



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 2004**



(Appendices 1 , 3 , 4 , 6)

Amendments to Prudential Retirement Income Limited (PRIL) FSA Return 2004

On 23 June 2005, Prudential Retirement Income Limited made the following amendments to the Annual FSA Insurance Returns for the year ended 31st December 2004, originally signed on 24 March 2005 and submitted to the FSA before 31 March 2005:

1. Correction of the yield figures in Form 49 row 29 column 5.
2. Amendments to a number of the mathematical reserve figures in Forms 51 and 54 as these have been reallocated between categories of business and additional reserves. There is no change to the total reserves.
3. Amendment to Form 57 as a consequence of the changes to Forms 51 and 54.
4. Changes to the figures shown in paragraphs 6(1)(i) and 7(8) (b) and (c) of the Appendix 9.4 valuation report to ensure consistency with the changes made to Forms 51 and 54.
5. Removal of the final paragraph of 6(1)(j) to ensure consistency with the revised mathematical reserves in Forms 51 and 54.

These amendments have been made to the returns on the website.

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2004

Revised Directors' Certificate required by rule 9.6(5) and 9.34 of the Accounts and Statements Rules

We certify:

- i) that the attached revised Forms when taken with the remainder of the annual return approved on 24 March 2005 form the revised annual return, which supersedes the original annual return. The revised annual return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU as modified by a waiver dated 29 December 2004 issued under section 148 of the Financial Services and Markets Act 2000. The revised Forms have been so prepared as if they had been prepared as at the date on which the original annual return was prepared and certified by the directors, and accordingly do not take account of events which have taken place after the date on which the original annual return was certified by the directors;
- ii) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business; and
- iii) that we have, in preparing the revised return, taken and paid due regard to advice in preparing the return from the actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

.....

G M Wood
Chief Executive

.....

D J Belsham
Director

.....

T J W Tookey
Director

23 June 2005

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2004

Report of the auditor to the Directors pursuant to rule 9.35 of the Accounts and Statements Rules.

We have examined the attached revised Form 49, and the remainder of the return falling within the scope of the audit that was certified by the directors on 24 March 2005, which, taken together, form the revised annual return superseding the original annual return. This revised return comprises:

- Forms 2, 3, 13 to 17, 40 to 42, 48, 49, 56, 58 and 60, (including the supplementary notes) on pages 3 to 54 ('the Forms');
- the statement required by rule 9.29 on pages 59 to 62 ('the Statement');
- the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report required by rule 9.31(a) ('the methods and assumptions included in the valuation report').

The revision has been made by the Company pursuant to rule 9.6(5) of the Accounts and Statements Rules set out in part I and part IV of chapter 9 to the Interim Prudential Sourcebook for Insurers and PRU, the Integrated Prudential Sourcebook, ('the Rules') made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 and the revised annual return as a whole has been prepared by the Company pursuant to the Rules. The revised annual return has been prepared on the basis of complying with the Rules as at the date of the directors' approval of the original annual return, being 24 March 2005, and accordingly does not take account of events that have taken place after the date on which the original annual return was approved:

We withdraw our report, dated 24 March 2005, upon the original annual return.

We are not required to examine and do not express an opinion on:

- Forms 46, 47, 51, 54 and 57 (including the supplementary notes) on pages 25 to 46;
- the statement required by rules 9.30 on page 63;
- the directors' certificate signed in accordance with rule 9.34 on page 55 ('the directors' certificate'); and
- the valuation report required by rule 9.31 (a) except as set out above.

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 a revised 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 the revised annual return (including the Forms, the Statement, the valuation report, the forms and statements not examined by us and the directors' certificate) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver issued under section 148 of the Financial Services and Markets Act 2000 on 29 December 2004. Under rule 9.11 the Forms, the Statement, valuation report, the forms and statements not examined by us and the directors' certificate 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.

The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report, prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3.

Under the terms of our engagement, it is our responsibility to form an independent opinion as to whether the Forms, the Statement and the methods and assumptions included in the valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination.

Basis of opinion

We conducted our work on the revised annual return in accordance with Practice Note 20 “The audit of insurers in the United Kingdom” and Bulletin 2004/5 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, the Statement, and the methods and assumptions included in the valuation report. The evidence included that previously 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, the Statement and in determining the methods and assumptions included in the valuation report. The examination of revised Forms includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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, the Statement and the methods and assumptions included in the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In accordance with rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- i) the revised annual return, prepared in accordance with the rules as at 24 March 2005, the date the original annual Return was approved by the directors, fairly states the information provided on the basis required by the Rules as modified and has been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report in the revised annual return prepared in accordance with rule 9.31 as at 24 March 2005, the date the original return was approved by the directors, appropriately reflect the requirements of PRU 7.3.

KPMG Audit Plc
Registered Auditor

London

23 June 2005

Prudential Retirement Income Limited

Year ended 31st December 2004

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Statement of solvency - long-term insurance business

Printed 24th JUN 05 at 10:51

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2004**

Solo solvency calculation

Solo solvency calculation	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
	R2	47842	GL	31	12	2004
		As at end of this financial year			As at end of the previous year	
		1			2	

Capital resources

Capital resources arising within the long-term insurance fund	11	120553	
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	289143	
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	409696	

Guarantee Fund

Guarantee Fund requirement	21	82855	
Excess (deficiency) of available capital resources to cover guarantee Fund requirement	22	326841	

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	248564	
Resilience capital requirement	32		
Base capital resources requirement	33	2087	
Minimum capital requirement	34	248564	
Excess (deficiency) of available capital resources to cover 50% of MCR	35	285414	
Excess (deficiency) of available capital resources to cover 75% of MCR	36	223273	

Enhanced capital requirement

With-profits insurance capital component	37		
Enhanced capital requirement	38	248564	

Capital resources requirement (CRR)

Capital resources requirement (greater of 34 and 38)	41	248564	
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	161132	

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51	60042	
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Covering sheet to Form 2

Printed 24th JUN 05 at 10:51

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2004**

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

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

..... **T J W Tookey** **Director**

London 24 March 2005

Components of capital resourcesName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2004**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R3	47842	GL	31	12	2004	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3			As at the end of the previous year 4

Core tier one capital

Permanent share capital	11		356700	356700	
Profit and loss account and other reserves	12		143840	143840	
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		500540	500540	

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		500540	500540	
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		90644	90644	
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		90644	90644	
Total tier one capital after deductions (31-37)	39		409896	409896	

Components of capital resourcesName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2004**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	47842	GL	31	12	2004	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3			As at the end of the previous year 4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				

Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				

Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Components of capital resourcesName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2004**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R3	47842	GL	31	12	2004	£000
	General insurance Business 1	Long-Term insurance Business 2	Total as at the end of this financial year 3			As at the end of the previous year 4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		409896	409896	
Inadmissible assets other than intangibles and own shares	73		200	200	
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Total deductions of ineligible surplus	77				
Total capital resources after deductions (72-73-74-76-77)	79		409696	409696	

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81		409696	409696	
Available capital resources for 50% MCR requirement	82		409696	409696	
Available capital resources for 75% MCR requirement	83		409696	409696	

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		60042	60042	
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92+93+94+95)	96		60042	60042	

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

Global business

Financial year ended **31st December 2004**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	2004	£000	1
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 2004**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	2004	£000	1
Investments (continued) Deposits with ceding undertakings Assets held to cover linked liabilities					As at the end of this financial year 1		As at the end of the previous year 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	1529		836		
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	102556		48098		
			Other	46	73903		56139		
		Variable interest	Approved securities	47	59488		27463		
			Other	48	15932		18634		
	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	26248		1140		
		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	279656		152310		

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

Global business

Financial year ended **31st December 2004**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	2004	£000	1
Debtors Other assets					As at the end of this financial year 1		As at the end of the previous year 2		
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	6848		2187		
		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	520		676		
	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	3215		1874		
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86					
Deductions from the aggregate value of assets				87					
Total sheet 3 (71 to 86 less 87)				88	10583		4737		
Grand total of admissible assets after deduction of market risk and counterparty limits (39+69+88)				89	290239		157047		
Reconciliation to asset values determined in accordance with the insurance accounts rules									
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)				91	290239		157047		
Assets in excess of market and counterparty limits				92					
Capital resources requirement deduction for subsidiary undertakings which are insurance undertakings				93					
Other differences in the valuation of assets (other than for assets not valued above)				94					
Other inadmissible assets				95	200		100		
Total assets determined in accordance with the <i>insurance accounts rules</i> (91 to 95)				99	290439		157147		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100					

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

Global business

Financial year ended **31st December 2004**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	2004	£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	157468		90089	
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	157468		90089	

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

Global business

Financial year ended **31st December 2004**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	47842	GL	31 day	12 month	2004 year	£000	10
Investments (continued) Deposits with ceding undertakings Assets held to cover linked liabilities						As at the end of this financial year 1		As at the end of the previous year 2	
Other financial investments	Equity shares			41					
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43	17628				
	Rights under derivative contracts			44	241		205		
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	2324300		894657		
			Other	46	2563660		1253549		
		Variable interest	Approved securities	47	2361		6037		
			Other	48	13847		25691		
	Participation in investment pools			49					
	Loans secured by mortgages			50	13749		13053		
	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	32662		4859		
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	49000		5319		
		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	1116201		862429		
	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	6133649		3065799		

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

Global business

Financial year ended **31st December 2004**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	2004	£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	68		866		
	Intermediaries			72					
Salvage and subrogation recoveries				73					
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74	10437				
	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	310		265		
		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	20741		14122		
	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	88085		37491		
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86	11504				
Deductions from the aggregate value of assets				87					
Total sheet 3 (71 to 86 less 87)				88	131145		52744		
Grand total of admissible assets after deduction of market risk and counterparty limits (39+69+88)				89	6422262		3208632		
Reconciliation to asset values determined in accordance with the insurance accounts rules									
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)				91	6422262		3208632		
Assets in excess of market and counterparty limits				92					
Capital resources requirement deduction for subsidiary undertakings which are insurance undertakings				93					
Other differences in the valuation of assets (other than for assets not valued above)				94			1371		
Other inadmissible assets				95					
Total assets determined in accordance with the insurance accounts rules (91 to 95)				99	6422262		3210003		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100					

Long term insurance business liabilities and margins

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Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2004**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	2004	£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	6214126		3188901		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	70042		10000		See Instruction 4	
Long term insurance business fund carried forward (11 to 13)			14	6284168		3198901		See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year		Gross amount	15	1211		747			
		Reinsurers' share	16						
		Net (15-16)	17	1211		747			
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	5699		1963			
		Reinsurance accepted	32	1488					
		Reinsurance ceded	33						
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36						
	Other creditors	Taxation	37	3287		2334			
		Other	38	74354		3596			
Accruals and deferred income			39	1544		1091			
Provision for "reasonably foreseeable adverse variations"			41						
Total other insurance and non-insurance liabilities (17 to 41)			49	87583		9731			
Excess of the value of net admissible assets			51	50511				See Instruction 6	
Total liabilities and margins			59	6422262		3208632			
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance			61	509		1997			
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)

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Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2004**

		Company registration number	GL/UK/CM	Period ended			Units	
		R15	47842	GL	31 day	12 month	2004 year	£000
				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					
	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	1096		1873		
Accruals and deferred income			51					
Total (19 to 51)			59	1096		1873		
Provision for "reasonably foreseeable adverse variations"			61					
Cumulative preference share capital			62					
Subordinated loan capital			63					
Total (59 to 63)			69	1096		1873		
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)

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Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2004**

			Company registration number	GL/UK/CM	Period ended			Units	
			R16	47842	GL	31	12	2004	£000
				This financial year		Previous year	Source		
				1		2	<	>	?
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			(23243)	40 . 26		
Investment income	Income		14	9258		7558			
	Value re-adjustments on investments		15	9483					
	Gains on the realisation of investments		16	425					
Investment charges	Investment management charges, including interest		17	196		183			
	Value re-adjustments on investments		18			451			
	Loss on the realisation of investments		19			815			
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	(620)		(466)			
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	18350		(17600)			
Tax on profit or loss on ordinary activities			31	5281		(1993)			
Profit or loss on ordinary activities after tax (29-31)			39	13069		(15607)			
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	13069		(15607)			
Dividends (paid and proposed)			51						
Profit or loss retained for the financial year (49-51)			59	13069		(15607)			

Analysis of derivative contracts

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Name of insurer **Prudential Retirement Income Limited**

Global business

Insurance Business **Other than long term**Financial year ended **31st December 2004**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	2004	£000	1
Derivative contracts			As at the end of this financial year				As at the end of the previous year			
			Assets 1		Liabilities 2		Assets 3		Liabilities 4	
Futures contracts	Fixed-interest securities	11								
	Equity shares	12								
	Land	13								
	Currencies	14								
	Other	15								
Options	Fixed-interest securities	21								
	Equity shares	22								
	Land	23								
	Currencies	24								
	Other	25								
Contracts for differences	Fixed-interest securities	31								
	Equity shares	32								
	Land	33								
	Currencies	34								
	Other	35	1529	1079	836	1861				
Adjustments for variation margin		41								
Total (11 to 41)		49	1529	1079	836	1861				

Analysis of derivative contracts

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Name of insurer **Prudential Retirement Income Limited**

Global business

Insurance Business **Long term**Financial year ended **31st December 2004**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	2004	£000	10
Derivative contracts			As at the end of this financial year				As at the end of the previous year			
			Assets 1		Liabilities 2		Assets 3		Liabilities 4	
Futures contracts	Fixed-interest securities	11								
	Equity shares	12								
	Land	13								
	Currencies	14								
	Other	15								
Options	Fixed-interest securities	21								
	Equity shares	22								
	Land	23								
	Currencies	24								
	Other	25								
Contracts for differences	Fixed-interest securities	31								
	Equity shares	32								
	Land	33								
	Currencies	34			1628				1053	
	Other	35		241	2		205		197	
Adjustments for variation margin		41								
Total (11 to 41)		49		241	1630		205		1250	

Long term insurance business : Revenue account

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Name of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**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	
	R40	47842	GL	31 day	12 month	2004 year	£000	OB	99	0
Items to be shown net of reinsurance ceded							The financial year	Previous year		
							1	2		
Earned premiums							11	2998125	795940	
Investment income receivable before deduction of tax							12	204203	147231	
Increase (decrease) in the value of non-linked assets brought into account							13	128219	43133	
Increase (decrease) in the value of linked assets							14			
Other income							15	60000		
Total income (11 to 15)							19	3390547	986304	
Claims incurred							21	254527	178325	
Expenses payable							22	50753	30670	
Interest payable before deduction of tax							23			
Taxation							24			
Other expenditure							25			
Transfer to (from) non technical account							26		(23243)	
Total expenditure (21 to 26)							29	305280	185752	
Increase (decrease) in fund in financial year (19-29)							39	3085267	800552	
Fund brought forward							49	3198901	2398349	
Fund carried forward (39+49)							59	6284168	3198901	

Long term insurance business : Revenue account

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Name of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**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	
	R40	47842	GL	31	12	2004	£000	OB	1	0
Items to be shown net of reinsurance ceded							The financial year	Previous year		
							1	2		
Earned premiums							11	2998125	795940	
Investment income receivable before deduction of tax							12	204203	147231	
Increase (decrease) in the value of non-linked assets brought into account							13	128219	43133	
Increase (decrease) in the value of linked assets							14			
Other income							15	60000		
Total income (11 to 15)							19	3390547	986304	
Claims incurred							21	254527	178325	
Expenses payable							22	50753	30670	
Interest payable before deduction of tax							23			
Taxation							24			
Other expenditure							25			
Transfer to (from) non technical account							26		(23243)	
Total expenditure (21 to 26)							29	305280	185752	
Increase (decrease) in fund in financial year (19-29)							39	3085267	800552	
Fund brought forward							49	3198901	2398349	
Fund carried forward (39+49)							59	6284168	3198901	

Long term insurance business : Analysis of premiums and expenses

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Name of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**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	
		R41	47842	GL	31	12	2004	£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	2998125				2998125	
		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	2998125				2998125	
		Regular premium			29						
Total premiums at lines 19 and 29 attributable to	UK contracts			31	2998125				2998125		
	Overseas contracts			32							
Expenses payable in the financial year	Commission payable in connection with acquisition of business				41	18656				18656	
	Other commission payable				42						
	Management expenses in connection with acquisition of business				43	17448				17448	
	Management expenses in connection with maintenance of business				44	8605				8605	
	Other management expenses				45	6044				6044	
	Total expenses (41 to 45)				49	50753				50753	
	Total expenses at line 49 attributable to	UK contracts			51	50753				50753	
		Overseas contracts			52						

Long term insurance business : Analysis of premiums and expenses

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Name of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**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	2004	£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	2998125				2998125	
		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	2998125				2998125	
		Regular premium			29						
Total premiums at lines 19 and 29 attributable to	UK contracts			31	2998125				2998125		
	Overseas contracts			32							
Expenses payable in the financial year	Commission payable in connection with acquisition of business				41	18656				18656	
	Other commission payable				42						
	Management expenses in connection with acquisition of business				43	17448				17448	
	Management expenses in connection with maintenance of business				44	8605				8605	
	Other management expenses				45	6044				6044	
	Total expenses (41 to 45)				49	50753				50753	
	Total expenses at line 49 attributable to	UK contracts			51	50753				50753	
		Overseas contracts			52						

Long term insurance business : Analysis of claims

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Name of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**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	
		R42	47842	GL	31	12	2004	£000	OB	99	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	982				982	
	By way of lump sums on vesting				22	9739				9739	
	By way of vested annuity payments				23	235006				235006	
	On surrender or partial surrender				24	8800				8800	
	Total pension business claims (21 to 24)				29	254527				254527	
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	254527				254527	
Total claims at line 59 attributable to	UK contracts				61	254527				254527	
	Overseas contracts				62						

Long term insurance business : Analysis of claims

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Name of insurer **Prudential Retirement Income Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**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	
		R42	47842	GL	31	12	2004	£000	OB	1	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers		Net of reinsurance (1-2) 3		
					1		2				
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	982				982	
	By way of lump sums on vesting				22	9739				9739	
	By way of vested annuity payments				23	235006				235006	
	On surrender or partial surrender				24	8800				8800	
	Total pension business claims (21 to 24)				29	254527				254527	
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	254527				254527	
Total claims at line 59 attributable to		UK contracts			61	254527				254527	
		Overseas contracts			62						

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

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Name of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 2004**

		Company registration number		GL/UK/CM	Period ended			Units	UK/OS	NL/LN
		day	month		year					
		R46	47842	GL	31	12	2004	£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			71335						
New business and increases	12			120819						
Net transfers and other alterations 'on'	13									
Total 'on' (12+13)	19			120819						
Deaths	21			3845						
Other insured events	22									
Maturities	23									
Surrenders	24			14						
Forfeitures	25									
Conversions to paid-up policies for reduced benefits	26									
Net transfers, expiries and other alterations 'off'	27			2830						
Total 'off' (21 to 27)	29			6689						
In force at end of year (11+19-29)	39			185465						

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

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Name of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Linked

Financial year ended **31st December 2004**

		Company registration number		GL/UK/CM		Period ended			Units	UK/OS	NL/LN
						day	month	year			
						R46	47842	GL			
		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			25705							
New business and increases	12			16507							
Net transfers and other alterations 'on'	13										
Total 'on' (12+13)	19			16507							
Deaths	21			1858							
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			3650							
Total 'off' (21 to 27)	29			5508							
In force at end of year (11+19-29)	39			36704							

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 2004

Company registration number	GL/UK/CM	Period ended			Units
		day	month	year	
R47	47842	GL	31	12	2004
					£000

Type of insurance	Single premium contracts			Regular premium contracts			
	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	
1	2	3	4	5	6	7	
UK DIRECT WRITTEN INSURANCE BUSINESS Pension Insurance Business Non-Linked Non-Profit Policies Annuity in payment Group deferred annuity Sub total: Non-Linked Non-Profit Policies Index Linked Contracts Annuity in payment Group deferred annuity Sub total: Index Linked Contracts Total: Pension Insurance Business Total: UK Direct Written Insurance Business							
	44299 14743	1051528 112686	76070 pa 9388 pa				
	59042	1164214	85458 pa				
	13705 4017	140630 50528	20627 pa 8566 pa				
	17722	191158	29193 pa				
	76764	1355372	114651 pa				
	76764	1355372	114651 pa				

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 2004

Company registration number	GL/UK/CM	Period ended		Units
		day	month	year
R47	47842	GL	31	12
			2004	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	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
1	2	3	4	5	6	7
UK REINSURANCE ACCEPTED						
Pension Insurance Business						
Non-Linked Non-Profit Policies						
Annuity in payment	76520	1589661	97860 pa			
Sub total: Non-Linked Non-Profit Policies	76520	1589661	97860 pa			
Index Linked Contracts						
Annuity in payment	2802	53092	3219 pa			
Sub total: Index Linked Contracts	2802	53092	3219 pa			
Total: Pension Insurance Business	79322	1642753	101079 pa			
Total: UK Reinsurance Accepted	79322	1642753	101079 pa			

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 2004**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R48	47842	GL	31	12	2004	£000	10
Type of asset			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3		
Land and buildings			11	157468		9448		5.93	
Fixed interest securities	Approved securities		12	2361874		119715		4.70	
	Other		13	2613405		147759		5.54	
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities		14	2376		48		1.65	
	Other		15	14051		665		4.21	
Equity shares and holdings in collective investment schemes			16	17628		368		2.09	
Loans secured by mortgages			17	13785		875		6.24	
All other assets	Producing income		18	102647		5033		4.90	
	Not producing income		19	22827					
Total (11 to 19)			29	5306061		283911		5.16	

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 2004

Category of assets

Total long term business assets

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		Company registration number		GL/UK/CM		Period ended				Units		Category of assets
		R49	47842	GL		day	month	year		£000		
Redemption period in years		Value of admissible assets as shown on Form 13	Gross redemption yield %	Value of admissible higher yielding assets		1	2	3	4	5	6	
One year or less	11	18	4.32									
More than one year but not more than five years	12	16734	4.50						1	1.59		
More than five years but not more than ten years	13	30124	4.71						91	1.74		
More than ten years but not more than fifteen years	14	502911	4.62						34	1.73		
More than fifteen years but not more than twenty years	15	448115	4.83	10836					635	1.65		
More than twenty years but not more than twenty five years	16	940851	4.70									
More than twenty five years	17	395111	4.66						1615	1.64		
Irredeemable	18	28010	4.56									
Total (11 to 18)	19	2361874	4.70	10836					2376	1.65		
One year or less	21	726	5.01									
More than one year but not more than five years	22	6491	5.23									
More than five years but not more than ten years	23	218014	5.54						106	3.16		
More than ten years but not more than fifteen years	24	477437	5.61	6171					157	2.47		
More than fifteen years but not more than twenty years	25	506806	5.73	26305					10277	5.20		
More than twenty years but not more than twenty five years	26	559491	5.59	17538					1115	2.71		
More than twenty five years	27	820090	5.36	239					2396	2.50		
Irredeemable	28	24350	6.39									
Total (21 to 28)	29	2613405	5.54	50253					14051	4.21		

PRUDENTIAL RETIREMENT INCOME LIMITED

Appendix 9.4

Valuation Report on Prudential Retirement Income Limited as at 31 December 2004

1. Date of investigation

The investigation relates to 31 December 2004.

2. Date of previous investigation

The previous investigation related to 31 December 2003.

3. Conformity with PRU 7.3.10R

The valuation of long term insurance business liabilities is in conformity with PRU 7.3.10R of the Integrated Prudential Sourcebook.

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), reducing where appropriate on the death of the first life, or incorporate a provision for payments to increase annually at a guaranteed rate. The annuity may incorporate a minimum guaranteed period of payment and may be enhanced where the policyholder suffers 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), reducing where appropriate on the death of the first life, 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 as at 31 December 2004 (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), reducing where appropriate on the death of the first life, which are revalued, annually, in line with the Retail Price Index. In some cases the annuity may incorporate a minimum guaranteed period of payment, the revaluation may have a maximum and/or minimum percentage increase, and the annuity may be enhanced where the policyholder suffers 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 as at 31 December 2004 (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/or 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 2004 comprised:

- i) A contract to swap UK sterling LIBOR for fixed UK sterling
- ii) A contract to swap fixed 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).
- iv) A contract to swap future floating UK sterling LIBOR for UK inflation linked cashflows

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 effect of the contract under iv) is to convert future UK LIBOR sterling cashflows into inflation 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.

Valuation Report as at 31 December 2004 (continued)

- (c) The net premium method has not been used.
- (d) There are no contracts where negative values could arise.
- (e) No reserve for future bonuses is required.
- (f) No provision for any prospective liability for tax on unrealised capital gains has been included in the mathematical reserves since the Company transacts pension business only and no capital gains tax liability is expected to arise.
- (g) Not applicable.
- (h) As described in 5(1)(d), some RPI-linked annuities are subject to maximum and minimum percentage increases. These fall into the following categories
 - (1) RPI-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 5%. For valuation purposes these are treated as being identical to normal RPI-linked annuities.
 - (2) RPI-linked annuities subject to a minimum annual increase of 3% and a maximum annual increase of 5%. For valuation purposes these are treated as annuities with fixed 5% annual increases. They are however included in these returns as linked business. Thus in particular, Form 56 includes sufficient fixed interest assets to match the corresponding liabilities.

The company has also written deferred annuities where benefits include revaluation in deferment in line with RPI, followed by fixed escalations in payment. The revaluation in deferment is generally subject to a minimum annual increase of 0% and a maximum annual increase of 5%. For valuation purposes these are treated as annuities with fixed 5% annual revaluation throughout the deferred period followed by the actual fixed escalation in payment. These annuities are included in these returns as non-linked business.

- (i) A cashflow mismatch reserve of £77.4m was held to allow for the reinvestment and liquidity risk that exists to the extent that the assets and liabilities of the company are not exactly matched. This reserve was set at a level which was sufficient to ensure that it covered the results of projecting:
 - (i) the risk adjusted cashflows of the assets backing the liabilities, and;
 - (ii) the future liability payments on the valuation assumptions.

Valuation Report as at 31 December 2004 (continued)

In any year where asset income exceeds liability outgo, the excess is assumed to be invested in a cash asset, and this cash asset is assumed to accumulate at 97.5% of the maximum reinvestment rate specified in PRU 4.2.45R. In any year when asset income is insufficient to meet liabilities, the cash reserve is used to meet the shortfall. In the event that the cash reserve is reduced to zero, then the shortfall is assumed to be borrowed at a rate 2% higher than the maximum reinvestment rate.

- (j) The mathematical reserves include £1.5m in respect of counterparty risk in connection with derivative contracts. The reserve was assessed based on counterparty exposure limits and arrangements for the use of collateral allowing for defaults in line with AA rated senior unsecured stock over the maximum outstanding term for each counterparty.

- (2) Not applicable.

7. Interest, mortality bases, resilience, etc.

- (1) See Forms 51 and 54 and the notes to these forms. Enhanced annuities are valued using the tables specified in note 5101, but include a policy specific age adjustment to the mortality table 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. In order to allow for mortality improvement, the CMIR 17 mortality improvement factors are applied up to and including 2004. Future improvement factors are applied from 2005, and for males are in line with 100% of the CMI medium cohort projections, subject to future improvement factors not being less than 1.25% p.a. For females, future improvement factors are in line with 75% of the CMI medium cohort projections, subject to future improvement factors not being less than 0.75% p.a. For some annuity contracts in deferment, a calendar year table was used; for these contracts a further deduction of 0.35% from the valuation interest rate has been made during the deferred period, to allow for expected mortality improvements prior to vesting.

Valuation Report as at 31 December 2004 (continued)

- (5) No allowance is made or reserve is held, in addition to the assumptions in 7 (4) above, in respect of possible changes in the incidence of disease or development in medical science.
- (6) The most onerous scenario under PRU 4.2.16R was:
 - (i) a fall in property values of 20% plus a fall in rental income of 10%, and;
 - (ii) a fall in yield on all fixed interest securities of 0.92%, which is the percentage point fall equal to 20% of the long-term gilt yield at the valuation date.

In addition to the requirements specified in PRU 4.2.16R, this test also included an immediate fall of 25% in the real yield on index-linked bonds.

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

- (7) There were no significant territories at the valuation date.
- (8) In respect of the scenario described under (6) above;
 - (a) No resilience capital requirement was necessary.
 - (b) The decrease in the aggregate amount of the long-term insurance liabilities was £504.5m.
 - (c) The decrease in the aggregate amount of assets backing these liabilities was £500.7m.
- (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.

Valuation Report as at 31 December 2004 (continued)

- (b) A reserve was held equal to the present value of future expenses as described in paragraph 10(1) below.

10. Expenses

- (1) The expense reserve held was calculated by applying the percentage expense loadings, as specified in note 5101, to the annual annuity amount.

These percentages are broadly equivalent to a per policy expense loading of £36 p.a. for immediate annuities and deferred annuities in payment, £5p.a. for deferred annuities during the deferred period and an expense inflation assumption of 3.5% p.a. The administration of the annuities reassured from the NPSF is retained by the NPSF. Expense reserves for this business are therefore held in the NPSF rather than the Company.

Investment management expenses are allowed for by deducting 0.11% 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 are allowed for directly in the valuation rates of interest used (and the asset 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 2004, the amount released to meet renewal expenses in 2005 will be £5.4m. In addition, £6.6m will be released to meet investment expenses (excluding outgo on property maintenance costs and leases).
- (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.

Valuation Report as at 31 December 2004 (continued)

17. Changes in long term insurance business

See Form 46.

Group non-profit deferred annuities are not included in Form 46. These consist of 27,626 individual arrangements for non-linked contracts and 12,029 individual arrangements for linked contracts at 31 December 2004.

18. New business

See Form 47.

19. Assets covering long term liabilities

- (1) See Forms 48 and 49. The yield shown for land and buildings in line 11 of Form 48 is net of expected outgo on management fees, maintenance costs and leases. This treatment is consistent with that adopted on Form 57. Similarly in Form 40 the outgo on property maintenance costs and leases is deducted from investment income.

- (2) Changes in the amounts reported on Form 48 at 31 December 2004 which would result from the exercise of rights or obligations under derivative contracts or contracts having the effect of derivative contracts (assuming that options would be exercised only if it would be prudent to do so) are as follows:

Form 48	Column 1	Column 2	Column 3
	£000's	£000's	%
Line 18	(1,631)	83	(0.06)
Line 29	(1,631)	83	0.00

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

Form 48	Column 1	Column 2	Column 3
	£000's	£000's	%
Line 18	(1,631)	83	(0.06)
Line 29	(1,631)	83	0.00

- (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	
	Conditions noted in (2)	Conditions noted in (3)
	£000's	£000's
Line 18	(1,057)	(1,057)

Valuation Report as at 31 December 2004 (continued)

20. Valuation summaries

See Forms 51 and 54.

On Form 54 the figures shown in column 7 are the amounts of annuity per annum in payment; the figures in columns 11 and 12 are the total net liability including allowance for future mortality and expenses.

21. Matching rectangle

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

The default allowance is determined from data supplied by our investment manager, which itself is based upon research carried out by one of the major rating agencies. This analysis, based on actual default experience over a 34 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%

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 category is assumed to be 150% of the appropriate mean default rate plus two standard deviations, reduced by the expected recovery. The derived default rates for each category are set out below:

Default rates - basis points per annum:

Seniority	AAA	AA	A	BBB	BB	B and lower
First Mortgage Debenture/Senior Secured	3.3	11.5	14.3	40.5	157.3	444.3
Senior Unsecured	7.0	24.8	31.5	88.8	345.8	978.3
Subordinated Debt	10.5	36.3	45.8	129.3	502.3	1422.5

Valuation Report as at 31 December 2004 (continued)

The overall default assumption is increased, if necessary, so that it is not less than our investment manager's independently assessed estimate of the credit risk premium.

Regard is also paid to the yield differential between corporate and government bonds, and prevailing economic circumstances. Additional allowance for counterparty risks in connection with derivative contracts is included in the reserve described in 6(1)(j).

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.

- (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 is made for non-contractual increase in rental income. 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. Long-term insurance capital requirement

See Form 60.

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 2004**Type of business **Pension Insurance Business**Category of surplus **11: Global Business (Issued in the United Kingdom)**

Pension Insurance Business														
Type of business	Category of surplus													
Category of surplus	11: Global Business (Issued in the United Kingdom)													
	Company registration number		GL/UK/CM		Period ended			Units		UK/OS		Type of business		Category of surplus
	R51	47842	GL	31	12	2004	£000	UK	Pens					11
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			
DIRECT WRITTEN INSURANCE BUSINESS														
Non-Profit Policies														
Annuity in payment : Individual	4.71	B(a)	48795	124948 pa				1833105			1833105			
Annuity in payment : Group	4.71	D(a)	39216	64471 pa				930412			930412			
Deferred annuity : Group	4.71	C(b)	27626	37931 pa				400232			400232			
Mismatching reserves								67446			67446			
Additional reserves								8944			8944			
Sub total: Non-Profit Policies														
			115637	227350 pa				3240139			3240139			
Sub total: Direct Written Insurance Business														
			115637	227350 pa				3240139			3240139			
REASSURANCE ACCEPTED														
Non-Profit Policies														
Annuity in payment : Individual	4.71	A(c)	19249	25367 pa				308966			308966			
PAC to PRIL Annuities in Payment	4.71	B(a)	22096	24663 pa				486792			486792			
Annuity in payment : Group	4.71	B(d)	56109	73496 pa				1026878			1026878			
Mismatching reserves								10003			10003			
Additional reserves								1336			1336			

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 2004**Type of business **Pension Insurance Business**Category of surplus **11: Global Business (Issued in the United Kingdom)**

Type of business	Pension Insurance Business										Company registration number	GL/UK/CM			Period ended		Units	UK/OS	Type of business	Category of surplus
Category of surplus	11: Global Business (Issued in the United Kingdom)										R51	47842	GL	31	12	2004	£000	UK	Pens	11
	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										
	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									
Sub total: Non-Profit Policies			97454	123526 pa				1833975											1833975	
Sub total: Reassurance Accepted			97454	123526 pa				1833975											1833975	
Net total: Pension Insurance Business			213091	350876 pa				5074114											5074114	
Net total: United Kingdom Insurance Business			213091	350876 pa				5074114											5074114	

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 2004**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
1		Rate of interest	Mortality or morbidity table	5	6	Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	31	12	Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	UK	11
2		3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
11: Global Business (Issued in the United Kingdom)		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies																		
Annuity in payment : Individual	1.56	B(a)	12319			17198 pa					Retail Prices Index	320637	320637					320637
	1.56	D(a)	21223			33091 pa					Retail Prices Index	528114	528114					528114
	4.71	D(a)	72			54 pa					Retail Prices Index	807	807					807
	1.56	C(b)	11754			20961 pa					Retail Prices Index	202758	202758					202758
	4.71	C(b)	275			579 pa					Retail Prices Index	7962	7962					7962
Expense reserves																		
Additional reserves																		
Sub total: Non-Profit Policies			45643			71883 pa						1060278	1060278		23811			1084089
Sub total: Direct Written Insurance Business			45643			71883 pa						1060278	1060278		23811			1084089
REASSURANCE ACCEPTED Non-Profit Policies																		
Annuity in payment : Individual	1.56	A(c)	202			157 pa					Retail Prices Index	2912	2912					2912

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 2004**Type of business **Pension Insurance Business**Category of surplus **11: Global Business (Issued in the United Kingdom)**

Type of business		Pension Insurance Business										Company registration number		GL/UK/CM		Period ended			Units		UK/OS		Type of business		Category of surplus
		11: Global Business (Issued in the United Kingdom)										R54	47842	GL	31	12	2004	£000	UK	Pens					
		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		
Name of contract		Rate of interest	Mortality or morbidity table			Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums			Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	Amount of mathematical reserves								
1		2	3	4	5	6	7	8	9	10	11	12											11	15	
PAC to PRIL Annuities in Payment		1.56	B(a)	398		330 pa				Retail Prices Index	6809	6809												6809	
Annuities in payment : Group		1.56	B(d)	2490		2906 pa				Retail Prices Index	46202	46202												46202	
Sub total: Non-Profit Policies				3090		3393 pa					55923	55923												55923	
Sub total: Reassurance Accepted				3090		3393 pa					55923	55923												55923	
Net total: Pension Insurance Business				48733		75276 pa					1116201	1116201												1140012	
Net total: United Kingdom Insurance Business				48733		75276 pa					1116201	1116201												1140012	

Long term insurance business : Analysis of assets and liabilities matching investment liabilities in respect of index linked benefits

Printed 24th JUN 05 at 11:27

Name of insurer **Prudential Retirement Income Limited**

Global business

United Kingdom business

Financial year ended **31st December 2004**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	
		R56	47842	GL	31	12	2004	£000	UK	11
Type of assets and liabilities			Name of index link			Value of assets or liabilities		Gross derivative value		
			1			2		3		
Land & Buildings			RPI			16332				
Rights under derivative contracts			RPI			20712				
Government and public body index linked bonds			RPI			229630				
Corporate index linked bonds			RPI			515693				
Government and public body non-linked bonds			RPI			153454				
Corporate non-linked bonds			RPI			164426				
Other loans			RPI			3119				
Prepayments and accrued income			RPI			11209				
Other debtors due within 12 months			RPI			993				
Cash at bank & in hand - deposits			RPI			633				
Sub total assets						1116201				
Sub total liabilities										
Sub total net assets						1116201				
Total assets						1116201				
Total liabilities										
Net total assets						1116201				

Long-term insurance business - analysis of valuation interest ratesName of insurer **Prudential Retirement Income Limited**Financial year ended **31st December 2004**Category of surplus **11: Global Business (Issued in the United Kingdom)**

	Company registration number	GL/UK/CM	Period ended			Units	Category of surplus	
			day	month	year			
	R57	47842	GL	31	12	2004	£000	11
Product group	Net mathematical reserves		Net valuation interest rate		Gross valuation interest rate		Risk adjusted yield on matching assets	
1	2		3		4		5	
Form 51: Immediate & deferred annuities	4986385				4.71		4.83	
Form 51: Other reserves	87729						4.83	
Form 54: Immediate & deferred annuities	1107432				1.56		1.60	
Form 54: Immediate & deferred annuities, with	8769				4.71		4.83	
linked benefits on a higher fixed benefit basis								
Form 54: Other reserves	23811						1.60	
Total: 11: Global Business (Issued in the United Kingdom)	6214126							

Long term insurance business : Valuation result and distribution of surplus

Printed 24th JUN 05 at 11:27

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2004**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

Category
of surplus

Category of surplus		11: Global Business (Issued in the United Kingdom)		number	GL	day	month	year	£000	or surplus	
				R58	47842	31	12	2004	£000	11	
Valuation result	Fund carried forward					11	6284168				
	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	6284168				
	Mathematical reserves for accumulating with profit policies					17					
	Mathematical reserves for other non linked contracts					18	5074114				
	Mathematical reserves for property linked contracts					19					
	Mathematical reserves for index linked contracts					20	1140012				
	Total (17 to 20)					21	6214126				
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)					29	70042				
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation					31	10000				
	Transfers into fund/part of fund		Transfer from non-technical account			32					
			Transfer from other funds/parts of fund			33					
	Net transfer into fund/part of fund (32+33)					34					
	Surplus arising since the last valuation					35	60042				
	Total (31+34+35)					39	70042				
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	70042				
	Total (48+49)					59	70042				
Percentage of distributed surplus allocated to policyholders of fund/part of fund						61					
Corresponding percentage at three immediately previous valuations	Latest		(year of valuation 2003)			62					
	Earlier		(year of valuation 2002)			63					
	Earliest		(year of valuation 2001)			64					

Long term insurance capital requirement

Printed 19th JUL 05 at 14:05

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31st December 2004**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

	R60	47842	GL	31	12	2004	£000
	LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year	
	1	2	3	4	5	6	

Insurance death risk capital component

Classes I, II and IX	11	0.1%			0.00		
Classes I, II and IX	12	0.15%					
Classes I, II and IX	13	0.3%					
Classes III, VII and VIII	14	0.3%			0.00		
Total	15						

Insurance health risk capital component

Class IV and supplementary classes 1 and 2	21						
--	----	--	--	--	--	--	--

Insurance expense risk capital component

Classes I, II and IX	31	1%	5074114	5074114	1.00	50741	
Classes III, VII and VIII (investment risk)	32	1%	1140012	1140012	1.00	11400	
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%			0.00		
Classes III, VII and VIII (other)	34	25%					
Class IV	35	1%			0.00		
Class V	36	1%					
Class VI	37	1%			0.00		
Total	38					62141	

Insurance market risk capital component

Classes I, II and IX	41	3%	5074114	5074114	1.00	152223	
Classes III, VII and VIII (investment risk)	42	3%	1140012	1140012	1.00	34200	
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%					
Classes III, VII and VIII (other)	44	0%					
Class IV	45	3%			0.00		
Class V	46	0%					
Class VI	47	3%			0.00		
Total	48		6214126	6214126		186423	

Long term insurance capital requirement	51					248564	
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PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2004

Supplementary notes to the returns

Form 2

0201 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 under section 148 of the Financial Services and Markets Act 2000 in December 2004. The effect of the direction is to modify the provisions of PRU 4.2.35R and IPRU(INS) Appendix 9.4 so that a more appropriate rate of interest will be used for assets taken in combination.
- (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.
- (c) The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2004. The effect of the direction is to modify IPRU(INS) rule 3.4 so that the rule does not apply to the reinsurance agreements dated 1 July 2004 and 25 November 2004 between the firm and The Prudential Assurance Company Limited.

Supplementary notes to the returns (continued)

Form 3

0301	Reconciliation of net admissible assets to total capital resources	2004 £'000s
	Line 89 on Form 13 (OLTB)	290,239
	Line 89 on Form 13 (LTF)	6,422,262
	Line 11 on Form 14	(6,214,126)
	Line 49 on Form 14	(87,583)
	Line 69 on Form 15	(1,096)
	Line 79 on Form 3	<u>409,696</u>

0308	Valuation differences	2004 £'000s
	<i>Positive valuation differences where liabilities are lower than in the shareholders accounts</i>	
	Deferred tax held on additional reserves and valuation difference	86,297
	Contingent loan	60,042
	<i>Negative valuation differences where liabilities are higher than in the shareholders accounts</i>	
	Additional reserves held in long term fund	(236,983)
	Line 35 on Form 3	<u>(90,644)</u>

0310 There are two contingent loans at the year end repayable to the Company's parent, The Prudential Assurance Company Limited. The loans and interest on the loans are repayable out of the surplus emerging on its business and is contingent on surpluses arising but can be repaid by the Company at any time.

The loans are repayable to the extent of a specified percentage of surplus of the Company (determined by reference to line 35 of Form 58), a repayment obligation crystallising on the last day of the Company's financial year and being discharged by application of funds on a date nominated by the Company (being prior to the last working day for submission of its regulatory returns for such financial year).

In accordance with their terms, the loans may be prepaid upon prior notice, and the repayment obligation discharged in whole or part. The Company prepaid both contingent loans in full on 14 March 2005.

Form 13

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

Supplementary notes to the returns (continued)

- *1302* The company held £14m 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 has been set in accordance with the counterparty limits detailed in the Prudential Sourcebook. Therefore exposures to non-approved counterparties have been restricted to a maximum of 5% of the business amount. No counterparty exposure during the year exceeded these limits.
- *1306* No counterparty exposure at the year end exceeded 5% of the long term business amount.

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

- *1308* The company held £139m in unlisted securities.
- *1309* The company held £530m 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 has been set in accordance with the counterparty limits detailed in the Prudential Sourcebook. Therefore exposures to non-approved counterparties have been restricted to a maximum of 5% of the business amount. No counterparty exposure during the year exceeded these limits.
- *1312* No counterparty exposure at the year end exceeded 5% of the long term business amount.

Form 14

- *1401* The long term fund held a number of interest rate, currency and inflation-linked 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 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.

Supplementary notes to the returns (continued)

- (c) There are two contingent loans, not in Form 14, at the year end repayable to the Company's parent, The Prudential Assurance Company Limited. The loans and interest on the loans are repayable out of the surplus emerging on its business and is contingent on surpluses arising but can be repaid by the Company at any time. The value of these loans total £60,042k.

The loans are repayable to the extent of a specified percentage of surplus of the Company (determined by reference to line 35 of Form 58), a repayment obligation crystallising on the last day of the Company's financial year and being discharged by application of funds on a date nominated by the Company (being prior to the last working day for submission of its regulatory returns for such financial year).

In accordance with their terms, the loans may be prepaid upon prior notice, and the repayment obligation discharged in whole or part. The Company prepaid both contingent loans in full on 14 March 2005.

- (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.

Form 15

- *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 £100k.
- (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.

Form 16

- *1601* Revenue account items are translated at rates ruling on the transaction date.
- *1603* Balances in line 21 relate to management expenses.

Supplementary notes to the returns (continued)

Form 40

- *4002* Other income represents two contingent loans repayable to the Company's parent, The Prudential Assurance Company Limited. The loans and interest on the loans are repayable out of surplus emerging on its business and is contingent on surpluses arising but can be repaid by the Company at any time.

The loans are repayable to the extent of a specified percentage of surplus of the Company (determined by reference to line 35 of Form 58), a repayment obligation crystallising on the last day of the Company's financial year and being discharged by application of funds on a date nominated by the Company (being prior to the last working day for submission of its regulatory returns for such financial year).

In accordance with their terms, the loans may be prepaid upon prior notice, and the repayment obligation discharged in whole or part. The Company prepaid both contingent loans in full on 14 March 2005.

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

- *4009* The Company has reinsurance agreements with a related company, The Prudential Assurance Company Limited, in respect of non-participating approved pension annuity contracts. This includes an agreement with Scottish Amicable Life Plc which was novated to The Prudential Assurance Company Limited on 17 December 2002 and agreements dated 1 July and 25 November 2004. During the year, claims amounting to £34 million were paid under these reinsurance agreements. A premium, calculated on normal commercial terms, amounting to £420 million was received. The liabilities included in the return, relating to this business, amount to £833 million at the year end.

There were no other material intra-group transactions.

Form 48

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

		2004
Line	Description	£'000
12	Fixed interest – approved securities	37,574
13	Fixed interest – other securities	49,745
14	Variable interest – approved securities	15
15	Variable interest – other securities	204

These amounts are included in line 84 on Form 13.

Supplementary notes to the returns (continued)

- *4802* There are 3 assets where the payment of interest is in default. The expected income from these assets has been reduced to nil.

Form 51

- *5101* 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** 82% PMA92 / 80% PFA92 (C=2004)
- B** 94% PMA92 (C=2004) medium cohort improvement table with 1.25% floor plus age adjustment for impairment / 88% PFA92 (C=2004) + 75% medium cohort improvement table with 0.75% floor plus age adjustment for impairment
- C** AM / AF92 - 4 years in deferment
- D** 113% PMA92 (C=2004) medium cohort improvement table with 1.25% floor plus age adjustment for impairment / 104% PFA92 (C=2004) + 75% medium cohort improvement table with 0.75% floor plus age adjustment for impairment

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 2.00%
- b** Expense loading of 3.00%
- c** Expenses covered by ceding company
- d** Specific expense loading for Royal London reinsurance

- *5102* Annuities included in Forms 51 and 54 are categorised depending on the type of escalation of benefits once an annuity is in payment. Form 51 includes annuities that increase at a guaranteed fixed rate and Form 54 includes annuities where benefits are dependent on changes in RPI. Deferred annuities with revaluation in line with RPI in deferment and fixed increases in payment are included in Form 51.

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2004

Directors' Certificate required by rule 9.34 of the Accounts and Statements Rules

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU as modified by a waiver dated 29 December 2004 issued under section 148 of the Financial Services and Markets Act 2000 ; and:
 - (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS) and PRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
 - (b) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business; and
 - (c) that we have, in preparing the return, taken and paid due regard to advice in preparing the return from the actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

.....

G M Wood
Chief Executive

.....

D J Belsham
Director

.....

T J W Tookey
Director

24 March 2005

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2004

Report of the auditor to the Directors pursuant to rule 9.35 of the Accounts and Statements Rules.

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to the Interim Prudential Sourcebook for Insurers and PRU, the Integrated Prudential Sourcebook, (“the Rules”) made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 17, 40 to 42, 48, 49, 56, 58 and 60, (including the supplementary notes) on pages 3 to 54 (‘the Forms’);
- the statement required by rule 9.29 on pages 59 to 62 (‘the Statement’);
- the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report required by rule 9.31(a) (‘the methods and assumptions included in the valuation report’).

We are not required to examine and do not express an opinion on:

- Forms 46, 47, 51, 54 and 57 (including the supplementary notes) on pages 25 to 46;
- the statement required by rules 9.30 on page 63;
- the directors’ certificate signed in accordance with rule 9.34 on page 55 (‘the directors’ certificate’); and
- the valuation report required by rule 9.31 (a) except as set out above.

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, the Statement, the valuation report, the forms and statements not examined by us and the directors' certificate) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver issued under section 148 of the Financial Services and Markets Act 2000 on 29 December 2004. Under rule 9.11 the Forms, the Statement, valuation report, the forms and statements not examined by us and the directors' certificate 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.

The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report, prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3.

It is our responsibility to form an independent opinion as to whether the Forms, and the methods and assumptions included in the valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination.

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" and Bulletin 2004/5 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, the Statement, and the methods and assumptions included in the valuation report. The evidence included that previously 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, the Statement and in determining the methods and assumptions included in the valuation report.

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, the Statement and the methods and assumptions included in the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In accordance with rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- i) the Forms, and Statement fairly state the information provided on the basis required by the and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation prepared in accordance with rule 9.31 appropriately reflect the requirements of PRU 7.3.

KPMG Audit Plc
Registered Auditor

London

24 March 2005

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2004

Statement required by Rule 9.29 of the Prudential Sourcebook

(a) Investment guidelines

As requested by Rule 9.29 of the Prudential Sourcebook 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 Prudential Sourcebook. (Volume One: Rules)
 - 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, currency and inflation-linked swaps in the long term business and interest rate swaps in the other than long term business.

(b) Derivatives where exercise is unlikely.

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 2004 no such contracts were used.

(d) Effect on form 13 at 31 December 2004 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;	(£241k)
Form 13 line 58 (Derivatives);	(£20,913k)
Form 13 line 58 (Cash);	£20,712k
Form 13 line 54/55/81;	(£1,390k)

Other than long-term funds

Form 13 line 44;	(£1,529k)
Form 13 line 54/55/81;	£450k

(e) Effect on form 13 at 31 December 2004 of exercising all derivatives. Decreases are shown in brackets

Long-term funds

Form 13 line 44;	(£241k)
Form 13 line 58 (Derivatives);	(£20,913k)
Form 13 line 58 (Cash);	£20,712k
Form 13 line 54/55/81;	(£1,390k)

Other than long-term funds

Form 13 line 44;	(£1,529k)
Form 13 line 54/55/81;	£450k

(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;	(£5k)
Form 13 line 58 (Derivatives);	(£5,018k)
Form 13 line 58 (Cash);	(£631k)
Form 13 line 54/55/81;	(£1,057k)

Other than long-term funds

Form 13 line 44;	(£837k)
Form 13 line 54/55/81	(£1,024k)

Conditions noted in (e)**Long-term funds**

Form 13 line 44;	(£5k)
Form 13 line 58 (Derivatives);	(£5,018k)
Form 13 line 58 (Cash);	(£631k)
Form 13 line 54/55/81;	(£1,057k)

Other than long-term funds

Form 13 line 44;	(£837k)
Form 13 line 54/55/81	(£1,024k)

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**

The maximum loss which would have been incurred by the Company on the failure by any one counterparty to fulfil its obligations under derivative contracts at the end of the year was £10,051k.

Under foreseeable market conditions the company's exposure would not increase beyond £10,554k. The maximum loss at any other time during the year was £12,176k.

Other than long-term funds

The maximum loss which would have been incurred by the Company on the failure by any one counterparty to fulfil its obligations under derivative contracts at the end of the year was £1,529k.

Under foreseeable market conditions the company's exposure would not increase beyond £1,605k. The maximum loss at any other time during the year was £1,503k.

(h) Derivatives not covered by Paragraph (2) of Rule 4.12 or the definition of a permitted derivative contract in the Prudential Sourcebook.

There were no derivative contracts held during 2004 that did not satisfy the Rule 4.12 requirements of the Prudential Sourcebook.

(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 2004

Statement in accordance with Rule 9.30 of the Integrated Prudential Sourcebook

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 2004, 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 2004:
 - (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 2004, a shareholder controller of the Company.	In the case of each person who was a shareholder controller of the Company at 31 December 2004:	
	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
The Prudential Assurance Company Limited, being its immediate holding company	100%	100%
Prudential plc, being its ultimate holding company	100%	100%