



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 2002**



(Appendices 1 , 3 , 4 , 6)

Prudential Retirement Income Limited

Year ended 31st December 2002

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Statement of solvencyName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2002**

R9	Company registration number 47842	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2002	
	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	2414572	1056106	10 . 11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22	160681	59617	See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23	2398349	1042767	See instruction 4
Other insurance and non-insurance liabilities	24	16223	13339	See instruction 5
Available assets for long term insurance business required minimum margin (21+22-23-24)	25	160681	59617	

Implicit items admitted under Rule 2.10(5) as modified

Future profits	31			
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34	160681	59617	
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Required minimum margin

Required minimum margin for long term insurance business	41	95934	41711	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	15989	6952	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	144692	52665	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44	64747	17906	

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 2002**

.....

G M Wood

Chief Executive

.....

D J Belsham

Director

.....

T J W Tookey

Director

London 26 March 2003

Analysis of the effect of financial engineering on long-term available assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2002**

R9A	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
	47842	GL	31	12	2002	£000
	As at the end of this financial year	As at the end of the previous year	Source			
	1	2				
Required minimum margin for long term insurance business	11	95934				See instruction 2
Excess (deficiency) of available assets and implicit items over the required minimum margin	12	64747				See instruction 3
Total available assets and implicit items (11+12)	13	160681				
Analysed as follows:						
Value of implicit items	14					See instruction 5
Financial reinsurance- ceded	15					See instruction 6
Financial reinsurance- accepted	16					See instruction 7
Outstanding contingent loans	17					See instruction 8
Any other charges on future profits	18					See instruction 9
Sum of financial engineering adjustments (14+15-16+17+18)	19					
Other assets (13-19)	20	160681				
Total available assets and implicit items (19+20)	21	160681				

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

Global business

Financial year ended **31st December 2002**

	R10	Company registration number 47842	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	2002	
				As at the end of this financial year			Source
				1			Form
				As at the end of the previous year			Line
				2			Column
Long term insurance business - admissible assets	11	2414572	1056106	13	89	1	
Long term insurance business - liabilities and margins	12	2414572	1056106	14	59	1	
Other than Long term insurance business - admissible assets	21	160916	62627	13	89	1	
Other than Long term insurance business - liabilities	22	235	3010	15	69	1	
Net admissible assets (21-22)	23	160681	59617				
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	160681	59617				
Represented by:							
Paid up share capital (other than cumulative preference share capital)	51	225700	93700				
Amounts included in lines 24 to 27 above	52						
Amounts representing the balance of net assets	56	(65019)	(34083)				
Total (51 to 56) and equal to line 29 above	59	160681	59617				
Movement of balance of net assets for solvency purposes - as per line 56							
Balance brought forward at the beginning of the financial year	61	(34083)	(7003)	10	56	2	
Retained profit/(loss) for the financial year	62	(30736)	(27080)	16	59	1	
Movement in asset valuation differences	63	(200)					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	(65019)	(34083)				

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**
 Global business
 Financial year ended **31st December 2002**
 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	2002	£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 2002**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	2002	£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	77836		15733		
			Other	46	31113		11864		
		Variable interest	Approved securities	47	19801		14785		
			Other	48	16629				
	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	457		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	145836		43195			

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

Global business

Financial year ended **31st December 2002**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	2002	£000	1
				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					
	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		5474		9796	
		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		7535		8937	
	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		2071		699	
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86					
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets				87					
Total sheet 3 (71 to 86 less 87)				88		15080		19432	
Grand total of admissible assets (39+69+88)				89		160916		62627	
Reconciliation to asset values determined in accordance with the insurance accounts rules									
Total admissible assets (as per line 89 above)				91		160916		62627	
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)				92					
Solvency margin deduction for subsidiary undertakings which are insurance undertakings				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 insurance accounts rules)				95		200			
Total assets determined in accordance with the insurance accounts rules (91 to 95)				99		161116		62627	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100		1		4	

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

Global business

Financial year ended **31st December 2002**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	47842	GL	day	month	year	£000	10
Investments					As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings					11	63477		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	63477		18321	

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

Global business

Financial year ended **31st December 2002**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	2002	£000	10	
						day	month	year		
Investments (continued)						As at the end of	As at the end of			
Deposits with ceding undertakings						this financial	the previous			
Assets held to cover linked liabilities						year	year			
						1	2			
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		107			
	Debt securities and other fixed income securities	Fixed interest	Approved securities		45		696821	144706		
			Other		46		899404	485484		
		Variable interest	Approved securities		47			2369		
			Other		48		9443	3657		
	Participation in investment pools				49					
	Loans secured by mortgages				50		4291	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		3894	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		694181	373338			
	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		2308141	1021423			

Analysis of admissible assets

Name of insurer Prudential Retirement Income Limited

Global business

Financial year ended 31st December 2002

Category of assets Total long term business assets

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	47842	GL	31	12	2002	£000	10
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		6399		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		2146		2238
		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		7161		
	Cash in hand			82				
Other assets (particulars to be specified by way of supplementary note)				83				
				84		27248		12788
Prepayments and accrued income	Accrued interest and rent			85				
	Deferred acquisition costs			86				
	Other prepayments and accrued income			87				
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets				88		42954		16362
Total sheet 3 (71 to 86 less 87)				89		2414572		1056106
Grand total of admissible assets (39+69+88)								
Reconciliation to asset values determined in accordance with the insurance accounts rules				91		2414572		1056106
Total admissible assets (as per line 89 above)				92				
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)				93				
Solvency margin deduction for subsidiary undertakings which are insurance undertakings				94		994		279
Other differences in the valuation of assets (other than for assets not valued above)				95				
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)				99		2415566		1056385
Total assets determined in accordance with the insurance accounts rules (91 to 95)								
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100		1048		1013

Long term insurance business liabilities and marginsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2002**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	2002	£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	2398349	1042767		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	2398349	1042767		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	3994	1887		
		Reinsurance accepted	32				
		Reinsurance ceded	33				
	Debenture loans	Secured	34				
		Unsecured	35				
	Amounts owed to credit institutions	36			3166		
	Other creditors	Taxation	37	1015	337		
		Other	38	10135	7627		
Accruals and deferred income	39	1079	322				
Provision for adverse changes (calculated in accordance with rule 5.3)	41						
Total other insurance and non-insurance liabilities (17 to 41)	49	16223	13339				
Excess of the value of net admissible assets	51			See Instruction 6			
Total liabilities and margins	59	2414572	1056106				
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	900	3174				
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 2002**

		Company registration number	GL/UK/CM	Period ended			Units		
		R15	47842	GL	31	12	2002	£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			181		2856		
Accruals and deferred income		51			54		54		
Total (19 to 51)		59			235		3010		
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			235		3010		
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 2002**

		R16	47842	GL	Period ended			Units
					GL/UK/CM	day	month	
					31	12	2002	£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	(51734)		(35265)		40 . 26	
Investment income	Income	14	4040		1913			
	Value re-adjustments on investments	15	4189					
	Gains on the realisation of investments	16						
Investment charges	Investment management charges, including interest	17	125		48			
	Value re-adjustments on investments	18			380			
	Loss on the realisation of investments	19	100		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	(96)		(119)			
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	(43826)		(34377)			
Tax on profit or loss on ordinary activities		31	(13090)		(7297)			
Profit or loss on ordinary activities after tax (29-31)		39	(30736)		(27080)			
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	(30736)		(27080)			
Dividends (paid and proposed)		51						
Profit or loss retained for the financial year (49-51)		59	(30736)		(27080)			

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

Global business

Insurance Business **Other than long term**Financial year ended **31st December 2002**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	47842	GL	31	12	2002	£000	1
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
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				164			
Adjustments for variation margin		41							
Total (11 to 41)		49				164			

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

Global business

Insurance Business **Long term**Financial year ended **31st December 2002**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	47842	GL	31	12	2002	£000	10
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
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		398					
	Other	35	107						270
Adjustments for variation margin		41							
Total (11 to 41)		49	107	398					270

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

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Summary**

	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	2002	£000	OB	99	0
Items to be shown net of reinsurance ceded							The financial year	Previous year		
							1	2		
Earned premiums						11	1291186	671980		
Investment income receivable before deduction of tax						12	85575	39985		
Increase (decrease) in the value of non-linked assets brought into account						13	60586	(13748)		
Increase (decrease) in the value of linked assets						14				
Other income						15				
Total income (11 to 15)						19	1437347	698217		
Claims incurred						21	105671	50724		
Expenses payable						22	27828	10526		
Interest payable before deduction of tax						23		8		
Taxation						24				
Other expenditure						25				
Transfer to (from) non technical account						26	(51734)	(35265)		
Total expenditure (21 to 26)						29	81765	25993		
Increase (decrease) in fund in financial year (19-29)						39	1355582	672224		
Fund brought forward						49	1042767	370543		
Fund carried forward (39+49)						59	2398349	1042767		

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

Global business

Ordinary insurance business

Financial year ended **31st December 2002**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	2002	£000	OB	1	0
Items to be shown net of reinsurance ceded							The financial year	Previous year		
							1	2		
Earned premiums						11	1291186	671980		
Investment income receivable before deduction of tax						12	85575	39985		
Increase (decrease) in the value of non-linked assets brought into account						13	60586	(13748)		
Increase (decrease) in the value of linked assets						14				
Other income						15				
Total income (11 to 15)						19	1437347	698217		
Claims incurred						21	105671	50724		
Expenses payable						22	27828	10526		
Interest payable before deduction of tax						23		8		
Taxation						24				
Other expenditure						25				
Transfer to (from) non technical account						26	(51734)	(35265)		
Total expenditure (21 to 26)						29	81765	25993		
Increase (decrease) in fund in financial year (19-29)						39	1355582	672224		
Fund brought forward						49	1042767	370543		
Fund carried forward (39+49)						59	2398349	1042767		

Long term insurance business : Analysis of premiums and expensesName of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Summary**

	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	2002	£000	OB	99	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		1291186				1291186
		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		1291186				1291186
		Regular premium		29						
Total premiums at lines 19 and 29 attributable to	UK contracts		31		1291186				1291186	
	Overseas contracts		32							
Expenses payable in the financial year	Commission payable in connection with acquisition of business			41		6054			6054	
	Other commission payable			42						
	Management expenses in connection with acquisition of business			43		14124			14124	
	Management expenses in connection with maintenance of business			44		4015			4015	
	Other management expenses			45		3635			3635	
	Total expenses (41 to 45)			49		27828			27828	
	Total expenses at line 49 attributable to	UK contracts		51		27828			27828	
Overseas contracts			52							

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 2002**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	
		R41	47842	GL	31	12	2002	£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		1291186			1291186		
		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		1291186			1291186		
		Regular premium		29							
Total premiums at lines 19 and 29 attributable to	UK contracts		31		1291186			1291186			
	Overseas contracts		32								
Expenses payable in the financial year	Commission payable in connection with acquisition of business		41		6054			6054			
	Other commission payable		42								
	Management expenses in connection with acquisition of business		43		14124			14124			
	Management expenses in connection with maintenance of business		44		4015			4015			
	Other management expenses		45		3635			3635			
	Total expenses (41 to 45)		49		27828			27828			
	Total expenses at line 49 attributable to	UK contracts		51		27828			27828		
Overseas contracts		52									

Long term insurance business : Analysis of claimsName of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Summary**

	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	2002	£000	OB	99	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		73			73	
	By way of lump sums on vesting			22		522			522	
	By way of vested annuity payments			23		100142			100142	
	On surrender or partial surrender			24		4934			4934	
	Total pension business claims (21 to 24)			29		105671			105671	
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		105671			105671	
Total claims at line 59 attributable to	UK contracts			61		105671			105671	
	Overseas contracts			62						

Long term insurance business : Analysis of claimsName of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**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	2002	£000	OB	1	0
Claims incurred in the financial year				Gross		Recoverable from reinsurers	Net of reinsurance (1-2)			
				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		73		73		
	By way of lump sums on vesting			22		522		522		
	By way of vested annuity payments			23		100142		100142		
	On surrender or partial surrender			24		4934		4934		
	Total pension business claims (21 to 24)			29		105671		105671		
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		105671		105671		
Total claims at line 59 attributable to	UK contracts			61		105671		105671		
	Overseas contracts			62						

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

Name of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 2002**

		Company registration number	GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
		R46	47842	GL	31	12	2002	£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			27840						
New business and increases	12			20842						
Net transfers and other alterations 'on'	13									
Total 'on' (12+13)	19			20842						
Deaths	21			719						
Other insured events	22									
Maturities	23									
Surrenders	24			13						
Forfeitures	25									
Conversions to paid-up policies for reduced benefits	26									
Net transfers, expiries and other alterations 'off'	27			342						
Total 'off' (21 to 27)	29			1074						
In force at end of year (11+19-29)	39			47608						

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

Name of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Linked

Financial year ended **31st December 2002**

		Company registration number		GL/UK/CM			Period ended			Units	UK/OS	NL/LN	
		R46	47842	GL	day month year			£000	UK				LN
					31	12	2002						
		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			8423									
New business and increases	12			13204									
Net transfers and other alterations 'on'	13												
Total 'on' (12+13)	19			13204									
Deaths	21			664									
Other insured events	22												
Maturities	23												
Surrenders	24												
Forfeitures	25												
Conversions to paid-up policies for reduced benefits	26												
Net transfers, expiries and other alterations 'off'	27			544									
Total 'off' (21 to 27)	29			1208									
In force at end of year (11+19-29)	39			20419									

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 2002**

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 INSURANCE BUSINESS							
Pension Insurance Business							
Non-Linked Non-Profit Policies							
Annuity in payment	20842	867293	58160 pa				
Group deferred annuity	8798	140123	11763 pa				
Sub total: Non-Linked Non-Profit Policies	29640	1007416	69923 pa				
Index Linked Contracts							
Annuity in payment	13204	178700	21930 pa				
Group deferred annuity	5975	105070	6189 pa				
Sub total: Index Linked Contracts	19179	283770	28119 pa				
Total: Pension Insurance Business	48819	1291186	98042 pa				
Total: UK Direct Written Insurance Business	48819	1291186	98042 pa				

Company registration number	GL/JUK/CM	Period ended	Units
R47	GL	day month year	£000
47842		31 12 2002	

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 2002**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	2002	£000	10
			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3	
Land and buildings		11	63477		4230		6.66	
Fixed interest securities	Approved securities	12	705366		35562		4.67	
	Other	13	917730		55895		6.04	
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14						
	Other	15	9573		454		4.86	
Equity shares and holdings in collective investment schemes		16						
Loans secured by mortgages		17	4389		299		6.71	
All other assets	Producing income	18	11162		483		4.33	
	Not producing income	19	8694					
Total (11 to 19)		29	1720391		96923		5.45	

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 2002

Category of assets Total long term business assets

Redemption period in years	Company registration number		GL/UK/CM		Period ended		Units		Category of assets
	R49	47842	GL	31	12	2002	£000		
	Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3	Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6			
11 One year or less									
12 More than one year but not more than five years	7849	4.12							
13 More than five years but not more than ten years	2843	4.44		Variable interest and variable yield					
14 More than ten years but not more than fifteen years	43908	4.64		approved securities excluding equities					
15 More than fifteen years but not more than twenty years	259964	4.65							
16 More than twenty years but not more than twenty five years	84787	4.59							
17 More than twenty five years	292845	4.70							
18 Irredeemable	13170	4.66							
19 Total (11 to 18)	705366	4.67							
20 One year or less									
21 More than one year but not more than five years	5093	8.84	558						
22 More than five years but not more than ten years	126724	6.08	5170	Other variable interest and variable yield securities excluding equities					
23 More than ten years but not more than fifteen years	128330	6.29	2441						
24 More than fifteen years but not more than twenty years	184555	6.21	5168						
25 More than twenty years but not more than twenty five years	141612	6.19	3351			9573	4.86		
26 More than twenty five years	325517	5.81	7593						
27 Irredeemable	5899	6.99							
28 Total (21 to 28)	917730	6.04	24281			9573	4.86		

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2002

Schedule 4

Valuation Report on Prudential Retirement Income Limited as at 31 December 2002

1. Date of investigation

The investigation relates to 31 December 2002.

2. Date of previous investigation

The previous investigation related to 31 December 2001.

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 2002 comprised:
- i) A contract to swap UK sterling LIBOR for fixed UK sterling
 - ii) A contract to swap Euros for fixed UK sterling
 - iii) Contracts to swap future income increasing at a fixed rate each year for income varying in line with changes in RPI and LPI (RPI subject to minimum and maximum increases).

The effect of the contract under i) is to convert UK sterling cashflows from a Floating Rate Note into fixed UK sterling cashflows.

The effect of the contract under ii) is to convert cashflows from a Euro denominated bond into UK sterling cashflows.

The effect of the contract under iii) is to convert fixed UK sterling cashflows into RPI Linked UK 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 reissued in December 2002.

- (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.

Valuation Report (continued)

- (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.
- (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 2002 there was no potential debt if the sale counterparty had defaulted at that date. The additional reserve also includes allowance for general contingencies.

(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. Enhanced annuities are valued using the tables specified in note 5102, but include a policy specific age adjustment to the mortality rate used.
- (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.

Valuation Report (continued)

- (6) The scenarios tested were:
- (a) an immediate decrease of 1 percentage point 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 15% fall in property values.
 - (b) an immediate increase of 2 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 15% fall in property values.

Scenario (a) was the more onerous.

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

- (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 4.00%. In later years, where outgo exceeds income, the cash borrowing rate is assumed to be 6.00%. The additional reserve is set so that all liability cashflows can, on these assumptions, be met as they fall due.

A total reserve of £45,336,000 was held at 31 December 2002.

- (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 0.30% to allow for defaults on fixed interest and RPI-linked assets respectively.

Valuation Report (continued)

(c) Under the scenario which produces the most onerous requirement:

- (i) the aggregate amount of the long term liabilities increased by £212,924,000 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 £245,435,000.

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.

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. is 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 2002, before inflation, were approximately £2 p.a. for reinsurance accepted business and £83 p.a. for directly written business.

Deferred annuities costs were assumed to be £5 p.a. per life during deferment and then as for immediate annuities in possession.

Valuation Report (continued)

Investment management 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.

Outgo on property maintenance costs and leases is allowed for directly in the valuation rates of interest used (and the assets yields shown in Forms 48 and 57 are shown after this deduction).

- (2) Based on the annualised annuity amounts in payment and deferment at 31 December 2002, the amount released to meet renewal expenses in 2003 will be £2,682,000. In addition, £3,598,000 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

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 10,915 individual arrangements for non-linked contracts and 7,092 individual arrangements for linked contracts at 31 December 2002.

18. New business

See Form 47.

Valuation Report (continued)

19. Assets covering long term liabilities

- (1) See Forms 48 and 49.
- (2) Changes in the amounts reported on Form 48 at 31 December 2002 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 £000's	Column 2 £000's	Column 3 %
Line 13	-	23	0.00
Line 15	-	(2)	0.05
Line 18	(290)	(9)	0.01
Line 19	(106)	N/A	N/A

- (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 £000's	Column 2 £000's	Column 3 %
Line 13	-	23	0.00
Line 15	-	(2)	0.05
Line 18	(290)	(9)	0.01
Line 19	(106)	N/A	N/A

- (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	(242)	(242)

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.

Valuation Report (continued)

21. Matching rectangle

- (1) See Form 57.
- (2) Aggregate yields have been adjusted by 0.35% and 0.30% 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	13.5	13.5	41.8	238.2
Senior Unsecured	10.5	31.2	30.6	88.6	518.7
Subordinated	15.0	44.7	44.1	126.6	754.2
Preference	18.0	55.5	54.0	157.3	941.7

100 basis points equal 1%.

Valuation Report (continued)

Regard is also paid to the yield differential between corporate and government securities, and prevailing economic circumstances. Additional allowance for counterparty risks in connection with derivative contracts is included in the additional reserve described in 6(1)(i). The yields shown in Form 48 column 3 were calculated using the method of the section 148 waiver. 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 the lower of the current rental yield and the “redemption yield”, which is the interest rate at which the market value equates with the present value of future rental income and the disposal value in accordance with the section 148 waiver. No allowance for non-contractual increase in rental income is made. As an allowance for the risk of falls in value the disposal value is taken as 75% of the current market value. . In Form 57 a further deduction is made to allow for the risk of default of rent. This deduction is the same as for fixed interest investments, as described in 21(2) above.

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 2002**

Type of business **Pension Insurance 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		2002	£000		
			Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums						Proportion of office premiums reserved for expenses and profits			Value of sums assured or annuities per annum, including vested reversionary bonuses	Office premiums
1	2	3	4	5	6	7	8	9	10	11	12			
DIRECT WRITTEN INSURANCE BUSINESS														
Non-Profit Policies														
Annuity in payment : Individual	5.00	D(a)	14707	44705 pa				656158					656158	
Annuity in payment : Group	5.00	B(a)	12969	36319 pa				480257					480257	
Deferred annuity : Group	5.00	C(b)	10915	18428 pa				169464					169464	
Mismatching reserves								19588					19588	
Additional reserves								9794					9794	
Sub total: Non-Profit Policies			38591	99452 pa				1335261					1335261	
Sub total: Direct Written Insurance Business			38591	99452 pa				1335261					1335261	
REASSURANCE ACCEPTED														
Non-Profit Policies														
Annuity in payment : Individual	5.00	A(c)	19932	26079 pa				335437					335437	
Mismatching reserves								5032					5032	
Additional reserves								2516					2516	
Sub total: Non-Profit Policies			19932	26079 pa				342985					342985	
Sub total: Reassurance Accepted			19932	26079 pa				342985					342985	

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 2002**

Type of business **Pension Insurance Business**

Company registration number **47842**

GL/UK/CM **GL**

Period ended day month year **31 12 2002**

Units **£000**

UK/OS **UK**

Type of business **Pens**

Category of surplus **11**

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

R51

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
Net total: Pension Insurance Business			58523	125531 pa				1678246			1678246
Net total: United Kingdom Insurance Business			58523	125531 pa				1678246			1678246

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance 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		GL	31	12	year		UK/OS			Pens
							Office premiums	Net premiums				day	month				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			
R54	47842	GL	46526 pa	6698 pa	29212 pa	10616 pa	691373	691373	116485	424277	150611	116485	424277	150611			
11: Global Business (Issued in the United Kingdom)			27308	46526 pa			691373	691373	691373	691373	691373	691373	691373	691373			
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies			27308	46526 pa			691373	691373	691373	691373	691373	691373	691373	691373			
Annuity in payment : Individual	2.39	D(a)	3671	6698 pa					Retail prices index	116485				116485			
Annuity in payment : Group	2.39	B(a)	16545	29212 pa					Retail prices index	424277				424277			
Deferred annuity : Group	2.39	C(b)	7092	10616 pa					Retail prices index	150611				150611			
Mismatching reserves																	
Additional reserves																	
Sub total: Non-Profit Policies			27308	46526 pa			691373	691373	691373	691373	691373	691373	691373	717190			
Sub total: Direct Written Insurance Business			27308	46526 pa			691373	691373	691373	691373	691373	691373	691373	717190			
REASSURANCE ACCEPTED Non-Profit Policies																	
Annuity in payment : Individual	2.39	A(c)	203	150 pa					Retail prices index	2808				2808			
Mismatching reserves																	
Additional reserves																	
Sub total: Non-Profit Policies			203	150 pa			2808	2808	2808	2808	2808	2808	2808	2913			

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Type of business **Pension Insurance 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		Name of index link		Investment liability		Other liabilities		Category of surplus
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees			
			2				3	4				5	6	7	8
1															
Sub total: Reassurance Accepted			203			150 pa					2808	2808			2913
Net total: Pension Insurance Business			27611			46676 pa					694181	694181			720103
Net total: United Kingdom Insurance Business			27611			46676 pa					694181	694181			720103

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 2002**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	2002	£000	UK	11
Type of assets and liabilities	Name of index link			Value of assets or liabilities		Gross derivative value			
	1			2		3			
Land and buildings	RPI			1825					
Rights under derivative contracts	RPI			(12762)		(12762)			
Government and public body index linked bonds	RPI			95421					
Corporate index linked bonds	RPI			260821					
Government and public body non-linked bonds	RPI			98004					
Corporate non-linked bonds	RPI			224675					
Loans secured by mortgages	RPI			3433					
Other loans	RPI			13408					
Prepayments and accrued income	RPI			9356					
Sub total assets				706943					
Sub total liabilities				(12762)					
Sub total net assets				694181					
Total assets				706943					
Total liabilities				(12762)					
Net total assets				694181					

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Retirement Income Limited

Valuation rate(s) of interest 0.00%

Global business

Type of business Pension Insurance Business

Financial year ended 31st December 2002

Non profit

Category of assets Total long term business assets

Company registration number	GL/UK/CM	Period ended			Units	Stg/NonStg	Valuation rate of interest	L&GA/Pens/PHI/Other	WP/NP	Category of assets	
		day	month	year							
R57	47842	GL	31	12	2002	£000	Stg	0.00	Pens	NP	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 %				
1		2		3			4		5		
On original allocation		Increase or decrease		Total under resilience scenario			Risk adjusted yield %				
3		4		5			6				
Land and buildings											
11											
Fixed interest securities		Approved securities		36933			36933		3.32		
Other		30432		33761			(18744)		15017		
Variable interest and Variable yield securities (excluding items shown at line 16)		Approved securities									
Other											
Equity shares and holdings in collective investment schemes											
Loans secured by mortgages											
All other assets											
Producing income											
Not producing income											
Total (11 to 19)		62852		70694			(18744)		51950		
Gross valuation interest rate %									3.72		
Net valuation interest rate % (where appropriate)											
Mathematical reserve or other liability, net of reinsurance		62852							19439		

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer **Prudential Retirement Income Limited**Valuation rate(s) of interest **2.39%**

Global business

Type of business **Pension Insurance Business**Financial year ended **31st December 2002**

Non profit

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

R57	47842	Company registration number	GL/UK/CM	Period ended		Units	Stg/NonStg	Valuation rate of interest	L&GAPens/PHI/Other	WP/NP	Category of assets	
				day	month							year
			GL	31	12	2002	£000	Stg	2.39	Pens	NP	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 %			
				1	2	3	4	5	6			
11			1825	3.71	1551			1551		4.36		
Land and buildings												
Fixed interest securities												
Approved securities												
Other				3.10			12810	12810		2.10		
Variable interest and Variable yield securities (excluding items shown at line 16)												
Approved securities			14	2.04	205441			205441		1.53		
Other			15	2.63	516063			516063		1.97		
Equity shares and holdings in collective investment schemes			16									
Loans secured by mortgages			17	3.81	3801			3801		2.86		
Producing income			18	3.11	13408			13408		2.33		
Not producing income			19		9356			9356				
Total (11 to 19)			29	2.45	749620			749620	12810	1.85		
Gross valuation interest rate %			31	2.39						1.72		
Net valuation interest rate % (where appropriate)			32									
Mathematical reserve or other liability, net of reinsurance			33		694181			762430				

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Prudential Retirement Income Limited

Valuation rate(s) of interest 5.00%

Global business

Type of business Pension Insurance Business

Financial year ended 31st December 2002

Non profit

Category of assets Total long term business assets

Type of asset notionally allocated	Company registration number	GL/UK/CM	Period ended			Units	Stg/NonStg	Valuation rate of interest	L&GA/Pens/PHI/Other	WP/NP	Category of assets
			day	month	year						
			31	12	2002						
	R57	47842	GL	£000	Stg	5.00	Pens	NP	10		
			The valuation			The resilience scenario					
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated	Risk adjusted yield %	Total under resilience scenario				
			1	2	3	4	5	6			
Land and buildings			11	6.31	51476		51476	7.42			
Fixed interest securities			12	4.32	766617		766617	3.32			
			13	5.69	971327	5934	977261	4.69			
Variable interest and Variable yield securities (excluding items shown at line 16)			14								
			15	4.56	10459		10459	3.42			
Equity shares and holdings in collective investment schemes			16								
Loans secured by mortgages			17	6.36	4648		4648	5.36			
All other assets			18	3.98	10649		10649	2.98			
			19		8294		8294				
Total (11 to 19)			29	5.13	1823470	5934	1829404	4.16			
Gross valuation interest rate %			31	5.00				4.03			
Net valuation interest rate % (where appropriate)			32								
Mathematical reserve or other liability, net of reinsurance			33		1641316		1829404				

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 2002

With profits/Non profit

Category of assets Total long term business assets

Company registration number	GLUK/CM	Period ended			Units	Stg/NonStg	Valuation rate of interest	L&G/Pens/PHI/Other	WP/JP	Category of assets	
		day	month	year							
		31	12	2002							
R57	47842	GL	31	12	2002	£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 %				
		1	2	On original allocation	Increase or decrease	Total under resilience scenario	5	6			
				3	4	5	6				
11		62384	6.23	53027		53027				7.42	
12		705365	4.32	803550		803550				3.32	
13		905981	5.69	1005088		1005088				4.66	
14		189549	2.04	205441		205441				1.53	
15		485743	2.67	526522		526522				2.00	
16											
17		7620	5.21	8449		8449				4.24	
18		24057	3.50	24057		24057				2.62	
19		17650		17650		17650					
29		2398349	4.34	2643784		2643784				3.48	
31											
32											
33		2398349				2611273					
		Land and buildings									
		Fixed interest securities									
		Approved securities									
		Other									
		Variable interest and Variable yield securities (excluding items shown at line 16)									
		Equity shares and holdings in collective investment schemes									
		Loans secured by mortgages									
		All other assets									
		Producing income									
		Not producing income									
		Total (11 to 19)									
		Gross valuation interest rate %									
		Net valuation interest rate % (where appropriate)									
		Mathematical reserve or other liability, net of reinsurance									

Long term insurance business : Valuation result and distribution of surplus

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2002**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of surplusCategory of surplus **11: Global Business (Issued in the United Kingdom)****R58****47842****GL****31****12****2002****£000****11**

Category of surplus	Description	Period ended			Units	Category of surplus	
		day	month	year			
Valuation result	Fund carried forward	11			2398349		
	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			2398349		
	Mathematical reserves for accumulating with profit policies	17					
	Mathematical reserves for other non linked contracts	18			1678246		
	Mathematical reserves for property linked contracts	19					
	Mathematical reserves for index linked contracts	20			720103		
	Total (17 to 20)	21			2398349		
	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			51734	
		Transfer from other funds/parts of fund	33				
	Net transfer into fund/part of fund (32+33)	34			51734		
	Surplus arising since the last valuation	35			(51734)		
	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					

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2002

Supplementary notes to the returns

0901 Other waivers under Section 148, Financial Services and Markets Act 2000

(a) The Financial Services Authority, on the application of the firm, made a direction in December 2002 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to modify the provisions of IPRU (INS) rule 5.11 and Appendix 9.4, so that a more appropriate rate of interest will be used when valuing assets backing non profit liabilities.

(b) The Financial Services Authority, on the application of the firm, made a direction in December 2002 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction was to modify IPRU (INS) rule 3.4 so that the rule does not apply to the reinsurance agreement between the firm and Scottish Amicable Life plc dated 30 September 2000 novated to The Prudential Assurance Company Limited by the deed of novation between the firm, Scottish Amicable Life plc and The Prudential Assurance Company Limited dated 17 December 2002, which covers the annuity business formerly written by Scottish Amicable Life plc and transferred to The Prudential Assurance Company Limited on 31 December 2002 under Part VII of the Financial Services and Markets Act 2000.

1001 Reconciliation to shareholder accounts

	2002	2001
	£'000s	£'000s
<i>Net assets per FSA return</i>		
Line 99 on Form 13 (OLTB)	161,116	62,627
Line 59 on Form 15	<u>(235)</u>	<u>(3,010)</u>
	160,881	59,617
<i>Per shareholder accounts</i>		
Capital and reserves	247,727	98,092
<i>Difference</i>		
Additional reserves held in long term fund	123,052	54,596
Deferred tax provision on additional reserves	(37,200)	(16,400)
Valuation difference Line 94 on Form 13	<u>994</u>	<u>279</u>
Additional reserves held in long term fund	<u>86,846</u>	<u>38,475</u>

Supplementary notes to the returns (continued)

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

- *1302*** The company held £15m 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 £73m in unlisted securities.
- *1309*** The company held £166m in hybrid securities.
- *1310*** Amounts due to or from the company have been set off to the extent permitted by generally accepted accounting principles.
- *1311*** The maximum permitted exposure to any one counterparty other than short term deposits with an approved credit institution is set at 5% of the long term 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.

Supplementary notes to the returns (continued)

- *1401* The long term fund held a number of interest rate and currency 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) There were no contingent liabilities at the year end.
 - (d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business and in respect of related companies.
- *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.
- *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 £nil.
 - (c) There were no contingent liabilities at the year end.
 - (d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business and in respect of related companies.

Supplementary notes to the returns (continued)

- *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* The company has a reinsurance agreement with a related company, Scottish Amicable Life Plc, in respect of non-participating approved pension annuity contracts. This agreement was novated to The Prudential Assurance Company Limited on 17 December 2002. 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 £346 million at the year end.

There were no other material intra-group transactions.

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

Line	Description	2002 £'000
12	Fixed interest – approved securities	8,545
13	Fixed interest – other securities	18,326
15	Variable interest – other securities	130

These amounts are included in line 84 on form 13.

- *4802* There are 2 assets where the payment of interest is in default. The expected income from these assets has been reduced to nil.

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=2003) / 70% PFA92 (c=2003)
- B** 80% PMA92 (U=2003)+3 / 80% PFA92 (U=2003)+3
- C** [AM / AF92] - 3 (in deferment), 80% PMA92 (U=2003)+3 / 80% PFA92 (U=2003)+3 (in possession)
- D** 80% PMA92 (U=2003) / 80% PFA92 (U=2003)

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 1.75%
- b** Expense loading of 2.10%
- c** Expense loading of 0.10%

5704 The yield shown in line 29 column 2 of Form 57 is the aggregate yield as calculated in accordance with the section 148 waiver and not the market weighted average yield of line 11 to 19 inclusive.

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2002

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

We certify:

1. (a) in relation to the part of this return comprising Forms 9, 9A, 10, 13 to 17 and 40 to 42 (and the supplementary notes thereto) and the 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 waivers dated 20 December 2002 and 31 December 2002 issued under Section 148 of the Financial Services and Markets Act 2000;
 - (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) that 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;
- (d) that proper records have been maintained and adequate information obtained by the company for the purpose of the declaration required by rule 9.39.

Certificate required by Rule 9.34(a) (continued)

2. that the margin of solvency required by rule 2.1 has been maintained throughout the financial year.
3.
 - (a) that 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 fund has not been applied otherwise than for the purpose of the long term insurance business;
 - (b) that 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) that 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) that no internal linked funds are maintained;
 - (e) that 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) that the company has fully complied with the requirement of rule 3.5.

Certificate required by Rule 9.34(a) (continued)

4. (a) that the systems of control established and maintained by the company in respect of its business complied at the end of the financial year, and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in the future, with the following published guidance:
- (i) Guidance Note P.1 – ‘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);
- (b) that 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 – ‘Use of derivative contracts in insurance funds’; and
 - (iii) Guidance Note 9.1 – ‘Preparation of annual returns’.

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G M Wood
Chief Executive

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D J Belsham
Director

.....

T J W Tookey
Director

26 March 2003

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2002

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 2002 for the liabilities (other than the liabilities which had fallen due before 31 December 2002) 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 2002 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 on Valuation of Long-Term Insurance Business" issued by the Faculty and Institute of Actuaries, dated 30 December 2002;
 - (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 2002 (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 £95,934,000.

G A Gallagher
Appointed Actuary
26 March 2003

PRUDENTIAL RETIREMENT INCOME LIMITED

Financial Year ended 31 December 2002

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 the Accounts and Statements Rules set out in part I of chapter 9 to the Interim Prudential Sourcebook for Insurers (“the Rules”) made by the Financial Services Authority (“FSA”) under section 138 of the Financial Services and Markets Act 2000:

- Forms 9, 9A, 10, 13 to 17 and 40 to 42 (including the supplementary notes thereto) (“the Forms”);
- the statement required by rule 9.29 on pages 62 to 64 (“the statement”); and
- the certificate signed in accordance with rule 9.34(a) on pages 55 to 57 (“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; and
- (c) paragraph 4(a) in so far as it relates to controls with respect to Money Laundering.

This report is made solely to the company’s directors, as a body, in accordance with the requirements of rule 9.35 of the Rules. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor’s report has been commissioned by the company’s directors and issued in accordance with the requirements of rule 9.35 of the Rules and to facilitate the discharge by the FSA of its regulatory functions in respect of the company, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the company’s directors those matters we are required to state to them in an auditor’s report issued pursuant to rule 9.35 of the Rules and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s directors as a body, for our audit work, for this report, or for the opinions we have formed.

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 by waivers issued under section 148 of the Financial Services and Markets Act 2000 on 20 December 2002 and 31 December 2002. 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.

Bases 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 obtained by us relating to the audit of the financial statements of the company for the financial year. 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 58 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 the directions dated 20 December 2002 and 31 December 2002 issued by the Financial Services Authority and have been properly prepared in accordance with the provisions of those Rules; and
- (b) based on 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

26 March 2003

PRUDENTIAL RETIRMENT INCOME LIMITED

Returns for the year ended 31 December 2002

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 used interest rate and currency swaps in the long term business and interest rate swaps 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 2002 no such contracts were used.

(d) Effect on Form 13 at 31 December 2002 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 44; (£110,000)

Form 13 line 54/55/81; (£13,054,000)

Other than long term funds

Form 13 line 54/55/81; (£164,000)

(e) Effect on Form 13 at 31 December 2002 of exercising all derivatives. Decreases are shown in brackets.

Long term funds

Form 13 line 44; (£110,000)

Form 13 line 54/55/81; (£13,054,000)

Other than long term funds

Form 13 line 54/55/81; (£164,000)

(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 44; (£899,000)

Form 13 line 54/55/81; £549,000

Other than long term funds

Form 13 line 44; (£899,000)

Form 13 line 54/55/81; £899,000

Conditions noted in (e)

Long term funds

Form 13 line 44;	(£899,000)
Form 13 line 54/55/81;	£549,000

Other than long term funds

Form 13 line 44;	(£899,000)
Form 13 line 54/55/81;	£899,000

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 there were no exposures that incurred an obligation on any one counterparty.

The maximum loss at any other time during the year was £899,000.

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 there were no exposures that incurred an obligation on any one counterparty.

The maximum loss at any other time during the year was £899,000.

(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 2002 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 2002

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 2002, 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 2002:
 - (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 2002, a shareholder controller of the company.	In the case of each person who was a shareholder controller of the company at 31 December 2002:	
	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 2002

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 8,299 and 8,361 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 6,016 and 6,619 shares at the beginning and at the end of the year respectively. During the year, 3,270 shares were conditionally awarded to him under the 2002 scheme, 1,483 shares were exercised and 1,184 shares conditionally awarded under the 1999 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>
4,747	346p	Between December 2007 and June 2008

During the year, options held previously for 2,775 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 £122,745.

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.