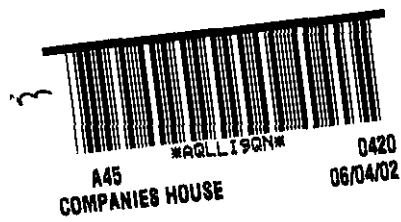


Registered No. 1796126

PRUDENTIAL UNIT TRUSTS LIMITED

2001 ANNUAL REPORT AND FINANCIAL
STATEMENTS



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 FINANCIAL STATEMENTS 2001

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PRUDENTIAL UNIT TRUSTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

G P J Shaughnessy (Chairman)
D W Dibben
G A Hitchens
M Lewis
G W MacDowall
J R Talbot

Principal activity

The principal activity of the Company is the distribution and management of unit trusts and the equity element of Individual Savings Accounts (ISA's).

Results and dividends

Details of the results for the year are set out in the profit and loss account on page 5.

No dividends have been paid during the year (2000: £nil). The Directors do not propose to recommend a final dividend.

Directors

The Directors in office during the year were as follows:

	Appointed	Resigned
M Lewis		
A J Ashplant		15 November 2001
N S Boyling		15 November 2001
D W Dibben	15 November 2001	
G A Hitchens	15 November 2001	
G W MacDowall	15 November 2001	
C A Richmond		3 December 2001
G P J Shaughnessy	22 November 2001	
A E Smith		26 February 2001
J R Talbot	15 November 2001	
S Tompkins		31 October 2001
W G Vasilieff		30 April 2001
D K Watson		15 November 2001

Directors' interests

Messrs M Lewis and Mr G Shaughnessy are also Directors of M&G Limited, the immediate parent company, and their interests are shown in the annual report and accounts of that Company.

Other Directors in office at the end of the year had interests as follows:

(a) in Prudential plc shares of 5p each:	Shares at 31.12.01	Shares at date of appointment
G W MacDowall	3,284	3,284
J R Talbot	23,213	23,213

PRUDENTIAL UNIT TRUSTS LIMITED

Directors' interests continued

(b) in Egg plc, a subsidiary of Prudential plc, shares of 50p each:	Shares at 31.12.01	Shares at date of appointment
J R Talbot	940	940
(c) in Prudential Corporation Holdings Limited, £1 loan notes:	Loan notes at 31.12.01	Loan notes at date of appointment
G W MacDowall	5,750	5,750

(d) in Prudential plc share options under the Prudential savings-related share option scheme:

	Options at date of appointment	During the year Granted	Exercised	Options at 31.12.01
G A Hitchens	1,410	-	-	1,410
G W MacDowall	2,240	-	-	2,240
J R Talbot	3,905	-	-	3,905

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 a later date of appointment or at the end of the year; or
- were granted or exercised any right to subscribe for shares in, or debentures of, any Group company during the year or, if appointed during the year, since the date of their appointment up to the end of the year.

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

PRUDENTIAL UNIT TRUSTS LIMITED

Auditors

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will, therefore, continue in office.

Approved by the Board.



J P McClelland
Secretary
142 Holborn Bars
London, EC1N 2NH.

27 March 2002

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PRUDENTIAL UNIT TRUSTS LIMITED

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

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 Company's affairs as at 31 December 2001 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

28 March 2002

PRUDENTIAL UNIT TRUSTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 £'000	2000 £'000 as restated (see note 2)
Revenue	3	18,338	18,244
Operating expenses		<u>(19,026)</u>	<u>(18,875)</u>
Operating loss from continuing operations	4	(688)	(631)
Interest receivable and similar income	6	702	1,269
Interest payable	7	<u>(59)</u>	<u>(327)</u>
(Loss)/profit on ordinary activities before tax		(45)	311
Tax on (loss)/profit on ordinary activities	8	<u>(124)</u>	<u>(717)</u>
Loss on ordinary activities after tax retained for the year		<u><u>(169)</u></u>	<u><u>(406)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2001

		2001 £'000	2000 £'000 as restated (see note 2)
Loss after tax attributable to shareholders		(169)	(406)
Total recognised gains and losses relating to the year		<u>(169)</u>	<u>(406)</u>
Prior period adjustment	2	(155)	
Total gains and losses recognised since the last annual report		<u><u>(324)</u></u>	

PRUDENTIAL UNIT TRUSTS LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2001

	Note	2001 £'000	2000 £'000 as restated (see note 2)
Current assets			
Stock		2,271	1,485
Deferred tax asset	9	350	466
Debtor	10	7,079	8,759
Cash at bank	11	8,178	19,749
		<u>17,878</u>	<u>30,459</u>
Creditors – amounts falling due within one year	12	(7,504)	(19,916)
Net assets		<u>10,374</u>	<u>10,543</u>
Capital and reserves			
Called up share capital	13	35,000	35,000
Profit and loss account	14	(24,626)	(24,457)
Total equity shareholders' funds		<u>10,374</u>	<u>10,543</u>

Approved by the Board of Directors and signed on its behalf by:-



M Lewis
Director



G W MacDowall
Director

27 March 2002

PRUDENTIAL UNIT TRUSTS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 £'000	2000 £'000 as restated (see note 2)
Loss after tax attributable to shareholders	(169)	(406)
Opening equity shareholders' funds	10,543	10,949
Closing equity shareholders' funds	<u>10,374</u>	<u>10,543</u>

PRUDENTIAL UNIT TRUSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

1. Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has relied on the exemption given in FRS 1 (revised 1996) not to disclose a cash flow statement as the consolidated financial statements of its ultimate parent are publicly available.

The principal accounting policies that the Directors have adopted are set out below:

a) Revenue

Revenue from the purchase and sale of units is included in the profit and loss account as it is earned.

Management fees represent the Company's periodic charge made to the trustee of the funds and are accounted for on an accrued basis.

b) Deferred tax

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences, which have arisen but not, reversed at the balance sheet date.

c) Stock

Stocks of units are valued at the lower of cost and middle-market value at the balance sheet date.

d) Interest receivable

Interest receivable from group undertakings is included in the profit and loss account on an accrued basis.

e) Investment Income

Dividends on equities and distributions on unit trusts are included when the investments are quoted ex-dividend. Income on fixed interest investments is accrued on a daily basis after making appropriate adjustments for purchases and sales.

f) Expenses recognition

Operating expenses include a recharge from the immediate parent company of costs borne on behalf of the Company.

2. Prior year adjustment

In order to comply with the requirements of FRS19, on deferred tax, the Company has made a prior period adjustment, to recognise the deferred tax asset in relation to accelerated capital allowances. The prior period adjustment gives rise to a cumulative increase to reserves of £466,000 in the 2001 accounts, of which a decrease of £155,000 relates to 2000 and an increase of £621,000 relates to 1999 and prior periods.

The comparative figures for 2000 have been restated in accordance with the new accounting policy, resulting in a decrease in the loss after tax of £155,000. Had the new policy not been adopted in the current year, the loss after tax would have increased by £116,000.

PRUDENTIAL UNIT TRUSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

3. Revenue	2001 £'000	2000 £'000
Gross sales of units	382,935	445,569
Less: cost of sales of units	(387,909)	(455,380)
Revenue from the purchase and sale of units	(4,974)	(9,811)
Management fees	23,312	28,055
	<u>18,338</u>	<u>18,244</u>

4. Operating loss

The operating loss for the year ended 31 December 20001 is stated after charging/(crediting) the following exceptional items:

Integration costs arising from Prudential plc's acquisition of M&G	-	(699)
Allocation of the Prudential plc's Retail Sales Force redundancy costs	4,646	-
Release of provision made for shortfall on property lease subletting	<u>(2,178)</u>	<u>-</u>

Auditors' remuneration was paid by M&G Limited, the immediate parent company.

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

5. Directors' emoluments

Total directors' emoluments for the year are as follows:

Salary and other benefits of executive directors	<u>-</u>	<u>-</u>
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The services of N S Boyling, D W Dibben, G A Hitchens, G W MacDowall, C A Richmond, A E Smith, S Tompkins and W G Vasilieff were provided by M&G Limited and no part of their remuneration is specifically attributable to their services to Prudential Unit Trusts Limited.

Four Directors (2000: four) were also directors of M&G Limited and received no emoluments in connection with the management of the affairs of the Company. Their remuneration, as Directors of M&G Limited, is disclosed in the accounts of that company..

6. Interest receivable and similar income

Interest receivable from group undertakings	619	1,232
Sundry income	58	26
Unlisted investments	25	11
	<u>702</u>	<u>1,269</u>

7. Interest payable

Interest payable to group undertakings	56	325
Other interest payable	3	2
	<u>59</u>	<u>327</u>

PRUDENTIAL UNIT TRUSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

8.	Tax	2001 £'000	2000 £'000
	a) Analysis of charge in the year		
	Current tax		
	Tax on (loss)/profit on ordinary activities:		
	UK corporation tax on (losses)/profits for the year	48	185
	Adjustments in respect of previous periods	(40)	377
		<u>8</u>	<u>562</u>
	Deferred tax		
	Origination and reversal of timing differences	116	155
	Tax charge on (loss)/profit on ordinary activities	<u>124</u>	<u>717</u>
	b) Factors affecting tax credit/(charge) for the year		
	Group relief is obtained from other group undertakings at a tax rate of 30%.		
	The tax assessed in the year is higher than the standard rate of corporation tax in the UK and the differences are explained below. The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the year for which the profits of the company will be taxed.		
	(Loss)/profit on ordinary activities before tax	(45)	311
	(Loss)/profit on ordinary activities at standard rate of corporation tax in the UK of 30%	(13)	94
	Effects of:		
	Permanent differences	61	91
	Deferred tax recognised in period	116	155
	Adjustments to current tax in respect of previous periods	(40)	377
		<u>124</u>	<u>717</u>
	c) Factors that may affect future tax charges		
	Based on the current capital investment plans, the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years.		
9.	Deferred tax asset		
	Provision for deferred tax		
	Accelerated capital allowances	<u>350</u>	<u>466</u>
	Deferred tax asset at start of year	466	621
	Deferred tax credited to the profit and loss account for the year	(116)	(155)
		<u>350</u>	<u>466</u>
10.	Debtors		
	Debtors for unit sales	115	390
	Unit trust trustees for units cancelled	2,859	3,798
	Amounts due from group undertakings	767	4,372
	Other debtors	3,338	199
		<u>7,079</u>	<u>8,759</u>

PRUDENTIAL UNIT TRUSTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

11. 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.

12. Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Creditors for unit redemption's	3,227	4,031
Unit trust trustees for units created	120	1,437
Amounts owed to group undertakings	4,033	13,812
Corporation tax	7	423
Other creditors	117	213
	<u>7,504</u>	<u>19,916</u>

13. Share capital

Authorised, allotted and fully paid
35 million ordinary shares of £1 each

<u>35,000</u>	<u>35,000</u>
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14. Movements on reserves

	Profit and loss account £'000
As at 1 January 2001	(24,923)
Adjustment to prior year – deferred tax	466
As at 1 January 2001 as restated	(24,457)
Retained loss for the year	(169)
As at 31 December 2001	<u>(24,626)</u>

15. Immediate and ultimate parent company

The immediate parent company is M&G Limited.

The Company's ultimate parent company is Prudential plc, a company registered in England and Wales. Consolidated accounts are prepared by Prudential plc and copies of these are available from the Registered Office at Laurence Pountney Hill, London, EC4R 0HH.

16. Related party transactions

In accordance with FRS 8 the Company is required to disclose details of its related party transactions with the unit trusts that it manages. The Company earned £18,338,000 during the year from the management of unit trusts, as disclosed in note 3.

The Company has taken advantage of the exemption under FRS 8 from disclosing transactions with other subsidiary undertakings of the Prudential Group.