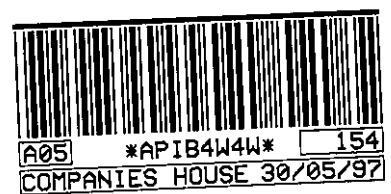


PRUDENTIAL UNIT TRUSTS LIMITED

Annual Report and Accounts 1996



PRUDENTIAL UNIT TRUSTS LIMITED

Incorporated and registered in England and Wales. Registered no. 1796126
Registered office: 142 Holborn Bars, London, EC1N 2NH

Annual report and accounts 1996

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PRUDENTIAL UNIT TRUSTS LIMITED

Directors

K L Bedell-Pearce
M L Cassoni
J Tomlins

Secretary

R Walker

Auditors

Price Waterhouse, London

PRUDENTIAL UNIT TRUSTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

Principal activity and business review

The principal activity of the Company is the sale and management of unit trusts. This will continue in 1997.

Accounts and dividend

The state of affairs of the Company at 31 December 1996 is shown in the balance sheet on page 6. The profit and loss account appears on page 4. No dividend will be paid for the year (1995: £Nil).

Directors

The present directors of the Company are shown on page 1. Ms M L Cassoni and Mr J Tomlins were appointed directors on 3 January 1996 and 30 December 1996, respectively. There were no other changes during the year.

Directors' interests

The interests of directors in office at the end of the year who were also directors of Prudential Unitised Products Holdings Limited, an intermediate parent company, or of the ultimate parent company are shown in the annual report and accounts of those companies.

Mr J Tomlins had interests in shares of 5p each in Prudential Corporation plc as follows:

(a) in shares including shares awarded under the Prudential Corporation Share Participation Plan:

<u>Date of appointment</u>	<u>31.12.96</u>
15,977	15,977

(b) under the Prudential Restricted Share Plan, in which shares are held in trust and represent the maximum award that can be made if the performance requirements of the Plan are met:

<u>Date of appointment</u>	<u>31.12.96</u>
9,816	9,816

(c) in options to subscribe for shares:

<u>Date of appointment</u>	During the year:			<u>31.12.96</u>
	<u>granted</u>	<u>exercised</u>		
(1) 42,000	Nil	Nil		42,000
(2) 2,715	Nil	Nil		2,715

Notes: (1) Prudential Executive Share Option Scheme
(2) Prudential Savings - Related Share Option Scheme

Except as stated above, none of the directors in office at the end of the year had any interest in shares in, or debentures of, any Group company either at the beginning of the year or at their later date of appointment or at the end of the year, or was granted or exercised any right to subscribe for shares in, or debentures of, any Group company during the year.

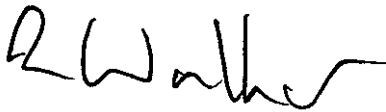
PRUDENTIAL UNIT TRUSTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

Auditors

In accordance with Section 386 of the Companies Act 1985, an elective resolution has been passed by the Company dispensing with the need to appoint auditors annually. Accordingly, Price Waterhouse shall be deemed to be re-appointed auditors of the Company for the current financial year.

On behalf of the board of directors.

A handwritten signature in black ink, appearing to read 'R Walker', with a stylized flourish at the end.

R Walker
Secretary
4 March 1997

PRUDENTIAL UNIT TRUSTS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996**

	NOTE	1996 £000	1995 £000
Turnover		485,928	263,669
Cost of Sales		(484,975)	(256,359)
Gross profit	2	<u>953</u>	<u>7,310</u>
Administrative expenses	3	(10,047)	(10,081)
Other operating income	5	<u>2,058</u>	<u>1,539</u>
Loss on ordinary activities before interest		(7,036)	(1,232)
Other interest receivable and similar income		513	572
Interest payable and similar charges	6	(382)	(761)
Loss on ordinary activities before taxation		<u>(6,905)</u>	<u>(1,421)</u>
Tax on loss on ordinary activities	7	2,277	612
Loss on ordinary activities after taxation		<u>(4,628)</u>	<u>(809)</u>
Retained loss for the year		(4,628)	(809)
Retained profit at the beginning of the year		<u>1,103</u>	<u>1,912</u>
Retained (loss)/profit at the end of the year		<u><u>(3,525)</u></u>	<u><u>1,103</u></u>

The Company has no recognised gains or losses other than the loss for the year as disclosed above, all of which is derived from continuing activities .

PRUDENTIAL UNIT TRUSTS LIMITED

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1996**

	1996 £000	1995 £000
Shareholders' funds at 1 January	10,103	5,912
New share capital issued	-	5,000
Losses after taxation	(4,628)	(809)
	<hr/>	<hr/>
Shareholders' funds at 31 December	<u>5,475</u>	<u>10,103</u>

PRUDENTIAL UNIT TRUSTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

	NOTE	1996 £000	1995 £000
Current assets			
Stock		1,732	2,076
Debtors	8	22,107	15,118
Cash at bank and in hand	15	104	3,095
		<hr/>	<hr/>
		23,943	20,289
 Creditors			
Amounts falling due within one year	9	(13,163)	(5,186)
		<hr/>	<hr/>
Net current assets		10,780	15,103
		<hr/>	<hr/>
Total assets less current liabilities		10,780	15,103
 Creditors			
Amounts falling due after more than one year	10	(5,000)	(5,000)
Provision for liabilities and charges	11	(305)	-
		<hr/>	<hr/>
		5,475	10,103
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	13	9,000	9,000
Profit and loss account		(3,525)	1,103
		<hr/>	<hr/>
Shareholders' Funds		5,475	10,103
		<hr/>	<hr/>

The accounts on pages 4 to 11 were approved by the board of directors on 4 March 1997.

M L Cassoni

M L Cassoni
Director

PRUDENTIAL UNIT TRUSTS LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

- a. **Accounting convention.** The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.
- b. **Deferred taxation.** Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except those which are not expected to reverse in the foreseeable future.
- c. **Stock.** The stock of units is valued at the lower of cost and net realisable value at the balance sheet date.
- d. **Indemnity commission.** Indemnity commission paid in relation to regular saver products is deferred and charged to the profit and loss account over 4 years on a straight line basis. A provision is made for amounts which are considered to be non-recoverable in the event of early withdrawal from the product.

2. Gross profit

Turnover arises principally from the initial charges receivable on sale of units and the management fees chargeable on the value of funds under management. Cost of sales includes commission and other costs. Certain of the costs attributable to the earning of management fees are included under administrative expenses. Turnover comprises the gross revenue arising during the year from the above continuing activities, all arising in the UK.

3. Administrative expenses

	1996 £000	1995 £000
Administrative expenses include:		
Auditors' remuneration		
- audit services	11	17
- non-audit services	11	63

The directors received no emoluments during the year for their services to the Company. (1995: £Nil)

PRUDENTIAL UNIT TRUSTS LIMITED

NOTES TO THE ACCOUNTS (continued)

4. Staff costs

All staff were employed during the year by the immediate parent company, Prudential Investment Products Limited, and as a consequence details of their remuneration are shown in the annual report and accounts of that company.

5. Other operating income

	1996 £000	1995 £000
Franked investment income	2,020	1,535
Sundry income	38	4
	<u>2,058</u>	<u>1,539</u>

6. Interest payable and similar charges

	1996 £000	1995 £000
Interest payable to group undertakings	382	760
Bank interest payable	-	1
	<u>382</u>	<u>761</u>

7. Taxation

	1996 £000	1995 £000
Corporation tax	2,705	964
Tax on franked investment income	(409)	(323)
Adjustments in respect of prior years	(19)	(29)
	<u>2,277</u>	<u>612</u>

Group relief is obtained from other group undertakings at the corporate tax rate of 33%. (1995: 33%)

PRUDENTIAL UNIT TRUSTS LIMITED

NOTES TO THE ACCOUNTS (continued)

8. Debtors

	1996	1995
	£000	£000
Amounts due from unit holders	4,275	3,913
Amounts due from group undertakings	948	289
Corporation tax recoverable	2,705	964
Other debtors	181	-
Prepayments and accrued income	13,998	9,952
	<u>22,107</u>	<u>15,118</u>

9. Creditors: amounts falling due within one year

	1996	1995
	£000	£000
Bank loans and overdrafts	2,746	-
Trade creditors	1,667	1,877
Amounts owed to group undertakings	8,637	3,160
Other creditors including taxation and social security	113	149
	<u>13,163</u>	<u>5,186</u>

10. Creditors: amounts falling due after one year

	1996	1995
	£000	£000
Amounts owed to group undertakings	<u>5,000</u>	<u>5,000</u>

The above is in respect of a subordinated loan agreement with Prudential Corporation plc at an annual interest rate of 1% above LIBOR repayable on or after 22 December 2000.

PRUDENTIAL UNIT TRUSTS LIMITED

NOTES TO THE ACCOUNTS (continued)

11. Provision for liabilities and charges

	1996	1995
	£000	£000
Other provisions	305	-
	<u>===</u>	<u>===</u>

12. Deferred taxation

	Potential Asset	
	1996	1995
	£000	£000
Depreciation in advance of capital allowances	-	38
Short term timing differences	-	(13)
	<u>---</u>	<u>---</u>
	-	25
	<u>===</u>	<u>===</u>

13. Called up share capital

	1996	1995
	£000	£000
Authorised		
At 1 January		
20,000,000 (10,000,000) ordinary shares of £1 each	20,000	10,000
Additional share capital authorised on 22 December 1995		
10,000,000 ordinary shares of £1 each	-	10,000
	<u>---</u>	<u>---</u>
At 31 December		
20,000,000 ordinary shares of £1 each	20,000	20,000
	<u>=====</u>	<u>=====</u>
Allotted, called up and fully paid		
At 1 January		
9,000,000 (1995: 4,000,000) ordinary shares of £1 each	9,000	4,000
Allotted on 22 December 1995 for cash at par		
5,000,000 ordinary shares of £1 each	-	5,000
	<u>---</u>	<u>---</u>
At 31 December		
9,000,000 ordinary shares of £1 each	9,000	9,000
	<u>=====</u>	<u>=====</u>

The increase in share capital was considered necessary by the directors in order to support the continued expansion of the business.

PRUDENTIAL UNIT TRUSTS LIMITED

NOTES TO THE ACCOUNTS (continued)

14. Immediate and ultimate parent company

The immediate parent company is Prudential Investment Products Limited. The ultimate parent company is Prudential Corporation plc, which is the only parent company which prepares group accounts, copies of which can be obtained from the Company Secretary, 142 Holborn Bars, London, EC1N 2NH.

15. Cash at bank

Under the terms of the Company's arrangements with the Prudential Group's main UK banker, the bank has a right of set-off between credit balances at the bank and all overdrawn balances of those group undertakings with similar arrangements.

16. Related party transactions

The Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the Prudential Group.

PRUDENTIAL UNIT TRUSTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for the Company which comply with the relevant provisions of the Companies Act 1985. In preparing those statements, the directors ensure that suitable accounting policies are selected and applied consistently, that reasonable and prudent judgements and estimates are made and that applicable accounting standards are followed. They also ensure that appropriate accounting records are maintained for the preparation of those statements and that reasonable steps are taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

After making appropriate enquiries, the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to use the going concern basis in preparing the financial statements.



M L Cassoni
Director
4 March 1997

AUDITORS REPORT TO THE SHAREHOLDERS OF PRUDENTIAL UNIT TRUSTS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared in accordance with the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 12 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on the statements and report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the Company's affairs at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

4 March 1997