

Registered No 992726

PRUDENTIAL PENSIONS LIMITED

Annual Report and Accounts 2007

PRUDENTIAL PENSIONS LIMITED

Incorporated and registered in England and Wales. Registered No. 992726.
Registered Office: Laurence Pountney Hill, London EC4R 0HH.

Annual Report and Accounts 2007

CONTENTS	Pages
Directors	3
Directors' report	4 - 6
Statement of directors' responsibilities	7
Report of the auditors	8
Profit and loss account	9 - 10
Reconciliation of movement in shareholders fund	11
Balance sheet	12
Notes to the accounts	13 - 28

PRUDENTIAL PENSIONS LIMITED

Directors

D J Belsham (Chairman)

M Price

G Shaughnessy

J Talbot

M Thompson

J Willcocks

Secretary

Prudential Group Secretarial Services Limited

Auditor

KPMG Audit Plc, London

PRUDENTIAL PENSIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Principal activity

The principal activity of the Company is the writing of long-term insurance business in the United Kingdom. This activity will continue in 2008.

Business review

The Company accepts reinsurance from the Prudential Assurance Company Limited in respect of corporate pension schemes. In addition the Company sells direct investment only business to group pension schemes. All of the Company's products are unit-linked products. The profits from the Company's business accrue solely to shareholders.

The Company does not report against Key Performance Indicators in its Business Review. This is because the Company is part of the wider Prudential plc Group and the Group's business is managed on a divisional basis such as UK Insurance Operations. Key Performance Indicators exist for the management of the divisions, of which this Company's business forms a part. The divisional Key Performance Indicators can be found in the Annual Report of Prudential plc.

Market review and strategy

The operations of the Company are managed as part of the UK Insurance Operations (UKIO) of the Prudential plc Group. UKIO's long-term products consist of life insurance, pension products and pension annuities. In 2007, it continued its strategy of selectively competing in areas of the retirement savings and income markets where it can generate attractive returns. The Company remains focused on maximising value from the opportunity afforded by the fast growing need for retirement solutions.

Risks & uncertainties

The Company is a wholly owned subsidiary within the Prudential plc Group and as such forms a part of the overall risk management process of the Group. A significant part of the Group's business involves the acceptance and management of risk. The Group has a Risk Framework requiring all businesses and functions within the Group i.e. including the Company, to establish processes for identifying, evaluating and managing key risks. The system of internal control is an essential and integral part of the risk management process. As part of the annual preparation of its business plan, all of the Group's businesses and functions are required to carry out a review of risks including an assessment of the impact and likelihood of key risks and effectiveness of the controls in place to manage them. The assessment is reviewed regularly throughout the year and all businesses and functions within the Group are required to confirm annually that they have undertaken risk management. Actual performance is regularly monitored against the business plans. Detailed procedures are laid down in financial and actuarial procedure manuals. The insurance operations of the Group, such as the Company, also prepare a financial condition report.

Further detail about the key risks and uncertainties affecting the Company is provided in the sections financial risk management, market risk, credit risk and liquidity risk in note 7 and in the financial statements of the immediate parent company, Prudential Assurance Company Limited, and the ultimate parent company, Prudential plc.

Performance and measurement

The results of the Company for the year as set out on pages 9 and 10 show a profit on ordinary activities before tax of £12,343,000 (2006: Loss £66,520,000).

PRUDENTIAL PENSIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

The shareholders' funds of the Company total £11,477,000 (2006:£3,526,000).

Corporate responsibility

The Company is a wholly owned subsidiary within the Prudential plc Group, and as such forms a part of the overall approach to corporate responsibility (CR) for the Group. For the Group, CR is not an optional extra. It is fundamental to how the Group and its businesses and functions operate and is a philosophy that is now embedded therein. It is recognised that stakeholders increasingly support those companies that define and exhibit sound values around trust, ethics and environmental responsibility. It is also believed that performance in key areas of conduct such as corporate governance, environmental management, and employment practices can have a significant impact on its financial performance. The Group, of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures for example the Group Code of Business Conduct, the CR policy, and Health and Safety Policy. "Treating Customers Fairly" is a key ethic on which the Company conducts its business.

There is also a Corporate Responsibility Committee which is Group-wide and has responsibility for reviewing business conduct and social and environmental policy. A CR unit develops the Group's strategy, provides training across the Group, and works closely with the businesses and functions, of which the Company is a part, to provide advice and ensuring that core values are maintained and assisting with the adaptation of Group-wide initiatives to meet local needs.

Post balance sheet events

There have been no significant events affecting the Company since the balance sheet date.

Accounts

The state of affairs of the Company at 31 December 2007 is shown in the balance sheet on page 12. The profit and loss account appears on pages 9 to 10.

Share Capital

There were no changes in the Company's share capital during 2007.

Dividend

No dividend is proposed for the year (2006 : £10m).

Payment policy

The Company does not have any trade creditors and therefore codes or standards on payment practice and disclosure of trade creditor days are not applicable.

Directors

The present directors of the Company are shown on page 3.

Ms P Burgess resigned as director on 11 June 2007.

Mssrs G Shaughnessy, J Talbot, M Thompson, J Willcocks and M Price were appointed as directors on 15 August 2007, 29 August 2007, 30 August 2007, 6 September 2007 and 25 September 2007 respectively.

Mr J Willcocks was appointed an alternate director to Mr M Thompson on 7 December 2007.

PRUDENTIAL PENSIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

There were no other changes during the year.

Financial risk management

The Company's objectives and policy in relation to the management of financial risk resulting from its financial assets and liabilities is to minimise any risk. The Company's exposure to financial risk through its financial assets and liabilities is not considered material to the assessment of the Company's assets, liabilities, financial position, and the profit and loss of the Company. The Company's exposure to financial risk is limited due to the matching of policyholder liabilities to attaching asset value movements for unit linked business.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

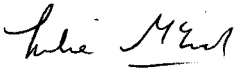
Auditor

In accordance with Section 487(2) of the Companies Act 2006, KPMG Audit Plc will be deemed to be re-appointed auditor of the Company for the current financial year.

Directors' and Officers' Protection

Prudential Plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential plc Group. In addition, the Articles of Association of the Company provide that, subject to the provisions of the Companies Act, but without prejudice to any indemnity to which a director may otherwise be entitled, every director or other officer or auditor of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or trust in relation to the affairs of the Company.

On behalf of the board of directors.



On behalf of Prudential Group Secretarial Services Limited
Secretary
26 March 2008

PRUDENTIAL PENSIONS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.



D J Belsham
Director

26th March 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRUDENTIAL PENSIONS LIMITED

We have audited the financial statements of Prudential Pensions Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Reconciliation of Movement in Shareholders' Fund, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
27 March 2008

PRUDENTIAL PENSIONS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

Technical Account	Notes	2007 £000	2006 £000
Earned premiums			
Gross premiums written	2	-	(1,437,428)
Investment income	3	797,709	399,090
Unrealised (losses)/gains on investment	3	(537,969)	361,964
Interest receivable	3	-	234
Other technical income		22,659	19,041
		<u>282,399</u>	<u>(657,099)</u>
Claims incurred, net of reinsurance			
Claims paid - gross amount		-	(54,172)
		<u>-</u>	<u>(54,172)</u>
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
- gross amount	10	13,259	1,423,418
- reinsurers' share	10	(13,036)	(9,015)
		<u>223</u>	<u>1,414,403</u>
Technical provisions for linked liabilities, net of reinsurance	10	(309,347)	(659,975)
		<u>(309,124)</u>	<u>754,428</u>
Other charges			
Foreign exchange gains/ (losses)	3	54,962	(95,463)
Interest payable	3	(1,528)	(1,795)
Net Operating Expenses			
- Acquisition costs		(1,993)	(2,449)
- Administrative expenses		(5,997)	(4,031)
Investment expenses and charges	3	(7,074)	(7,279)
Tax attributable to long term business	4	(4,183)	24,066
		<u>34,187</u>	<u>(86,951)</u>
Balance on the technical account - long term business		<u>7,462</u>	<u>(43,794)</u>

All of the amounts above are in respect of continuing operations.

The notes on pages 13 to 28 form an integral part of these financial statements.

PRUDENTIAL PENSIONS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

Non-Technical Account	Notes	2007 £000	2006 £000
Balance on technical account – long term business		7,462	(43,794)
Tax credit/(charges) attributable to the balance on the long term business technical account		2,573	(24,066)
Balance on the long term business technical account before tax		<u>10,035</u>	<u>(67,860)</u>
Investment income	3	670	1,322
Bank interest receivable	3	28	18
Operating profit/ (loss) on ordinary activities before tax		<u>10,733</u>	<u>(66,520)</u>
Tax on profit/(loss) on ordinary activities	4	(2,782)	23,664
Profit/(Loss) after tax		<u>7,951</u>	<u>(42,856)</u>

The Company has no recognised gains or losses other than those reported in the profit and loss account.

In accordance with the amendment to Financial Reporting Standard 3 (FRS 3) published in June 1999 no note of historical cost profits has been prepared as the Company's only material gains and losses on assets relate to the holding and disposal of investments.

All of the amounts above are in respect of continuing operations.

The notes on pages 13 to 28 form an integral part of these financial statements.

PRUDENTIAL PENSIONS LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUND FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	£000	£000
Profit/(Loss) for the financial year	7,951	(42,856)
Dividends	-	(10,000)
Net movement in shareholder's fund	7,951	(52,856)
Redemption of redeemable preference shares	-	(40,000)
Shareholders' fund at the beginning of the year as originally reported	3,526	94,289
Effect of FRS 26 on the opening balance sheet	-	2,093
Shareholders' fund at the beginning of the year as restated	3,526	96,382
Shareholders' fund at the end of the year	11,477	3,526

The notes on pages 13 to 28 form an integral part of these financial statements.

PRUDENTIAL PENSIONS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
ASSETS			
Investments			
Other financial investments	7	41,936	19,945
Assets held to cover linked liabilities	9	7,519,573	7,204,192
Reinsurers' share of technical provisions			
Long term business provision	10, 11	85,620	104,115
Technical provision for linked liabilities	10, 11	527,823	-
Debtors			
Other debtors	13	8,759	5,152
Other assets			
Cash at bank and in hand	14	6,080	4,822
Prepayments and accrued income			
Other prepayments and accrued income		440	460
Total assets		<u>8,190,231</u>	<u>7,338,686</u>
LIABILITIES			
Capital and reserves			
Called up share capital	16	6,000	6,000
Profit and loss account	10, 17	1,389	(6,562)
Capital redemption reserve	10	4,088	4,088
Total shareholders' funds attributable to equity interests		<u>11,477</u>	<u>3,526</u>
Technical provisions			
Long term business provision	10, 11	85,639	98,898
Claims outstanding	10	366	366
Technical provisions for linked liabilities	10	8,014,377	7,175,489
Provisions for other risks and charges			
Deferred taxation	4	3,440	1,120
Creditors			
Other creditors including taxation and social security	12	74,932	59,287
Total liabilities		<u>8,190,231</u>	<u>7,338,686</u>

The accounts on pages 9 to 28 were approved by the board of directors on 26th March 2008.



D J Belsham
Director

