sterling liabilities

Name of company **Prudential Annuities Limited**

Valuation rate(s) of interest **5.30%**

Global business

Type of business **Pension Business**

Financial year ended **31st December 1998**

Non profit

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

Company registration number

GL/UK/CM Period ended Units Stg/NonStg Valuation rate of interest L&GA/Pens/PHI/Other WP/NP Category of assets

R57	2554213	GL	Period ended			£000	Stg	5.30	Pens	NP	10
			day	month	year						
		The valuation		The resilience scenario							
		1	2	3			4	5	6		
		Value of asset notionally allocated	Risk adjusted yield %	On original allocation	Increase or decrease	Total under resilience scenario	Risk adjusted yield %				
11											
		778390	4.95	872316	57255	929571				3.96	
		6571776	5.66	7361876		7361876				4.53	
14											
15											
16											
17		333293	7.10	374332		374332				5.68	
18		87362	5.82	87362		87362				4.66	
19											
29		7770821	5.65	8695886	57255	8753141				4.52	
31			5.30							4.15	
32											
33		7770821				8753141					

Type of asset notionally allocated

Land and buildings

Fixed interest securities

Approved securities

Other

Variable interest and Variable yield securities (excluding items shown at line 16)

Approved securities

Other

Equity shares and holdings in collective investment schemes

Loans secured by mortgages

Producing income

Not producing income

Total (11 to 19)

Gross valuation interest rate %

Net valuation interest rate % (where appropriate)

Mathematical reserve or other liability, net of reinsurance

Long term business : Matching rectangle

Sterling/Non sterling liabilities

Name of company Prudential Annuities Limited

Valuation rate(s) of interest Total

Global business

Type of business

Financial year ended 31st December 1998

With profits/Non profit

Category of assets Total

Company
registration
numberValuation
rate of
interestL.&GA/Pens/
PHI/OtherCategory
of assets

R57	2554213	GL	31	12	1998	£000	99			10
-----	---------	----	----	----	------	------	----	--	--	----

Type of asset notionally allocated	The valuation					The resilience scenario				
	Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6				
			On original allocation 3	Increase or decrease 4	Total under resilience scenario 5					
Land and buildings	11									
Fixed interest securities	12	4.95	996707		996707			996707		3.96
Other	13	5.66	7361876		7361876			7361876		4.53
Variable interest and Variable yield securities (excluding items shown at line 16)	14	2.14	442833		475169			475169		1.61
Other	15	3.19	243896		264331			264331		2.39
Equity shares and holdings in collective investment schemes	16									
Loans secured by mortgages	17	7.10	333293		374332			374332		5.68
All other assets	18	5.82	95780		95780			95780		4.63
Producing income	19		27219		27219			27219		
Not producing income	29	5.38	8604184		9595414			9595414		4.30
Total (11 to 19)	31									
Gross valuation interest rate %	32									
Net valuation interest rate % (where appropriate)	33									
Mathematical reserve or other liability, net of reinsurance			8604184		9455085			9455085		

Long term business : Valuation result and distribution of surplus

Name of company **Prudential Annuities Limited**

Global business

Financial year ended **31st December 1998**Company
registration
number

GL/UK/CM

Period ended

Units

Category
of surplusCategory of surplus **12: Ordinary Branch
Long Term**

R58

2554213

GL

day

month

year

£000

12

		R58	2554213	GL	31	12	1998	£000	12
Valuation result	Fund carried forward					11		8604184	
	Bonus payments made to policyholders in anticipation of a surplus					12			
	Transfers out of fund/ parts of fund	Transfer to non-technical account				13		3014	
		Transfer to other funds/parts of funds				14			
	Net transfer out of funds/parts of funds (13+14)					15		3014	
	Total (11+12+15)					16		8607198	
	Mathematical reserves for accumulating with profit policies					17			
	Mathematical reserves for other non linked contracts					18		7958413	
	Mathematical reserves for property linked contracts					19			
	Mathematical reserves for index linked contracts					20		645771	
	Total (17 to 20)					21		8604184	
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)					29		3014		
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation					31			
	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		3014	
Total (31+34+35)					39		3014		
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		3014	
	Total distributed surplus (46+47)					48		3014	
Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated					49				
Total (48+49)					59		3014		
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			

Long term business : Required minimum margin

Name of company Prudential Annuities Limited

Global business

Financial year ended 31st December 1998

Company registration number **R60** **2554213** **GL** **31** **12** **1998** **£000**

GL/UK/CM day month year Units

Period ended

Class	Relevant factor (Instruction 1)	Classes I, II & IX				Class III business with relevant factor of				Classes VII and VIII business with relevant factor of				Total for all classes		
		4% 1	4% 2	1% 3	Nil 4	Total 5	4% 6	4% 7	1% 8	Nil 9	Total 10	4% 11	1% 12	The financial year 13	The previous year 14	
11	Reserves before distribution of surplus	7774343	620505			620505					214659				8609507	6667026
12	Reserves for bonus allocated to policyholders															
13	Reserves after distribution of surplus	7774343	620505			620505					214659				8609507	6667026
14	Reserves before distribution of surplus	7770820	618705			618705					214659				8604184	6663862
15	Reserves for bonus allocated to policyholders															
16	Reserves after distribution of surplus	7770820	618705			618705					214659				8604184	6663862
17	Ratio of 16 to 13 or 0.85 if greater (see instruction 2)	0.9995				0.9971					1.0000					
19	Required margin of solvency - first result = (line 13) * (line 17) relevant factor	310818				24748					8586				344152	266547
21	Temporary assurance with required margin of solvency of 0.1%															
22	Non negative capital at risk before reinsurance (see instruction 3)															
23	Temporary assurance with required margin of solvency of 0.15%															
29	All other assurances with required margin of solvency of 0.3%															
29	Total (21 to 23)															
31	Non negative capital at risk after reinsurance (all contracts) (see instruction 3)															
32	Ratio of line 31 to line 29, or 0.50 if greater															
39	Required margin of solvency - second result (see instruction 4)															
49	Sum of first and second results (19+39)	310818				24748					8586				344152	266547
51	Required margin of solvency for supplementary Accident & Sickness Insurance & Class V business															
59	Total required margin of solvency for long term business (49+51)														344152	266547
61	Minimum guarantee fund														564	546
69	Required minimum margin (greater of lines 59 and 61)														344152	266547

PRUDENTIAL ANNUITIES LIMITED

Returns for the year ended 31 December 1998

Supplementary notes to Schedule 4

Form 48

4801 The amounts of accrued interest included in the value of admissible assets is :

Line	Description	1998 £'000
12	Fixed interest – approved securities	20,462
13	Fixed interest – other securities	161,747
14	Variable interest – approved securities	3,078
15	Variable interest – other securities	2,511
17	Loans secured by mortgages	3,974

These amounts are included in line 84 on form 13.

4802 There are two assets where the payment of interest is in default. The expected income from these assets has been reduced to nil.

PRUDENTIAL ANNUITIES LIMITED

Returns for the year ended 31 December 1998

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 42 (and the supplementary notes thereto) and statements required by Regulations 23 and 24 of the Insurance Companies (Accounts and Statements) Regulations 1996:
 - (i) the return has been prepared in accordance with the Regulations as modified by the orders referred to in supplementary note 0903 on Page 17 issued under Section 68 of the Insurance Companies Act 1982;
 - (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 of the Insurance Companies (Accounts and Statements) Regulations 1996 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. the margin of solvency required by section 32 of the Insurance Companies Act 1982 has been maintained throughout the financial year.
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, 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 funds 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 funds 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) no internal linked funds are maintained;
 - (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)

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 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.

.....
J K Elbourne
Director

.....
D J Belsham
Director

.....
A P Rutherford
Secretary

5 May 1999

PRUDENTIAL ANNUITIES LIMITED

Returns for the year ended 31 December 1998

Appointed Actuary's Certificate pursuant to Regulation 28(b) of the Insurance Companies (Accounts and Statements) Regulations 1996

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 as shown in Form 14 constitute proper provision at 31 December 1998 for the liabilities (other than the liabilities which had fallen due before 31 December 1998) arising under or in connection with contracts for long term business including the increase in those liabilities arising from the distribution of surplus as a result of the investigation as at 31 December 1998 into the financial condition of the long term business;
 - (iii) for the purposes of sub-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" issued by the Faculty and Institute of Actuaries dated 1 December 1998 and "GN8: Additional Guidance for Appointed Actuaries and Appropriate Actuaries" issued by the Faculty and Institute of Actuaries, dated 1 September 1996;
 - (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 these contracts and, in particular, to establish adequate mathematical reserves.
- (b) the amount of the required minimum solvency margin applicable to the Company's long term business immediately following 31 December 1998 (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 £344,152,000.

D J Belsham
Appointed Actuary
5 May 1999

PRUDENTIAL ANNUITIES LIMITED

Financial Year ended 31 December 1998

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 42 (including the supplementary notes thereto) ("the Forms");
- the statement required by Regulation 23 on pages 21 to 22 ("the statement"); and
- the certificate signed in accordance with Regulation 28(a) on pages 50 to 52 ("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; concerning shareholder controllers and the Appointed Actuary;
- (b) Paragraph 4(a) 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 in August 1992 and December 1995, referred to in supplementary note 0903 on page 17. 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.

Basis 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. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year on

which we reported on 24 February 1999. It also included an assessment of the significant estimates and judgements made by the Company in the preparation of 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 involved 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 appointed actuary on page 53 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.

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Southwark Towers
32, London Bridge Street
London SE1 9SY

5 May 1999

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