



Prudential Retirement Income Limited

Incorporated and registered in Scotland Registered number 47842
Registered Office PO Box 25, Craigforth, Stirling, FK9 4UE

**Annual FSA Insurance Returns for the year ended
31st December 2001**



Returns under the Accounts and Statements Rules

(Appendices 1 , 3 , 4 , 6)

Returns under the Accounts and Statements Rules

Prudential Retirement Income Limited

Year ended 31st December 2001

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Statement of solvency

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**

R9	Company registration number 47842	GLUK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2001	
	As at the end of this financial year 1	As at the end of the previous year 2	Source			
			Form	Line	Column	

GENERAL INSURANCE BUSINESS**Available assets**

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

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

LONG TERM INSURANCE BUSINESS**Available assets**

Long term insurance business admissible assets	21	1056106	373300	10 . 11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22	59617	38697	See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23	1042767	370543	See instruction 4
Other insurance and non-insurance liabilities	24	13339	2757	See instruction 5
Available assets for long term insurance business required minimum margin (21+22-23-24)	25	59617	38697	

Implicit Items admitted under Rule 2.10 [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	59617	38697	
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Required minimum margin

Required minimum margin for long term insurance business	41	41711	14821	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	6952	2470	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	52665	36227	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44	17906	23876	

CONTINGENT LIABILITIES

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

Covering sheet to Form 9

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**

..... **G M Wood** **Chief Executive**

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

..... **M J Moores** **Director**

London 24 April 2002

Statement of net assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**

	R10	Company registration number	GL/UK/CM	Period ended			Units
		47842	GL	day	month	year	
				31	12	2001	£000
		As at the end of this financial year 1	As at the end of the previous year 2	Source			
				Form	Line	Column	
Long term insurance business - admissible assets	11	1056106	373300	13	89	1	
Long term insurance business - liabilities and margins	12	1056106	373300	14	59	1	

Other than Long term insurance business - admissible assets	21	62627	43721	13	89	1	
Other than Long term insurance business - liabilities	22	3010	5024	15	69	1	
Net admissible assets (21-22)	23	59617	38697				
Other assets allowed to be taken into account in covering the required minimum margin	Unpaid amounts (including share premium) on partly paid shares	24					
	Supplementary contributions for a mutual carrying on general insurance business	25					
Liabilities allowed to be left out of account in covering the required minimum margin	Subordinated loan capital	26					
	Cumulative preference share capital	27					
Available assets (23 to 27)	29	59617	38697				

Represented by:

Paid up share capital (other than cumulative preference share capital)	51	93700	45700				
Amounts included in lines 24 to 27 above	52						
Amounts representing the balance of net assets	56	(34083)	(7003)				
Total (51 to 56) and equal to line 29 above	59	59617	38697				

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

Balance brought forward at the beginning of the financial year	61	(7003)	62	10	56	2	
Retained profit/(loss) for the financial year	62	(27080)	(7082)	16	59	1	
Movement in asset valuation differences	63		17				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	(34083)	(7003)				

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	47842	GL	31	12	2001	£000	1
					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 business 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 insurer has a participating interest		30					
Total sheet 1 (11 to 30)					39				

Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	47842	GL	31	12	2001	£000	1
					day	month	year		
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	15733	20249		
			Other		46	11864	5908		
		Variable interest	Approved securities		47	14785			
			Other		48		3702		
	Participation in investment pools				49				
	Loans secured by mortgages				50				
	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	813			
		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	43195	29859			

Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	47842	GL	day	month	year	£000	1
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					
	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		9796		3061	
		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		8937		10187	
	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		699		614	
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86					
Deductions (under rules 4.14(2)(b) and 4.14(3)) [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		19432		13862	
Grand total of admissible assets (39+69+88)				89		62627		43721	
Reconciliation to asset values determined in accordance with the shareholder accounts rules									
Total admissible assets (as per line 89 above)				91		62627		43721	
Total assets in excess of the admissibility limits of Appendix 4.2, [Schedule 12 of the Insurance Companies Regulations 1994] (as valued in accordance with those Rules 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		62627		43721	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100		4		10	

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
		R13	47842	GL	31	12	2001	£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	18321			
Investments in group undertakings and participating interests	UK insurance business 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 insurer has a participating interest				30				
Total sheet 1 (11 to 30)						39	18321			

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	47842	GL	31	12	2001	£000	10
					day	month	year		
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	144706		109302		
			Other	46	485484		214878		
		Variable interest	Approved securities	47	2369				
			Other	48	3657				
	Participation in investment pools			49					
	Loans secured by mortgages			50	4323				
	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	1094				
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	6452				
		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	373338		28509			
	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	1021423		352689			

Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	47842	GL	31	12	2001	£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	1336				
	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	2238			8916	
		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				3670	
	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	12788			8025	
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86					
Deductions (under rules 4.14(2)(b) and 4.14(3) [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	16362			20611	
Grand total of admissible assets (39+69+88)				89	1056106			373300	
Reconciliation to asset values determined in accordance with the shareholder accounts rules									
Total admissible assets (as per line 89 above)				91	1056106			373300	
Total assets in excess of the admissibility limits of Appendix 4.2, [Schedule 12 of the Insurance Companies Regulations 1994] (as valued in accordance with those Rules 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	279				
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	1056385			373300	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100	1013			6830	

Long term insurance business liabilities and margins

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
R14	47842	GL	31	12	2001	£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	1042767	370543		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 insurance business fund carried forward (11 to 13)		14	1042767	370543		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 insurance business	31	1887			
		Reinsurance accepted	32		414		
		Reinsurance ceded	33				
	Debenture loans	Secured	34				
		Unsecured	35				
	Amounts owed to credit institutions		36	3166			
	Other creditors	Taxation	37	337			
		Other	38	7627	2343		
Accruals and deferred income		39	322				
Provision for adverse changes (calculated in accordance with rule 5.3) [Regulation 61 of the Insurance Companies Regulations 1994]		41					
Total other insurance and non-insurance liabilities (17 to 41)		49	13339	2757			
Excess of the value of net admissible assets		51				See Instruction 6	
Total liabilities and margins		59	1056106	373300			
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	3174	335			
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 insurance business)Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**

		Company registration number	GL/UK/CM	Period ended			Units		
		R15	47842	GL	31	12	2001	£000	
					day	month	year		
					As at the end of this financial year 1		As at the end of the previous year 2		
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		100			
	Other			22					
Deposits received from reinsurers				31					
Creditors	Arising out of insurance operations	Direct insurance business			41				
		Reinsurance accepted			42				
		Reinsurance ceded			43				
	Debenture loans	Secured			44				
		Unsecured			45				
	Amounts owed to credit institutions				46				
	Other creditors	Taxation			47				
		Recommended dividend			48				
		Other			49		2856	5024	
Accruals and deferred income				51		54			
Total (19 to 51)				59		3010	5024		
Provision for adverse changes (calculated in accordance with rule 5.3) [Regulation 61 of the Insurance Companies Regulations 1994]				61					
Cumulative preference share capital				62					
Subordinated loan capital				63					
Total (59 to 63)				69		3010	5024		
Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance				71					

Profit and loss account (non-technical account)

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**

		Company registration number	GL/UK/CM	Period ended			Units	
		R16	47842	GL	31	12	2001	£000
		This financial year	Previous year		Source			
		1	2		Form	Line	Column	
Transfer (to)/from the general insurance business technical account	From Form 20	11			20	59		
	Equalisation provisions	12						
Transfer from the long term insurance business revenue account		13	(35265)	(10535)	40	26		
Investment income	Income	14	1913	130				
	Value re-adjustments on investments	15		315				
	Gains on the realisation of investments	16		38				
Investment charges	Investment management charges, including interest	17	48	3				
	Value re-adjustments on investments	18	380					
	Loss on the realisation of investments	19	478					
Allocated investment return transferred to the general insurance business technical account		20			20	51		
Other income and charges (particulars to be specified by way of supplementary note)		21	(119)	(85)				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	(34377)	(10140)				
Tax on profit or loss on ordinary activities		31	(7297)	(3058)				
Profit or loss on ordinary activities after tax (29-31)		39	(27080)	(7082)				
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	(27080)	(7082)				
Dividends (paid and proposed)		51						
Profit or loss retained for the financial year (49-51)		59	(27080)	(7082)				

Analysis of derivative contractsName of insurer **Prudential Retirement Income Limited**

Global business

Insurance Business **Long term**Financial year ended **31st December 2001**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets
				day	month	year		
R17		47842	GL	31	12	2001	£000	10
Derivative contracts		As at the end of this financial year			As at the end of the previous year			
		Assets 1	Liabilities 2	Assets 3	Liabilities 4			
Futures contracts	Fixed-interest securities	11						
	Equity shares	12						
	Land	13						
	Currencies	14						
	Other	15						
Options	Fixed-interest securities	21						
	Equity shares	22						
	Land	23						
	Currencies	24						
	Other	25						
Contracts for differences	Fixed-interest securities	31						
	Equity shares	32						
	Land	33						
	Currencies	34						
	Other	35			270			
Adjustments for variation margin		41						
Total (11 to 41)		49			270			

Long term insurance business : Revenue accountName of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2001**Name and number of fund/Summary **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	
			day	month	year					
	R40	47842	GL	31	12	2001	£000	OB	1	0
Items to be shown net of reinsurance ceded									The financial year 1	Previous year 2
Earned premiums						11	671980	347875		
Investment income receivable before deduction of tax						12	39985	13368		
Increase (decrease) in the value of non-linked assets brought into account						13	(13748)	4941		
Increase (decrease) in the value of linked assets						14				
Other income						15				
Total income (11 to 15)						19	698217	366184		
Claims incurred						21	50724	5870		
Expenses payable						22	10526	306		
Interest payable before deduction of tax						23	8			
Taxation						24				
Other expenditure						25				
Transfer to (from) non technical account						26	(35265)	(10535)		
Total expenditure (21 to 26)						29	25993	(4359)		
Increase (decrease) in fund in financial year (19-29)						39	672224	370543		
Fund brought forward						49	370543			
Fund carried forward (39+49)						59	1042767	370543		

Long term insurance business : Analysis of premiums and expenses

Name of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2001**Name and number of fund/Summary **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	
			day	month	year					
	R41	47842	GL	31	12	2001	£000	OB	1	0
						Gross	Payable to or recoverable from reinsurers	Net of reinsurance (1-2)		
						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		671980			671980	
		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		671980			671980	
		Regular premium		29						
Total premiums at lines 19 and 29 attributable to	UK contracts		31		671980			671980		
	Overseas contracts		32							
Expenses payable in the financial year	Commission payable in connection with acquisition of business			41		1644			1644	
	Other commission payable			42						
	Management expenses in connection with acquisition of business			43		4870			4870	
	Management expenses in connection with maintenance of business			44		1651			1651	
	Other management expenses			45		2361			2361	
	Total expenses (41 to 45)			49		10526			10526	
	Total expenses at line 49 attributable to	UK contracts		51		10526			10526	
Overseas contracts		52								

Long term insurance business : Analysis of claims

Name of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2001**Name and number of fund/Summary **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	
			day	month	year					
	R42	47842	GL	31	12	2001	£000	OB	1	0
Claims incurred in the financial year						Gross 1	Recoverable from reinsurers 2	Net of reinsurance (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						
	By way of lump sums on vesting			22		345				345
	By way of vested annuity payments			23		48311				48311
	On surrender or partial surrender			24		2068				2068
	Total pension business claims (21 to 24)			29		50724				50724
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		50724				50724
Total claims at line 59 attributable to	UK contracts			61		50724				50724
	Overseas contracts			62						

Long term insurance business : Summary of changes in ordinary long term businessName of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 2001**

		Company registration number		GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
		R46	47842		GL	day	month				year
						31	12				2001
							£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			20206							
New business and increases	12			7769							
Net transfers and other alterations 'on'	13			166							
Total 'on' (12+13)	19			7935							
Deaths	21			282							
Other insured events	22										
Maturities	23										
Surrenders	24			19							
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			301							
In force at end of year (11+19-29)	39			27840							

Long term insurance business : Summary of changes in ordinary long term businessName of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Linked

Financial year ended **31st December 2001**

		Company registration number	GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
		R46	47842	GL	31	12	2001	£000	UK	LN
		Life assurance and general annuity		Pensions business		Permanent health		Other business		
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	
		1	2	3	4	5	6	7	8	
In force at beginning of year	11			360						
New business and increases	12			8054						
Net transfers and other alterations 'on'	13			31						
Total 'on' (12+13)	19			8085						
Deaths	21			21						
Other insured events	22									
Maturities	23									
Surrenders	24			1						
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			22						
In force at end of year (11+19-29)	39			8423						

Long term insurance business : Analysis of new ordinary long term business

Name of insurer Prudential Retirement Income Limited

Global business

Financial year ended 31st December 2001

Type of insurance	Single premium contracts				Regular premium contracts				Sums assured, annuities per annum or other measures of benefit
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit			
	2	3	4	5	6	7			
1									
UK DIRECT WRITTEN BUSINESS									
Pension Business									
Non-Linked Non-Profit Policies									
Annuity in payment	7769	275603	23620 pa						
Group deferred annuity	1509	35937	3055 pa						
Sub total: Non-Linked Non-Profit Policies	9278	311640	26675 pa						
Index Linked Contracts									
Annuity in payment	8054	312808	22850 pa						
Group deferred annuity	1589	47632	2584 pa						
Sub total: Index Linked Contracts	9643	360440	25434 pa						
Total: Pension Business	18921	671980	52109 pa						
Total: UK Direct Written Business	18921	671980	52109 pa						

Company registration number R47

GL/JK/CM

GL 31 12 2001

Units £000

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefitsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**Category of assets **Total long term business assets**

Type of asset	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	47842	GL	31	12	2001	£000	10
			Value of admissible assets as shown on Form 13	1	Expected income from admissible assets	2	Yield %	3
Land and buildings		11	18321		1348		7.88	
Fixed interest securities	Approved securities	12	146778		8256		5.14	
	Other	13	495813		32549		6.63	
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14	2390		63		2.35	
	Other	15	3681		136		3.39	
Equity shares and holdings in collective investment schemes		16						
Loans secured by mortgages		17	4405		315		7.19	
All other assets	Producing income	18	7546		371		4.92	
	Not producing income	19	3834					
Total (11 to 19)		29	682768		43038		6.32	

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**

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		
					31	12	2001	£000	10
11									
12	32841	5.38							
13	14562	5.54		Variable interest and variable yield		104	2.62		
14	10116	5.48		approved securities		986	2.47		
15	52184	5.13		excluding equities		636	2.36		
16	7669	5.20				136	2.26		
17	29406	4.94				528	2.20		
18									
19	146778	5.14				2390	2.35		
20									
21									
22	12373	6.44		Other variable interest and variable yield securities					
23	75737	6.55	6126						
24	58481	6.76	942			302	3.44		
25	105847	6.69	5027			392	4.06		72
26	77352	7.19	3905			1162	3.63		
27	160053	6.31	5216			1825	3.07		
28	5970	7.11							
29	495813	6.63	21216			3681	3.39		72

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2001

Schedule 4

Valuation Report on Prudential Retirement Income Limited as at 31 December 2001

1. Date of investigation

The investigation relates to 31 December 2001.

2. Date of previous investigation

The previous investigation related to 31 December 2000.

3. Conformity with Rule 5.6

The valuation of long term insurance business liabilities shown in this report conforms with Rule 5.6 of the Interim Prudential Sourcebook for Insurers.

4. Description of non-linked contracts

(1) (c) Categories of in force non-linked business are as follows:

(i) Annuities in payment

These are non-profit annuities, written on either a single life or joint life and last survivor basis, which provide a level series of payments throughout the life of the annuitant(s), or incorporate a provision for payments to increase annually at a guaranteed rate. The annuity may incorporate a minimum guaranteed period of payment. Enhanced annuities are available to policyholders suffering from a range of medical conditions that have an adverse impact on life expectancy.

(ii) Deferred annuities

These are non-profit deferred annuities, written on either a single life or joint life and last survivor basis, which are either single premium or fully paid-up contracts. Benefits are expressed as amounts of deferred annuity per annum payable at retirement. The benefit at retirement may be a level series of payments throughout the life of the annuitant(s), or incorporate a provision for payments to increase annually at a guaranteed rate. The annuity may incorporate a minimum guaranteed period of payment starting at retirement. On death before the end of the deferred period, a lump sum or dependant's annuity may be payable.

Valuation Report (continued)

5. Description of linked contracts

- (1) (a) RPI-linked annuities.
 - (b) These contracts are classified as:
United Kingdom pension business;
Business is written directly, and reinsurance is accepted;
Non-profit annuities in payment and in deferment.
 - (c) These are all single premium contracts.
 - (d) These are non-profit annuities, written on either a single life or joint life and last survivor basis, which provide a series of payments throughout the life of the annuitant(s) which are revalued, annually, in line with the Retail Price Index. The annuity may incorporate a minimum guaranteed period of payment. In some cases, the revaluation may have a maximum and/or minimum percentage increase. Enhanced annuities are available to policyholders suffering from a range of medical conditions that have an adverse impact on life expectancy.
 - (e) There are no guaranteed investment returns other than those implicit in the guaranteed annuity benefit.
 - (f) The guaranteed annuity benefit is calculated incorporating an allowance for initial and renewal expenses and commission.
 - (g) Not applicable.
 - (h) Not applicable.
 - (i) See (d) above.
 - (j) None.
 - (k) The contract was open to new business during the year to the valuation date.
 - (l) Not applicable.
- (2) No linked contract contains a with-profits option.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.
- (6) Not applicable.

Valuation Report (continued)

6. Valuation principles and methods

- (1) The mathematical reserve for annuities in payment is the present value of the annuities.

The mathematical reserve for RPI-linked annuities is, in general, determined without an explicit allowance for future increases in annuity payments, which is consistent with the treatment of the matching assets. The treatment of RPI-linked annuities which are subject to maximum and minimum percentage increases is described in 6(1)(h) below.

The mathematical reserve for non-profit deferred annuities is the present value of the annuity secured to date.

In particular, the following principles have been observed:

- (a) Derivative contracts as at 31 December 2001 comprised:
- i) A contract to swap future income increasing at a fixed rate each year for income varying in line with changes in LPI (i.e. in line with changes in RPI, subject to a minimum annual increase of 0% and a maximum annual increase of 5%).

The effect of the swap contract described in 6(1)(a) is to produce LPI-linked sterling cashflows. The cashflows involved in these arrangements were included in the aggregate cashflows from the portfolio, to give the aggregate yield on the portfolio. This is in accordance with a waiver under section 148 of the Financial Services and Markets Act 2000 which was previously issued as a section 68 order in September 2001.

- (b) Not applicable.
- (c) The net premium method has not been used.
- (d) There are no contracts where negative values could arise.
- (e) No reserve for future bonuses is required.
- (f) No provision for any prospective liability for tax on unrealised capital gains has been included in the mathematical reserves since the Company transacts pension business only and no capital gains tax liability is expected to arise.
- (g) Not applicable.
- (h) As described in 5(1)(d), some RPI-linked annuities are subject to maximum and minimum percentage increases. RPI-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 5% are treated as being identical to normal RPI-linked annuities.

Valuation Report (continued)

(i) No additional reserve was held in respect of counterparty risk in connection with derivative contracts. The need for a reserve was assessed based on counterparty exposure limits and arrangements for the use of collateral. At 31 December 2001 there was no potential debt if the sole counterparty had defaulted at that date.

(2) Not applicable.

7. Interest, mortality bases, resilience, etc.

(1) See Forms 51 and 54 and the notes to Forms 51 and 54. The '+3' in mortality basis C refers to a rating up by 3 years in age.

(2) The mortality tables used are published tables.

(3) All business is written in the UK, and UK-based mortality tables have been used.

(4) Annuities are generally valued using a percentage of the 92 series (year of birth) tables for annuitants and pensioners. The percentage is selected so that the valuation makes allowance for future mortality improvement at a faster rate than that implicit in the underlying tables. For some annuity contracts a calendar year table was used with a percentage adjustment, to the current level of mortality, equivalent to a suitable allowance for future mortality improvement.

(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) an immediate decrease of 20% in the rates of interest obtainable on fixed interest securities, an immediate decrease of 25% in the real yields on index-linked stocks and a 10% fall in property values.

(b) an immediate increase of 3 percentage points in the rates of interest obtainable on fixed interest securities, an immediate increase of 25% in the real yields on index-linked stocks and a 20% fall in property values.

Scenario (a) was the more onerous.

The effect of the swap contracts described in 6(1)(a)i) is to produce LPI-linked sterling cashflows, and the scenarios have been tested against the aggregate yield of the non-linked assets and the associated swap contract.

Valuation Report (continued)

- (7) The reserve required under Rule 5.17(a) of the Interim Prudential Sourcebook for Insurers is calculated by projecting:
- (a) the risk adjusted cashflows from the assets held (including the assets backing the additional reserve held under Rule 5.17(a)) and;
 - (b) the future liability payments on the valuation assumptions.

The cashflow projections show that there is expected to be an excess of income over outgo in the earlier years. These excess amounts are assumed to be invested in cash and accumulated to meet the shortfall of asset income in later years. The cash investment rate is assumed to be 4.36%. In later years where outgo exceeds income the cash borrowing rate is assumed to be 6.36%. The additional reserve is set so that all liability cashflows can, on these assumptions, be met as they fall due.

A total reserve of £26,084,000 was held at 31 December 2001.

- (8)
- (a) Valuation rates of interest are adjusted as shown in Form 57. No other assumptions are changed.
 - (b) Assets are hypothecated to liabilities as shown in Form 57. Yields on assets are adjusted by 0.35% and 0.25% to allow for defaults on fixed interest and RPI-linked assets (other than government securities) respectively.
 - (c) Under the scenario which produces the most onerous requirement:
 - (i) the aggregate amount of the long term liabilities increased by £102,916,000 after allowing for the release of the cashflow mismatching reserve described in 7(7) above.
 - (ii) the aggregate amount of the assets backing these liabilities increased by £112,613,000.

Hence the reserve shown in 7(7) is adequate to cover the provision required in respect of Rule 5.17(a) and 5.17(b).

- (9) Liabilities are all in sterling.

8. Valuation of non-linked business

- (a) Not applicable.
- (b) See Forms 51.
- (c) Not applicable.
- (d) Not applicable.

Valuation Report (continued)

9. Valuation of linked business

- (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. Expenses

- (1) A real discount rate of 2% p.a. was used to convert prudent per policy renewal expenses into percentage of annuity loadings.

For immediate annuities, the implicit per policy loadings at the end of 2001, before inflation, were approximately £1 p.a. for reinsurance accepted business and £44 p.a. for directly written business.

Deferred annuities costs were assumed to be £1 p.a. per life during deferment and then as for immediate annuities in possession.

Investment expenses are allowed for by deducting 0.15% p.a. from the valuation rates of interest. The valuation rates of interest in Forms 51, 54 and 57 (and the asset yields in Forms 48 and 57) are shown before this deduction.

- (2) Based on the annualised annuity amounts in payment and deferment at 31 December 2001, the amount released to meet renewal expenses over 2002 will be £729,000. In addition, £1,565,000 will be released to meet investment expenses.
- (3) New business premium rates incorporate a charge to cover acquisition and set-up costs. The annuity loadings in 10 (1) are calculated without assuming any contribution from the loadings in new business written after the valuation date.
- (4) An allowance for expenses arising from the closure to new business, if closure occurred twelve months after the valuation date, has been compared with the margins in expense loadings arising from the in force business. As the costs are covered by the margins, no additional reserve is required.

11. Currency matching

- (1) Not applicable.
- (2) Not applicable.

12. Reinsurance

Not applicable

Valuation Report (continued)

13. to 16. Not applicable.

17. Changes in long term insurance business

See Form 46.

Group non-profit deferred annuities are not included in Form 46. These consist of 1,695 individual arrangements for non-linked contracts and 1,801 individual arrangements for linked contracts at 31 December 2001.

18. New business

See Form 47.

19. Assets covering long term liabilities

(1) See Forms 48 and 49.

(2) Changes in the amounts reported on Form 48 at 31 December 2001 which would result from the exercise of rights or obligations under derivative contracts or contracts having the effect of derivative contracts (assuming that options would be exercised only if it would be prudent to do so) are as follows:

Form 48	Column 1	Column 2	Column 3
	£000's	£000's	%
Line 18	(270)	(2)	0.10

(3) Corresponding changes which would result from the exercise of all rights or obligations under derivative contracts, or contracts having the effect of derivative contracts are as follows:

Form 48	Column 1	Column 2	Column 3
	£000's	£000's	%
Line 18	(270)	(2)	0.10

(4) The maximum changes to the amounts if the conditions in (2) and (3) above had applied at any time during the year as follows:

Form 48	Column 1	£000's
	Conditions noted in (2)	Conditions noted in (3)
Line 18	-	-

Valuation Report (continued)

20. Valuation summaries

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. Matching rectangle

- (1) See Form 57.
- (2) Aggregate yields have been adjusted by 0.35% and 0.25% to allow for potential defaults within the fixed interest and RPI-linked asset portfolios respectively.

The default allowance is determined from data supplied by our investment manager, which itself is based upon research carried out by one of the major rating agencies. This analysis, based on actual default experience over a 30 year period, produces mean default rates according to credit quality and term to redemption. Volatility is also analysed and standard deviations of the rates for each credit quality are provided.

In the event of default it may be possible to recover some capital, especially if the loan is secured. The allowance for recovery (or partial recovery) of the loan varies according to the level of security and the following recovery rates are assumed:

First Mortgage Debenture/Senior Secured	75%
Senior Unsecured	45%
Subordinated Debt	20%
Preference Shares	0%

To calculate the overall default provision, the corporate bond portfolio is broken down according to credit rating and level of security. The default rate for each group is assumed to be the appropriate mean default rate plus two standard deviations, reduced by the expected recovery. The derived default rates for each group are set out below:

Default rates - basis points per annum:

Seniority	AAA	AA	A	BBB	BB and lower
First Mortgage Debenture/ Senior Secured	4.5	7.0	11.5	30.0	193.0
Senior Unsecured	10.3	16.4	25.9	66.2	420.0
Subordinated	14.8	23.4	37.4	96.2	613.0
Preference	18.0	29.0	46.0	121.0	765.0

Valuation Report (continued)

Regard is also paid to the yield differential between corporate and government securities, and prevailing economic circumstances. The yields shown in Form 48 column 3 were calculated using the method of the section 148 waiver (previously a section 68 order). The aggregate yields on the portfolio using the method of the section 148 waiver were also used to derive the valuation rates of interest in Form 57 Row 31.

- (3) The yield on property is valued in the same way as a fixed interest asset, equating the market value with future rental income and disposal value, in accordance with the section 148 waiver (previously issued as a section 68 order in September 2001). No allowance for increase in rental income or market value is made. Defaults are allowed for at an aggregate level as described in 21(2) above, the default allowance therefore being the same as for the other fixed interest investments.

22. Valuation results

See Form 58.

23. Required minimum margin

See Form 60.

G A Gallagher, Appointed Actuary

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

Name of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**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		Proportion of office premiums reserved for expenses and profits		Units	UK/OS		Type of business	Category of surplus
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums	Office premiums	Net premiums		Office premiums	Net premiums		
	2	3	4	5	6	7	8	9	10	11	11		
1									£000	UK	Pens		11
DIRECT WRITTEN BUSINESS													
Non-Profits Policies													
Annuity in payment : Individual	5.88	D(a)	3288	10985 pa					140538				140538
Annuity in payment : Group	5.88	B(a)	4508	12700 pa					143793				143793
Deferred annuity : Group	5.88	C(b)	1695	3266 pa					31872				31872
Mismatching reserves									4743				4743
Additional reserves									3321				3321
Sub total: Non-Profits Policies			9491	26951 pa					324267				324267
Sub total: Direct Written Business			9491	26951 pa					324267				324267
REASSURANCE ACCEPTED													
Non-Profits Policies													
Annuity in payment : Individual	5.88	A(c)	20044	26179 pa					316578				316578
Mismatching reserves									4749				4749
Additional reserves									3323				3323
Sub total: Non-Profits Policies			20044	26179 pa					324650				324650
Sub total: Reassurance Accepted			20044	26179 pa					324650				324650

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

Name of insurer Prudential Retirement Income Limited

Global business

United Kingdom business

Financial year ended 31st December 2001

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	Company registration number	GL/UK/CM			Period ended			Units	UK/OS	Type of business	Category of surplus
	Rate of interest	Mortality or morbidity table			R51	47842	GL	31	12	2001				
			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	
					Office premiums	Net premiums	Office premiums	Net premiums	Value of sums assured or annuities per annum, including vested reversionary bonuses	Office premiums	Net premiums			
1	2	3	4	5	6	7	8	9	10	11	12			
Net total: Pension Business			29535	53130 pa				648917					648917	
Net total: United Kingdom Business			29535	53130 pa				648917					648917	

Name of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**

Type of business **Pension Business**

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

Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums			Investment liability			Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums		Net premiums	Name of Index link	Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	
			GL				UK/CM	GL							UK
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
DIRECT WRITTEN BUSINESS Non-Profits Policies															
Annuity in payment : Individual	3.23	D(a)	889			1583 pa			Retail Prices Index	29570	29570			29570	
Annuity in payment : Group	3.23	B(a)	7331			21343 pa			Retail Prices Index	285112	285112			285112	
Deferred annuity : Group	3.23	C(b)	1801			3638 pa			Retail Prices Index	56191	56191			56191	
Mismatching reserves														16481	
Additional reserves														3895	
Sub total: Non-Profits Policies			10021			26664 pa				370873	370873			391249	
Sub total: Direct Written Business			10021			26664 pa				370873	370873			391249	
REASSURANCE ACCEPTED Non-Profits Policies															
Annuity in payment : Individual	3.23	A(c)	203			146 pa			Retail Prices Index	2465	2465			2465	
Mismatching reserves														111	
Additional reserves														25	
Sub total: Non-Profits Policies			203			146 pa				2465	2465			2601	

Name of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**

Type of business **Pension Business**

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

Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses				Company registration number		Period ended		Units		Type of business		Category of surplus			
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Amount of annual premiums		R54	47842	GL	31	12	2001	£000		UK	UK	Pens
			Office premiums				Net premiums	Name of index link								Current benefit value			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					
Sub total: Reassurance Accepted			203			146 pa				2465	2465								2601
Net total: Pension Business			10224			26710 pa				373338	373338								393850
Net total: United Kingdom Business			10224			26710 pa				373338	373338								393850

Long term insurance business : Analysis of assets and liabilities matching investment liabilities in respect of index linked benefitsName of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**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	47842	GL	31	12	2001	£000	UK	11
Type of assets and liabilities	Name of index link			Value of assets or liabilities		Gross derivative value			
			1	2	3				
Rights under derivative contracts		RPI		(8092)	(8092)				
Government and public body index linked bonds		RPI		70899					
Corporate index linked bonds		RPI		109433					
Government and public body non-linked bonds		RPI		40311					
Corporate non-linked bonds		RPI		140653					
Loans secured by mortgages		RPI		3063					
Other loans		RPI		10233					
Deposits with approved credit institutions		RPI		1547					
Prepayments and accrued income		RPI		5291					
Sub total assets				381430					
Sub total liabilities				(8092)					
Sub total net assets				373338					
Total assets				381430					
Total liabilities				(8092)					
Net total assets				373338					

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Retirement Income Limited
Global business

Valuation rate(s) of interest 0.00%

Type of business Pension Business
Non profit

Financial year ended 31st December 2001

Category of assets Total long term business assets

Company registration number	GL/JUK/CM	Period ended		Units	Stg/NonStg	Valuation rate of interest	L&GA/Pens/PHI/Other	WP/NP	Category of assets		
		day	month							year	
R57	47842	GL	31	12	2001	£000	Stg	0.00	Pens	NP	10
The valuation											
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 resilience scenario											
Land and buildings	11										
Fixed interest securities	12	28131	4.79	30741	(10195)	20546					3.83
Other	13										
Variable interest and Variable yield securities (excluding items shown at line 16)	14										
Other	15										
Equity shares and holdings in collective investment schemes	16										
Loans secured by mortgages	17	3405	6.84	3927	(2872)	1055					5.47
Producing income	18	5112	4.57	5112	(5112)						3.66
Not producing income	19										
Total (11 to 19)	29	36648	4.95	39780	(18179)	21601					3.91
Gross valuation interest rate %	31										
Net valuation interest rate % (where appropriate)	32										
Mathematical reserve or other liability, net of reinsurance	33	36648				11904					

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Retirement Income Limited

Valuation rate(s) of interest 3.23%

Global business

Type of business Pension Business

Financial year ended 31st December 2001

Non profit

Category of assets Total long term business assets

Type of asset notionally allocated	Company registration number	GL/JUK/CM	Period ended			Units	Stg/NonStg	Valuation rate of interest	L&GA/Pens/PHI/Other	WP/NP	Category of assets		
			day	month	year								
			31	12	2001								
	R57	47842	GL	31	12	2001	£000	Stg	3.23	Pens	NP	10	
			The valuation									The resilience scenario	
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %					
			1	2	On original allocation	Increase or decrease	Total under resilience scenario	5					
Land and buildings					3	4	6						
Fixed interest securities													
			Approved securities										
			Other										
Variable interest and Variable yield securities (excluding items shown at line 16)			Approved securities	2.78	115175		115175		2.09				
			Other	3.64	273552		273552		2.73				
Equity shares and holdings in collective investment schemes													
Loans secured by mortgages													
			Producing income	4.33	4456		4456		2872	3.25			
			Not producing income	2.39	11780		11780		5112	1.80			
All other assets					4029		4029		4029				
Total (11 to 19)					373338		373338		7984	2.50			
Gross valuation interest rate %				3.23						2.36			
Net valuation interest rate % (where appropriate)													
Mathematical reserve or other liability, net of reinsurance					373338		373338		416976				

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Retirement Income Limited

Valuation rate(s) of interest 5.88%

Global business

Type of business Pension Business

Financial year ended 31st December 2001

Non profit

Category of assets Total long term business assets

Type of asset notionally allocated	Company registration number	R57	47842	GL/UK/CM	Period ended			Units	Stg/NonStg	Valuation rate of interest	L&G/A/Pens/PHI/Other	WP/NP	Category of assets
					day	month	year						
					31	12	2001						
				GL	31	12	2001	£000	Stg	5.88	Pens	NP	10
					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 %			
Land and buildings		11	18321		7.53	16489		16489		8.37			
Fixed interest securities		12	118647	Approved securities	4.79	129654	10195	139849		3.83			
		13	495813	Other	6.28	560465		560465		5.02			
Variable interest and Variable yield securities (excluding items shown at line 16)		14		Approved securities									
		15		Other									
Equity shares and holdings in collective investment schemes		16											
Loans secured by mortgages		17											
All other assets		18		Producing income									
		19		Not producing income									
Total (11 to 19)		29	632781		6.04	706608	10195	716803		4.86			
Gross valuation interest rate %		31			5.88					4.63			
Net valuation interest rate % (where appropriate)		32											
Mathematical reserve or other liability, net of reinsurance		33	632781					716803					

Long term insurance business : Matching rectangle

Sterling/Non sterling liabilities

Name of insurer Prudential Retirement Income Limited

Valuation rate(s) of interest Total

Global business

Type of business

Financial year ended 31st December 2001

With profits/Non profit

Category of assets Total long term business assets

Company registration number	GL/JUK/CM	Period ended			Units	Sig/ NonSig	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
		day	month	year						
R57	47842	GL	31	12	2001	£000		99		10
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	Risk adjusted yield %	
		1	2	3	4	5	6			
11		18321	7.53	16489		16489		16489	8.37	
12	Approved securities	146778	4.79	160395		160395		160395	3.83	
13	Other	495813	6.28	560465		560465		560465	5.02	
14	Approved securities	105785	2.78	115175		115175		115175	2.09	
15	Other	247681	3.64	273552		273552		273552	2.73	
16	Equity shares and holdings in collective investment schemes									
17	Loans secured by mortgages	7468	5.48	8383		8383		8383	3.53	
18	Producing income	16892	3.05	16892		16892		16892	1.80	
19	Not producing income	4029		4029		4029		4029		
29	Total (11 to 19)	1042767	5.03	1155380		1155380		1155380	3.99	
31	Gross valuation interest rate %									
32	Net valuation interest rate % (where appropriate)									
33	Mathematical reserve or other liability, net of reinsurance	1042767						1145683		

Long term insurance business : Valuation result and distribution of surplus

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2001**Company
registration
number

GL/UK/CM

Period ended

Units

Category
of surplus

Category of surplus

11: Global Business (Issued in the United Kingdom)**R58****47842****GL****31****12****2001****£000****11**

Valuation result	Fund carried forward		11	1042767
	Bonus payments made to policyholders in anticipation of a surplus		12	
Transfers out of fund/ parts of fund	Transfer to non-technical account		13	
	Transfer to other funds/parts of funds		14	
Net transfer out of funds/parts of funds (13+14)		15		
Total (11+12+15)		16		1042767
Mathematical reserves for accumulating with profit policies		17		
Mathematical reserves for other non linked contracts		18		648917
Mathematical reserves for property linked contracts		19		
Mathematical reserves for index linked contracts		20		393850
Total (17 to 20)		21		1042767
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)		29		
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	35265
		Transfer from other funds/parts of fund	33	
	Net transfer into fund/part of fund (32+33)		34	35265
	Surplus arising since the last valuation		35	(35265)
Total (31+34+35)		39		
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	
	Total distributed surplus (46+47)		48	
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		49	
Total (48+49)		59		
Percentage of distributed surplus allocated to policyholders of fund/part of fund		61		
Corresponding percentage at three immediately previous valuations	Latest (year of valuation 2001)	62		
	Earlier (year of valuation 2000)	63		
	Earliest (year of valuation 1999)	64		

Long term insurance business : Required minimum margin

Name of insurer Prudential Retirement Income Limited

Global business

Company registration number R60 47842 GL/JUK/CM

Period ended day month year

Units

Financial year ended 31st December 2001

Class	Classes I, II & IX		Class III business with relevant factor of				Class IV and VI				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	1% 7	Nil 8	Total 9	4% 10	1% 11	Nil 12	Total 13	The financial year 13	The previous year 14	
11	632781	373338			373338									1042767	370543	
12																
13	632781	373338			373338									1042767	370543	
14	632781	373338			373338									1042767	370543	
15																
16	632781	373338			373338									1042767	370543	
17	1.00				1.00											
19	25311				14934									41711	14821	
21																
22																
23																
29																
31																
32																
39																
49	25311				14934									41711	14821	
51																
59														41711	14821	
61														497	465	
69														41711	14821	

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2001

Supplementary notes to the returns

0901 Other orders under Section 68, Insurance Companies Act 1982 and other waivers under Section 148, Financial Services and Markets Act 2000

- (a) The Treasury made an order under section 68 of the Insurance Companies Act 1982 in September 2001. The effect of the order was to direct the Company to calculate the rate of interest to be used for statutory valuation purposes in calculating the present value of future payments by or to the Company on the aggregate yield basis. The order applies to the assets deemed by the Appointed Actuary to be backing the non-profit index-linked, and non-profit non-linked annuity liabilities. The aggregate yield is defined as that rate of interest which equates the discounted value of the aggregate cash flows on the specified asset portfolio with the total market value of that portfolio. The section 68 order granted in September 2001 continues to have effect under the transitional arrangements set out in the FSA Supervision Manual.
- (b) The Treasury on the application of the Company issued to the Company in December 2000 an order under section 68 of the Insurance Companies Act 1982. The effect of the Order was to modify the provisions of section 31 of the Insurance Companies Act 1982 so that, for the purposes of that section, the Company could disregard amounts in respect of the reinsurance agreement made between the Company and Scottish Amicable Life Plc effective from 30 September 2000 regarding non-profit annuity business, a copy of which was sent to the FSA on 28 November 2000. The section 68 order granted in December 2000 continues to have effect under the transitional arrangements set out in the FSA Supervision Manual. Section 31 of the Insurance Companies Act 1982 referred to above now exists as Rule 3.4 of the Interim Prudential Sourcebook for Insurers.

Supplementary notes to the returns (continued)

1001	Reconciliation to shareholder accounts		
		2001	2000
		£'000s	£'000s
	<i>Net assets per FSA return</i>		
	Line 99 on Form 13 (OLTB)	62,627	43,721
	Line 59 on Form 15	<u>(3,010)</u>	<u>(5,024)</u>
		59,617	38,697
	<i>Per shareholder accounts</i>		
	Capital and reserves	98,092	49,575
	<i>Difference</i>		
	Additional reserves held in long term fund	54,596	10,878
	Deferred tax provision on additional reserves (16,400)		-
	Valuation difference Line 94 on Form 13	<u>279</u>	<u>-</u>
	Additional reserves held in long term fund	<u>38,475</u>	<u>10,878</u>

Notes 1302 to 1306 apply to the other than long term insurance business fund.

- *1302* The Company held £4m in hybrid 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 insurance 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 insurance business amount. Counterparty limits set were not exceeded during the year.

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

- *1308* The Company held £26m in unlisted securities.
- *1309* The Company held £98m in hybrid securities.
- *1310* Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

Supplementary notes to the returns (continued)

- *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 insurance 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.
- *1312* No counterparty exposure at the year end exceeded 5% of the long term insurance business amount. Counterparty limits set were not exceeded during the year.
- *1401* The long term fund held a number of interest rate swaps during the year. The swaps involved the exchange of cash flows and not of the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are strictly covered.
- *1402* (a) There were no charges attributable to the long term insurance business assets.
- (b) The long term fund does not attract tax, 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) The company could be named as a party to a class action lawsuit in the USA in relation to an investment it previously held. If named, the company would contest the claim and no provision has been made. There are no other contingent liabilities.
- (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.
- *1501* The other than long term fund held a number of interest rate swaps during the year. The swaps involved the exchange of cash flows and not of the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are strictly covered.

Supplementary notes to the returns (continued)

1502 (a) There were no charges attributable to the other than long term insurance business assets.

(b) The total potential liability to taxation on capital gains which might arise if the company disposed of its assets was £100k. Full provision has been made at the year end.

(c) The company could be named as a party to a class action lawsuit in the USA in relation to an investment it previously held. If named, the company would contest the claim and no provision has been made. There are no other contingent liabilities.

(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.

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

1603 Balances in line 21 relate to management expenses.

4008 Management services are provided to the Company for day to day administration from The Prudential Assurance Company Ltd, Prudential Financial Services Ltd, M&G Investment Management Ltd, Prudential Property Investment Managers Ltd, PruTech Ltd and Prudential Services Ltd, all being group companies.

4009 During the year the Company purchased £73 million of fixed interest and index-linked investments from related companies at open market value. They were purchased from Prudential Annuities Ltd, Prudential Holborn Life Ltd, Prudential Pensions Ltd and Scottish Amicable Life Plc.

The Company has a reinsurance agreement with a related company, Scottish Amicable Life Plc, in respect of non-participating approved pension annuity contracts. During the year, claims amounting to £26 million were paid under this reinsurance agreement. A related premium, calculated on normal commercial terms, was received in a prior year. There was no premium received in this year. The liabilities included in the return, relating to this business, amount to £327 million at the year end.

There were no other material intra-group transactions.

Supplementary notes to the returns (continued)

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

Line	Description	2001 £'000
12	Fixed interest – approved securities	2,072
13	Fixed interest – other securities	10,329
14	Variable interest – approved securities	21
15	Variable interest – other securities	24

These amounts are included in line 84 on form 13.

4803 (a) Changes in the amounts reported on Form 48 at 31 December 2001 which would result from the exercise of rights under derivative contracts or contracts having the effect of derivative contracts (assuming that options would be exercised only if it would be prudent to do so) are as follows:

Form 48	Column 1 £000's	Column 2 £000's	Column 3 %
Line 18	(270)	(2)	0.10

(b) Corresponding changes which would result from the exercise of all rights or obligations under derivative contracts, or contracts having the effect of derivative contracts are as follows:

Form 48	Column 1 £000's	Column 2 £000's	Column 3 %
Line 18	(270)	(2)	0.10

(c) The maximum changes to the amounts if conditions in (a) and (b) above had applied at any time during the year as follows:

Form 48	Column 1 £000's	
	Conditions noted in (a)	Conditions noted in (b)
Line 18	-	-

Supplementary notes to the returns (continued)

5102 The tables of mortality and disability assumed in the valuation are indicated in column 3 of Forms 51 and 54 by the following code letters:

- A** 70% PMA92 (c=2002) / 70% PFA92 (c=2002)
- B** 80% PMA92 (U=2002)+3 / 80% PFA92 (U=2002)+3
- C** [AM / AF92] - 3 (in deferment), 80% PMA92 (U=2002)+3 / 80% PFA92 (U=2002)+3 (in possession)
- D** 80% PMA92 (U=2002) / 80% PFA92 (U=2002)

Provision for the cost of paying annuities in possession is generally made by increasing the value of the annuity. The percentage addition to the value of the annuity, or the explicit expense provision per annum, is shown by a code letter in column 3, the meaning of the code letters being as follows:

- a** Expense loading of 1.50%
- b** Expense loading of 2.50%
- c** Expense loading of 0.10%

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2001

Directors' Certificate pursuant to Rule 9.34(a) of the Interim Prudential Sourcebook for Insurers

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 rules 9.29 and 9.30 that
 - (i) the return has been prepared in accordance with the Accounts and Statements Rules as modified by the orders referred to in supplementary note 0901 on Page 44 issued under Section 68 of the Insurance Companies Act 1982 which still have effect;
 - (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 Rule 7.6, the assets held throughout the financial year enabled the company to comply with rules 7.1 to 7.5 (matching and localisation); and
- (c) in relation to the statement required by rule 9.36 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 rule.

Certificate required by Rule 9.34(a) (continued)

2. the margin of solvency required by rule 2.1 has been maintained throughout the financial year.
3.
 - (a) the requirements of rules 3.1 to 3.4 have been fully complied with and in particular that, subject to the provisions of rule 3.2(2) to (4) and rule 3.3, assets attributable to long term insurance business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term insurance business funds have not been applied otherwise than for the purpose of the long term insurance business;
 - (b) any amount payable from or receivable by the long term insurance business fund in respect of services rendered by or to any other business carried on by the Company or by a person who, for the purposes of rule 3.4, 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 that fund, and any exchange of assets representing such fund 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 insurance business fund;
 - (d) no internal linked funds are maintained;
 - (e) the return in respect of long term insurance 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 rule 3.5.

Certificate required by Rule 9.34(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) Guidance Note P1 - Systems of control over the investments (and counterparty exposure) of insurance companies with particular reference to the use of derivatives; and

(ii) Guidance Notes for the Insurance and Retail Products Financial Sector (issued by the Joint Money Laundering Steering Group);

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) Guidance Note 4.1 - Guidance for insurers and auditors on the Valuation of Assets Rules;

(ii) Guidance Note 4.2 - The use of derivative contracts in insurance funds; and

(iii) Guidance Note 9.1 - The preparation of returns.

.....
G M Wood
Chief Executive

.....
D J Belsham
Director

.....
M J Moores
Director

24 April 2002

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2001

Appointed Actuary's Certificate pursuant to Rule 9.34(b) of the Interim Prudential Sourcebook for Insurers

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 insurance business;
 - (ii) the mathematical reserves as shown in Form 14 constitute proper provision at 31 December 2001 for the liabilities (other than the liabilities which had fallen due before 31 December 2001) arising under or in connection with contracts for long term insurance business including the increase in those liabilities arising from the distribution of surplus as a result of the investigation as at 31 December 2001 into the financial condition of the long term insurance business;
 - (iii) for the purposes of sub-paragraph (ii) above, the liabilities have been assessed in accordance with the Determination of Liabilities Rules in the context of assets valued in accordance with Valuation of Assets Rules, as shown in Form 13;
 - (iv) the valuation complies with the guidance notes "GN1: The Prudential Supervision in the UK of Long-Term Insurance Business" issued by the Faculty and Institute of Actuaries dated 1 December 2001 and "GN8: Additional Guidance for Appointed Actuaries and Appropriate Actuaries on Valuation of Long-Term Insurance Business" issued by the Faculty and Institute of Actuaries, dated 1 December 2001;
 - (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 insurance business immediately following 31 December 2001 (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 insurance business) is £41,711,000.

G A Gallagher
Appointed Actuary
24 April 2002

PRUDENTIAL RETIREMENT INCOME LIMITED

Financial Year ended 31 December 2001

Report of the auditors to the directors pursuant to Rule 9.35 of the Interim Prudential Sourcebook for Insurers

We have examined the documents prepared by the Company pursuant to part I of chapter 9 to the Interim Prudential Sourcebook for Insurers (the Rules) made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000;

- Forms 9, 10, 13 to 17 and 40 to 42 (including the supplementary notes thereto) (“the Forms”);
- the statement required by Rule 9.29 on pages 56 to 58 (“the statement”); and
- the certificate signed in accordance with Rule 9.34(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 Rules 9.30 and 9.36 concerning shareholder controllers and information on the appointed actuary;
- (b) Paragraph 3(d) concerning the investment policy and practice of internal linked funds required by paragraph 4(d) of Appendix 9.6;
- (c) Paragraph 4(a) to Appendix 9.6 in so far as it relates to controls with respect to Money Laundering.

Respective responsibilities of the Company and its auditors

The Company is responsible for the preparation of an annual return (including the forms, statements and the certificate) under the provisions of the Rules. The requirements of the Rules have been modified, under section 68 of the Insurance Companies Act 1982, by orders issued in December 2000 and September 2001, which continue to have effect under the transitional arrangements set out in the supplementary notes and have been referred to in supplementary note 0901 on page 44. Under rule 9.11 the Forms and statements are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

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. Our responsibilities, as independent auditors, are established in the United Kingdom, by statute, the Auditing Practices Board, and by our profession’s ethical guidance.

Basis of opinions

We conducted our work in accordance with Practice Note 20: 'The Audit of Insurers in the United Kingdom' 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 16 March 2002. 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 Rule 9.11.

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 Rules as modified by section 68 orders granted on 12 December 2000 and 3 September 2001 and have been properly prepared in accordance with the provisions of those Rules; 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 Rules; and
 - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.

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

24 April 2002

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2001

Statement required by Rule 9.29 of the Interim Prudential Sourcebook for Insurers

(a) Investment guidelines

As requested by Rule 9.29, 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 managers and are consistent with the investment strategy.

- (i) Derivatives are used for the purpose of efficient portfolio management or to reduce risk, specific examples being to implement tactical asset allocation changes around the strategic benchmark, 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 Rule 4.12 of the Interim Prudential Sourcebook for Insurers.
 - the maximum allowable exposure to counterparties should not be exceeded.
 - only certain permitted exchanges and contracts can be used.
- (iii) During the year the company has only used interest rate swaps in the long term business and swaptions in the other than long term business.

(b) Derivatives where exercise is unlikely (Long Term and Other Than Long-Term funds)

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.

(c) Quantification of derivatives in (b) above

During 2001 no such contracts were used.

(d) Effect on Form 13 at 31 December 2001 of exercising derivatives where it would be prudent to assume options would be exercised. Decreases are shown in brackets.

Long term funds

Form 13 line 54/55/81; (£8,362,000)

(e) Effect on Form 13 at 31 December 2001 of exercising all derivatives. Decreases are shown in brackets.

Long term funds

Form 13 line 54/55/81; (£8,362,000)

(f) Effect on Form 13 under the conditions noted in (d) and (e) above at any other time during the year. Decreases are shown in brackets.

Conditions noted in (d)

Long term funds

Form 13 line 54/55/81; (£13,096,000)

Other than long term funds

Form 13 line 44; (£2,603,000)

Conditions noted in (e)

Long term funds

Form 13 line 54/55/81; (£13,096,000)

Other than long term funds

Form 13 line 44; (£2,603,000)

The above figures are the maximum impact on the individual line items of exercising derivatives at any time during the year. The maximum impacts for each line will not necessarily occur on the same day.

(g) Maximum exposure

Long term funds

No loss would have been incurred by the Company on the failure by any one other person to fulfil its obligations under derivative contracts at the end of the year, as the swaps were not in the Company's favour.

There would have been no loss at any other time during the year, as the swaps were at no time in the Company's favour.

Other than long term funds

No loss would have been incurred by the Company on the failure by any one other person to fulfil its obligations under derivative contracts at the end of the year, as the swaps were not in the Company's favour.

There would have been no loss at any other time during the year, as the swaps were at no time in the Company's favour.

(h) Derivatives not covered by paragraph (2) of Rule 4.12 or the definition of a permitted derivative contract in the Interim Prudential Sourcebook for Insurers

There were no derivative contracts held during 2001 that did not satisfy the Rule 4.12 requirements.

(i) Consideration for granting rights under derivative contracts

No rights under derivative contracts have been granted.

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2001

Statement in accordance with Rule 9.30 of the Interim Prudential Sourcebook for Insurers

Additional information on shareholder controllers

We confirm that the following is a list of:

- (a) Persons who, to the knowledge of Prudential Retirement Income Limited (“the Company”), have been, at any time during the year ended 31 December 2001, 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 2001:
 - (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 2001, a shareholder controller of the Company.	In the case of each person who was a shareholder controller of the Company at 31 December 2001:	
	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
Prudential Corporation Holdings Limited, being its immediate holding company	100%	100%
Prudential plc, being its ultimate holding company	100%	100%

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2001

Statement of information on the Appointed Actuary pursuant to Rule 9.36 of the Interim Prudential Sourcebook for Insurers

In accordance with Rule 9.36, G A Gallagher, the Appointed Actuary of the Company, was requested to furnish and has provided the following information:

- (a) The Appointed Actuary had an interest in 8,046 and 8,299 shares in the ultimate parent company, Prudential plc, at the beginning and at the end of the year respectively.
- (b) The Appointed Actuary had an interest in shares in Prudential plc held in trust, representing the maximum award that could be made if performance requirements under the Prudential Restricted Share Plan were met, of 4,474 and 6,016 shares at the beginning and at the end of the year respectively. During the year, 1,743 shares were conditionally awarded to him under the 2001 scheme and 201 shares conditionally awarded under the 1998 scheme were not subsequently awarded.
- (c) At the end of the year the Appointed Actuary held options granted under the Prudential Savings-Related Share Option Scheme to subscribe for shares in Prudential plc as follows:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Exercise Dates</u>
2,775	608p	Between June 2006 and December 2006

During the year, options held previously for 898 and 1,468 shares were cancelled.

- (d) The Appointed Actuary also had an interest in 470 shares in Egg plc, a subsidiary of Prudential plc, throughout the year.
- (e) The Appointed Actuary received aggregate remuneration from the Prudential Group of £110,264.

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

- (f) The following general insurance policies issued by the Prudential Group subsisted throughout the year:
 - (i) a home insurance policy covering buildings, household contents and personal effects.