



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

31 December 2005



(Appendices 1, 3, 4, 6)

PRUDENTIAL RETIREMENT INCOME LIMITED

Year ended 31 December 2005

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Statement of solvency - long-term insurance businessName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2005**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units	
	R2	47842	GL	31	12	2005	£000
				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		454412	289143
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13		454412	409696

Guarantee fund

Guarantee fund requirement	21		117547	82855
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22		336865	326841

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31		352642	248564
Resilience capital requirement	32			
Base capital resources requirement	33		2030	2087
Individual minimum capital requirement	34		352642	248564
Capital requirements of regulated related undertakings	35			
Minimum capital requirement (34+35)	36		352642	248564
Excess (deficiency) of available capital resources to cover 50% of MCR	37		278091	285414
Excess (deficiency) of available capital resources to cover 75% of MCR	38		189931	223273

Enhanced capital requirement

With-profits insurance capital component	39			
Enhanced capital requirement	40		352642	248564

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41		352642	248564
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42		101770	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

Form 2

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2005**

_____ N E Prettejohn **Chief Executive**

_____ D J Belsham **Director**

_____ T V Boardman **Director**

London 22 March 2006

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

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	47842	GL	31	12	2005	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
		1	2	3	4		

Core tier one capital

Permanent share capital	11		465700	465700	356700
Profit and loss account and other reserves	12		296494	296494	143840
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		762194	762194	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 capital

Perpetual non-cumulative preference shares as restricted	25		20000	20000	
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		782194	782194	500540
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		327282	327282	90644
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		327282	327282	90644
Total tier one capital after deductions (31-37)	39		454912	454912	409896

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

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	47842	GL	31	12	2005	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	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 **31 December 2005**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	47842	GL	31	12	2005	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		454912	454912	409896
Inadmissible assets other than intangibles and own shares	73		500	500	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				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		454412	454412	409696

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81		454412	454412	409696
Available capital resources for 50% MCR requirement	82		454412	454412	409696
Available capital resources for 75% MCR requirement	83		454412	454412	409696

Financial engineering adjustments

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

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

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	47842	GL	31	12	2005	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

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	1742	1529	
Fixed interest securities	Approved	45	296983	102556
	Other	46	102336	73903
Variable interest securities	Approved	47		59488
	Other	48	4812	15932
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	14045	26248
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	47842	GL	31	12	2005	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78		6848
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	41657	520
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	5461	3215
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	467036	290239
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Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	47842	GL	31	12	2005	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	467036	290239
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		200
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	(41229)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	425807	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

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

Global business

Financial year ended **31 December 2005**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	47842	GL	31	12	2005	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		233797	157468	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

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	3772	241	
Fixed interest securities	Approved	45	2446448	2324300
	Other	46	4206017	2563660
Variable interest securities	Approved	47	79174	2361
	Other	48	106768	13847
Participation in investment pools	49			
Loans secured by mortgages	50	14691	13749	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53	34222	32662	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	413357	49000
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	1509547	1116201
	Property linked	59		

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

Global business

Financial year ended **31 December 2005**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	47842	GL	31	12	2005	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	27302	68
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	4515	10437
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	13060	310
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		20741
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	115742	88085
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	15807	11504

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	9224219	6422262
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Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2005**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	47842	GL	31	12	2005	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	9224219	6422262
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	8816	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	9233035	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

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

Global business

Financial year ended **31 December 2005**Total business/Sub fund **21 Ordinary Branch Long Term**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
---------------------------------------------	-------------------------------------------

Mathematical reserves, after distribution of surplus	11	8816050	6214126	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	500	70042	
Long term insurance business fund carried forward (11 to 13)	14	8816550	6284168	
Claims outstanding	Gross	15	1794	1211
	Reinsurers' share	16		
	Net (15-16)	17	1794	1211
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	4140	5699
	Reinsurance accepted	32	1188	1488
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	28532		
Creditors	Taxation	37	3994	3287
	Other	38	367104	74354
Accruals and deferred income	39	1417	1544	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	408169	87583	
Excess of the value of net admissible assets	51		50511	
Total liabilities and margins	59	9224719	6422262	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1589	509
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	9224219	6301709
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	(360172)	
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	8864047	6301709

Liabilities (other than long term insurance business)Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R15	47842	GL	31	12	2005	£000
						As at end of this financial year 1	As at end of the previous year 2

Technical provisions (gross amount)

Provisions for unearned premiums	11		
Claims outstanding	12		
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	
Other technical provisions	16		
Total gross technical provisions (11 to 16)	19		

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	8932	
	Recommended dividend	48		
	Other	49	3692	1096
Accruals and deferred income		51		
Total (19 to 51)		59	12624	1096
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	12624	1096

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(23)	78153
Capital and reserves	84	782194	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	794795	79249

Profit and loss account (non-technical account)Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2005**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	47842	GL	31	12	2005	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			9206		
Investment income	Income		14			16386	9258	
	Value re-adjustments on investments		15			10055	9483	
	Gains on the realisation of investments		16			11414	425	
Investment charges	Investment management charges, including interest		17			264	196	
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21			(599)	(620)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			46198	18350	
Tax on profit or loss on ordinary activities			31			10129	5281	
Profit or loss on ordinary activities after tax (29-31)			39			36069	13069	
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			36069	13069	
Dividends (paid and proposed)			51					
Profit or loss retained for the financial year (49-51)			59			36069	13069	

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

Global business

Financial year ended **31 December 2005**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	47842	GL	31	12	2005	£000	1
			As at the end of this financial year			As at the end of the previous year			
			Assets 1	Liabilities 2	Assets 3	Liabilities 4			
Derivative contracts									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35		1742	2173		1529		1079
Adjustment for variation margin		41							
Total (11 to 41)		49		1742	2173		1529		1079

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

Global business

Financial year ended **31 December 2005**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	47842	GL	31	12	2005	£000	10
		As at the end of this financial year			As at the end of the previous year				
		Assets	Liabilities	Assets	Liabilities				
		1	2	3	4				
Derivative contracts									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14	4						
	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			7200		1628		
	Other	35	3768		47	241	2		
Adjustment for variation margin		41							
Total (11 to 41)		49	3772		7247	241	1630		

Long-term insurance business : Revenue account

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **21 Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	2202785	2998125
Investment income receivable before deduction of tax	12	372147	204203
Increase (decrease) in the value of non-linked assets brought into the account	13	545614	128219
Increase (decrease) in the value of linked assets	14		
Other income	15		60000
Total income	19	3120546	3390547

Expenditure

Claims incurred	21	456091	254527
Expenses payable	22	75476	50753
Interest payable before the deduction of tax	23	697	
Taxation	24	(13348)	
Other expenditure	25	60042	
Transfer to (from) non technical account	26	9206	
Total expenditure	29	588164	305280

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2532382	3085267
Fund brought forward	49	6284168	3198901
Fund carried forward (39+49)	59	8816550	6284168

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **21 Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11		23947		23947	
Single premiums	12		2178838		2178838	2998125

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		23947		23947	
Single premiums	18		2178838		2178838	2998125

Total

Gross	19		2202785		2202785	2998125
Reinsurance	20					
Net	21		2202785		2202785	2998125

Long-term insurance business : Analysis of claims

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **21 Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11		189		189	982
Disability periodic payments	12					
Surrender or partial surrender	13		11436		11436	8800
Annuity payments	14		439431		439431	235006
Lump sums on maturity	15		5035		5035	9739
Total	16		456091		456091	254527

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41		189		189	982
Disability periodic payments	42					
Surrender or partial surrender	43		11436		11436	8800
Annuity payments	44		439431		439431	235006
Lump sums on maturity	45		5035		5035	9739
Total	46		456091		456091	254527

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **21 Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11		25230		25230	18656
Commission - other	12					
Management - acquisition	13		28945		28945	17448
Management - maintenance	14		13536		13536	8605
Management - other	15		7765		7765	6044
Total	16		75476		75476	50753

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41		25230		25230	18656
Commission - other	42					
Management - acquisition	43		28945		28945	17448
Management - maintenance	44		13536		13536	8605
Management - other	45		7765		7765	6044
Total	46		75476		75476	50753

Long-term insurance business : Summary of new business

Name of insurer **Prudential Retirement Income Limited**
 Total business
 Financial year ended **31 December 2005**
 Units **£000**

UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11		618		618	
Single premium business	12		33368		33368	
Total	13		33986		33986	

**Amount of new regular
premiums**

Direct insurance business	21		23947		23947	
External reinsurance	22					
Intra-group reinsurance	23					
Total	24		23947		23947	

**Amount of new single
premiums**

Direct insurance business	25		1084315		1084315	
External reinsurance	26		250616		250616	
Intra-group reinsurance	27		843907		843907	
Total	28		2178838		2178838	

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Retirement Income Limited

Total business

Financial year ended

31 December 2005

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
390	Deferred annuity non-profit	309	6466	4302	82422
400	Annuity non-profit (CPA)			14693	484310
400	Annuity non-profit (CPA)			3095	148934
405	Annuity non-profit (CPA impaired life)			1551	88496
905	Index linked annuity			2330	98630
905	Index linked annuity			3095	81788
905	Index linked annuity	309	17481	4302	99735

Long-term insurance business : Non- linked assets

Name of insurer **Prudential Retirement Income Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2005**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11	233797	233797	11606	4.96	
Approved fixed interest securities	12	2480870	2480870	116263	4.19	
Other fixed interest securities	13	4285422	4285422	224757	4.95	
Variable interest securities	14	187288	187288	4909	1.78	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	527295	527295	19849	3.76	
Total	19	7714672	7714672	377384	4.55	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Prudential Retirement Income Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2005**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1008671	13.60	4.09	4.09
Other approved fixed interest securities	21	1472199	13.08	4.26	4.26
Other fixed interest securities					
AAA/Aaa	31	347539	11.50	4.52	4.39
AA/Aa	32	729233	12.21	4.67	4.43
A/A	33	1662884	11.94	4.90	4.47
BBB/Baa	34	746946	10.98	5.25	4.42
BB/Ba	35	55008	14.55	4.98	1.64
B/B	36	1951	9.08	9.08	3.73
CCC/Caa	37				
Other (including unrated)	38	741861	10.08	5.21	4.55
Total other fixed interest securities	39	4285422	11.49	4.95	4.43
Approved variable interest securities	41	79724	17.54	1.18	1.18
Other variable interest securities	51	107564	13.03	2.22	1.89
Total (11+21+39+41+51)	61	6953580	12.23	4.59	4.27

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **21 Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12		7239907		7239907
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		1509547		1509547
Form 54 - non-linked	17		66596		66596
Total	18		8816050		8816050

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28				

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38				

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		7239907		7239907
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		1509547		1509547
Form 54 - non-linked	47		66596		66596
Total	48		8816050		8816050

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

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **21 Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit - Group deferred annuities	18176	27896					303571
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							218698
400	Annuity non-profit (CPA) - Group annuities in payment	58415	79841					1103069
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							28966
400	Annuity non-profit (CPA) - Individual annuities in payment	53444	121757					1963674
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted from PAC (ex-SAL))		24991					310653
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied)		83558					1412502
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted from Royal London (2005 business))		4477					79872
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted from Royal London (pre 2005 business))		73724					1075676
400	Annuity non-profit (CPA) - Individual annuities in payment unprocessed business (reassurance accepted from Royal London)							26402
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment	7251	25897					377312
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle)		465					7098
440	Additional reserves non-profit OB - Miscellaneous							88062
440	Additional reserves non-profit OB - Mismatching							88549
440	Additional reserves non-profit OB - Policy related expenses							155803

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **21 Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity - Group annuities in payment	20432	32799		577934	577934		577934
905	Index linked annuity - Group annuities in payment - valued as fixed	117	137		1472	1472		1472
905	Index linked annuity - Group annuities in payment unprocessed business				42256	42256		42256
905	Index linked annuity - Group deferred annuities	7151	11164		137902	137902		137902
905	Index linked annuity - Group deferred annuities - valued as fixed	260	566		8483	8483		8483
905	Index linked annuity - Group deferred annuities unprocessed business				190226	190226		190226
905	Index linked annuity - Individual annuities in payment	11086	19931		429782	429782		429782
905	Index linked annuity - Individual annuities in payment (reassurance accepted from PAC (ex-SAL))		161		3051	3051		3051
905	Index linked annuity - Individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied Dunbar)		891		18848	18848		18848
905	Index linked annuity - Individual annuities in payment (reassurance accepted from Royal London)		2804		50985	50985		50985
915	Additional reserves index linked - Miscellaneous						16619	16619
915	Additional reserves index linked - Mismatching						49977	49977
915	Additional reserves index linked - Policy related miscellaneous				16400	16400		16400
915	Additional reserves index linked - Policy related expenses				32208	32208		32208

Long-term insurance business: analysis of valuation interest rateName of insurer **Prudential Retirement Income Limited**Total business **21 Ordinary Branch Long Term**Financial year ended **31 December 2005**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
Form 51: Immediate & deferred annuities	6827621		4.29	4.40
Form 51: Immediate annuities (reassurance accepted from Royal London (2005 business))	79872		3.95	4.05
Form 51: Additional reserves	176611			4.40
Form 51: Additional reserves - policy related and miscellaneous expenses	155803		1.34	1.38
Form 54: Additional reserves - policy related and miscellaneous expenses	48608		1.34	1.38
Form 54: Additional reserves	66596			1.38
Form 54: Immediate & deferred annuities	1450984		1.34	1.38
Form 54: Immediate & deferred annuities - valued as fixed	9955		4.29	4.40
Total	8816050			

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **21 Ordinary Branch Long Term**
 Financial year ended **31 December 2005**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	8816550	6284168
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	9206	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	8825756	6284168
Mathematical reserves	21	8816050	6214126
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	9706	70042

Composition of surplus

Balance brought forward	31	70042	10000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(60336)	60042
Total	39	9706	70042

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
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	9206	
Total distributed surplus (46+47)	48	9206	
Surplus carried forward	49	500	70042
Total (48+49)	59	9706	70042

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance capital requirementName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2005**Units **£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%					
Classes I, II and IX	12	0.15%					
Classes I, II and IX	13	0.3%					
Classes III, VII and VIII	14	0.3%					
Total	15						

Insurance health risk capital component

Class IV and supplementary classes 1 and 2	21						
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Insurance expense risk capital component

Classes I, II and IX	31	1%	7239907	7239907	1.00	72399	50741
Classes III, VII and VIII (investment risk)	32	1%	1576143	1576143	1.00	15761	11400
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%					
Classes III, VII and VIII (other)	34	25%					
Class IV	35	1%					
Class V	36	1%					
Class VI	37	1%					
Total	38					88161	62141

Insurance market risk capital component

Classes I, II and IX	41	3%	7239907	7239907	1.00	217197	152223
Classes III, VII and VIII (investment risk)	42	3%	1576143	1576143	1.00	47284	34200
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%					
Classes III, VII and VIII (other)	44	0%					
Class IV	45	3%					
Class V	46	0%					
Class VI	47	3%					
Total	48		8816050	8816050		264482	186423

Long term insurance capital requirement	51					352642	248564
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PRUDENTIAL RETIREMENT INCOME LIMITED

Appendix 9.4

Valuation Report as at 31 December 2005

1. Introduction

- (1) The investigation relates to 31 December 2005.
- (2) The previous investigation related to 31 December 2004.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2004.

2. Product range

(a) New products

The Structured Buyout Plan is a Bulk Annuity contract under which the Trustee pays an initial premium plus further regular premiums for an agreed premium payment term. The premiums payable in respect of fixed benefits are defined in fixed sterling amounts. Premiums payable in respect of index linked benefits are defined in real terms and index linked to the time of payment.

Additional benefits may be purchased on non-guaranteed terms at the Company's discretion.

(b) New bonus series

No new bonus series have been introduced during the financial year.

(c) Products withdrawn

No products have been withdrawn during the financial year.

(d) Changes to options or guarantees under existing products

No changes have been made to options or guarantees under existing products during the financial year.

3. Discretionary charges and benefits

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Not applicable

Valuation Report as at 31 December 2005 (continued)

(5) Not applicable

(6) Not applicable

(7) Not applicable

(8) Not applicable

(9) Not applicable

(10) Not applicable

4. Valuation basis (other than for special reserves)

In this report, the following abbreviations are used:

Description	Abbreviation
Reassurance accepted from The Prudential Assurance Company Limited (ex-Scottish Amicable Life plc business)	Reassurance accepted from PAC (ex-SAL)
Reassurance accepted from The Prudential Assurance Company Limited, Prudential (AN) Limited, Prudential Pensions Limited, Eagle Star Life Assurance Company Limited & Allied Dunbar Assurance plc	Reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied Dunbar
Reassurance accepted from The Royal London Mutual Insurance Society Limited	Reassurance accepted from Royal London

- (1) The mathematical reserve for annuities in payment is the present value of the annuities, less the present value of future premiums where applicable.

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 as follows:

- (a) RPI-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 5% are, for valuation purposes, treated as being identical to normal RPI-linked annuities.
- (b) RPI-linked annuities subject to a minimum annual increase of 3% and a maximum annual increase of 5% are, for valuation purposes, 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.

Valuation Report as at 31 December 2005 (continued)

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

For deferred annuities where benefits include revaluation in deferment in line with RPI, followed by fixed escalation 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.

A separate expense reserve is held. This is calculated as the present value of future expenses, allowing for inflation.

- (2) Interest rates used to value the liabilities are calculated in accordance with a waiver received under Section 148 of the Financial Services and Markets Act 2000, the effect of which is to modify the provisions of PRU 4.2.35R and PRU (INS) Appendix 9.4 so that a more appropriate rate of interest will be used for assets taken in combination.

The interest rates used are as follows:

Non-linked

Product code number	Product description	31 December 2005 %	31 December 2004 %
400	Annuity non-profit (CPA) – individual annuities in payment Annuity non-profit (CPA) – group annuities in payment Annuity non-profit (CPA) – group annuities in payment unprocessed business Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from PAC (ex-SAL)) Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL , Eagle Star & Allied Dunbar) Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from Royal London (pre 2005 business))	4.29	4.71

Valuation Report as at 31 December 2005 (continued)

Product code number	Product description	31 December 2005 %	31 December 2004 %
405	Annuity non-profit (CPA impaired life) – individual annuities in payment Annuity non-profit (CPA impaired life) – individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied Dunbar)	4.29	4.71
390	Deferred annuity non-profit – group deferred annuities Deferred annuity non-profit – group deferred annuities unprocessed business	4.29	4.71
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from Royal London (2005 business))	3.95	n/a
400	Annuity non-profit (CPA) – individual annuities in payment unprocessed business (reassurance accepted from Royal London (2005 business))	4.29	n/a

Valuation Report as at 31 December 2005 (continued)

Index linked

Product code number	Product description	31 December 2005 %	31 December 2004 %
905	Index linked annuity – individual annuities in payment Index linked annuity – group annuities in payment Index linked annuity – group annuities in payment unprocessed business Index linked annuity – group deferred annuities Index linked annuity – group deferred annuities unprocessed business Index linked annuity – individual annuities in payment (reassurance accepted from PAC (ex-SAL)) Index linked annuity – individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied Dunbar) Index linked annuity – individual annuities in payment (reassurance accepted from Royal London)	1.34	1.56
905	Index linked annuity – group annuities in payment – valued as fixed Index linked annuity – group deferred annuities – valued as fixed	4.29	4.71

Investment management expenses are allowed for by means of an appropriate deduction from the valuation rate of interest (see 4(6) below). The valuation rates of interest above are shown before the deduction for investment management expenses.

- (3) 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 35 year period, produces mean default rates according to credit quality and term to redemption.

Valuation Report as at 31 December 2005 (continued)

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 vary between 100% and 200% of the appropriate mean default rate, reduced by the expected recovery, plus a further amount for credit risk. The derived default rates for each level of security are set out below:

Default rates – basis points per annum:

Seniority	AAA	AA	A	BBB	BB	B and lower
First Mortgage Debenture / Senior Secured	6.1	12.3	20.9	45.9	140.2	254.4
Senior Unsecured	10.3	18.1	31.0	68.1	218.4	427.8
Subordinated Debt	13.9	22.9	39.4	86.5	283.6	572.2

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 mathematical reserves.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of PRU 4.2. The risk adjusted yields shown in Form 57 column 5 were calculated using the method of the section 148 waiver, after allowance for defaults.

In applying the section 148 waiver, the yield on property is taken to be 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. No allowance is made for non-contractual increases 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. A further deduction is made to allow for the risk of default of rent. This deduction is calculated in the same way as for corporate bonds (having regard to the credit quality of the relevant tenants), as described above.

Valuation Report as at 31 December 2005 (continued)

Aggregate yields on the backing assets have been adjusted by 0.34% and 0.20% to allow for potential defaults within the non-linked and index-linked asset portfolios respectively. These default adjustments include margins for prudence.

(4)

Non-linked

Product code number	Product description	31 December 2005	31 December 2004
400	Annuity non-profit (CPA) – individual annuities in payment Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied Dunbar) Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from Royal London (pre 2005 business))		
	Mortality table	Modified 89% PMA92/ 84% PFA92 (C=2004)	Modified 94% PMA92/ 88% PFA92 (C=2004)
	Expectation of life age 65	22.1 (M), 24.9 (F)	21.4 (M), 24.5 (F)
	Expectation of life age 75	13.4 (M), 16.2 (F)	12.8 (M), 15.8 (F)
400	Annuity non-profit (CPA) – group annuities in payment Annuity non-profit (CPA) – group annuities in payment unprocessed business		
	Mortality table	Modified 100% PMA92 / 102% PFA92 (C=2004)	Modified 113% PMA92 / 104% PFA92 (C=2004)
	Expectation of life age 65	21.0 (M), 23.2 (F)	19.8 (M), 22.9 (F)
	Expectation of life age 75	12.5 (M), 14.7 (F)	11.5 (M), 14.5 (F)
405	Annuity non-profit (CPA impaired life) – individual annuities in payment Annuity non-profit (CPA impaired life) – individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied Dunbar)		
	Mortality table	Modified 89% PMA92/ 84% PFA92 (C=2004)	Modified 94% PMA92/ 88% PFA92 (C=2004)
	Expectation of life age 65	22.1 (M), 24.9 (F)	21.4 (M), 24.5 (F)
	Expectation of life age 75	13.4 (M), 16.2 (F)	12.8 (M), 15.8 (F)

Valuation Report as at 31 December 2005 (continued)

Product code number	Product description	31 December 2005	31 December 2004
390	Deferred annuity non-profit – group deferred annuities		
	Deferred annuity non-profit – group deferred annuities unprocessed business		
	Mortality table	In deferment: AM92 /AF92 – 4 years In payment: Modified 100% PMA92 / 102% PFA92 (C=2004)	In deferment: AM92 /AF92 – 4 years In payment: Modified 113% PMA92 / 104% PFA92 (C=2004)
	Current age 45, expectation of life age 65	23.5 (M), 24.8 (F)	22.2 (M), 24.5 (F)
Current age 55, expectation of life age 65	22.2 (M), 24.0 (F)	21.0 (M), 23.7 (F)	
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from PAC (ex-SAL))		
	Mortality table	75% PMA92 / 69% PFA92 (C=2004)	82% PMA92 / 80% PFA92 (C=2004)
	Expectation of life age 65	20.7 (M), 24.7 (F)	19.9 (M), 23.3 (F)
	Expectation of life age 75	12.8 (M), 16.4 (F)	12.2 (M), 15.2 (F)
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from Royal London (2005 business))		
	Annuity non-profit (CPA) – individual annuities in payment unprocessed business (reassurance accepted from Royal London (2005 business))		
	Mortality table	Modified 89% PMA92 /84% PFA92 (C=2004)	n/a
	Expectation of life age 65	22.1 (M), 24.9 (F)	n/a
Expectation of life age 75	13.4 (M), 16.2 (F)	n/a	

Valuation Report as at 31 December 2005 (continued)

Index linked

Product code number	Product description	31 December 2005	31 December 2004
905	Index linked annuity – individual annuities in payment		
	Index linked annuity – individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied Dunbar)		
	Index linked annuity – individual annuities in payment (reassurance accepted from Royal London)		
	Mortality table	Modified 89% PMA92 / 84% PFA92 (C=2004)	Modified 94% PMA92 / 88% PFA92 (C=2004)
	Expectation of life age 65	22.1 (M), 24.9 (F)	21.4 (M), 24.5 (F)
	Expectation of life age 75	13.4 (M), 16.2 (F)	12.8 (M), 15.8 (F)
905	Index linked annuity – group annuities in payment		
	Index linked annuity – group annuities in payment - valued as fixed		
	Index linked annuity – group annuities in payment unprocessed business		
	Mortality table	Modified 100% PMA92 / 102% PFA92 (C=2004)	Modified 113% PMA92 / 104% PFA92 (C=2004)
	Expectation of life age 65	21.0 (M), 23.2 (F)	19.8 (M), 22.9 (F)
	Expectation of life age 75	12.5 (M), 14.7 (F)	11.5 (M), 14.5 (F)
905	Index linked annuity – group deferred annuities		
	Index linked annuity – group deferred annuities – valued as fixed		
	Index linked annuity – group deferred annuities unprocessed business		
	Mortality table	In deferment: AM92 / AF92 – 4 years In payment: Modified 100% PMA92 / 102% PFA92 (C=2004)	In deferment: AM92 / AF92 – 4 years In payment: Modified 113% PMA92 / 104% PFA92 (C=2004)
	Current age 45, expectation of life age 65	23.5 (M), 24.8 (F)	22.2 (M), 24.5 (F)
	Current age 55, expectation of life age 65	22.2 (M), 24.0 (F)	21.0 (M), 23.7 (F)

Valuation Report as at 31 December 2005 (continued)

Product code number	Product description	31 December 2005	31 December 2004
905	Index linked annuity – individual annuities in payment (reassurance accepted from PAC (ex-SAL))		
	Mortality table	75% PMA92 / 69% PFA92 (C=2004)	82% PMA92 / 80% PFA92 (C=2004)
	Expectation of life age 65	20.7 (M), 24.7 (F)	19.9 (M), 23.3 (F)
	Expectation of life age 75	12.8 (M), 16.4 (F)	12.2 (M), 15.2 (F)

Mortality bases used at 31 December 2004 and 31 December 2005:

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 impaired lives, an adjustment is made to the annuitant's age to allow for impairment.

The individual annuities in payment reassured from PAC (ex-SAL), have been valued using percentages of single entry tables with calendar year 2004. The percentages have been chosen so that the rates used are equivalent to double entry tables with future improvement factors as described above.

(5) Not applicable

Valuation Report as at 31 December 2005 (continued)

(6) The renewal expenses per annum used are described in the tables below:

Non-linked

Product code number	Product description	31 December 2005	31 December 2004
400	<p>Annuity non-profit (CPA) - individual annuities in payment</p> <p>Annuity non-profit (CPA) - group annuities in payment</p> <p>Annuity non-profit (CPA) - group annuities in payment unprocessed business</p> <p>Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied Dunbar)</p> <p>Annuity non-profit (CPA) –individual annuities in payment (reassurance accepted from Royal London (pre 2005 business))</p>	£24 p.a. (equivalent to 2.3% of annuity amount)	1.75% of annuity amount ⁽¹⁾
405	<p>Annuity non-profit (CPA impaired life) - individual annuities in payment</p> <p>Annuity non-profit (CPA impaired life) – individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied Dunbar)</p>	£24 p.a. (equivalent to 2.3% of annuity amount)	1.75% of annuity amount ⁽¹⁾
390	<p>Deferred annuity non-profit - group deferred annuities</p> <p>Deferred annuity non-profit - group deferred annuities unprocessed business</p>	£24 p.a. (equivalent to 2.3% of annuity amount)	3% of annuity amount
400	Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted from PAC (ex-SAL))	Expense reserves are held in the ceding company	Expense reserves are held in the ceding company
400	<p>Annuity non-profit (CPA) –individual annuities in payment (reassurance accepted from Royal London (2005 business))</p> <p>Annuity non-profit (CPA) –individual annuities in payment unprocessed business (reassurance accepted from Royal London (2005 business))</p>	£24 p.a. (equivalent to 2.3% of annuity amount)	n/a

Valuation Report as at 31 December 2005 (continued)

Index linked

Product code number	Product description	31 December 2005	31 December 2004
905	Index linked annuity – individual annuities in payment Index linked annuity – group annuities in payment Index linked annuity – group annuities in payment – valued as fixed Index linked annuity – group annuities in payment unprocessed business Index linked annuity – individual annuities in payment (reassurance accepted from PAC, P(AN)L, PPL, Eagle Star & Allied Dunbar) Index linked annuity – individual annuities in payment (reassurance accepted from Royal London)	£24 p.a. (equivalent to 2.3% of annuity amount)	1.75% of annuity amount ⁽¹⁾
905	Index linked annuity – group deferred annuities Index linked annuity – group deferred annuities – valued as fixed Index linked annuity – group deferred annuities unprocessed business	£24 p.a. (equivalent to 2.3% of annuity amount)	3% of annuity amount
905	Index linked annuity – individual annuities in payment (reassurance accepted from PAC (ex-SAL))	Expense reserves are held in the ceding company	Expense reserves are held in the ceding company

⁽¹⁾ This was shown as 2% for annuities in payment plus a specific expense loading for reassurance accepted from Royal London in the 2004 FSA Returns. This was equivalent to 1.75% for all annuities in payment (including business reassured from Royal London).

The inflation rates assumed for future expenses are as follows:

Product code number		31 December 2005	31 December 2004
All	All products	3.5%	3.5%

Valuation Report as at 31 December 2005 (continued)

Investment management expenses are allowed for by making a deduction from the valuation rate of interest. The deduction used is as follows:

Product code number		31 December 2005	31 December 2004
All	All products	0.06%	0.11%

The valuation rates of interest in 4(2) (and the asset yields in Form 48 and Form 57) are shown before the deduction for investment management expenses.

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

- (7) Not applicable
- (8) Not applicable
- (9) Derivative contracts held as at 31 December 2005 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/LPI
 - iv) A contract to swap future floating UK LIBOR for UK inflation linked cashflows
 - v) Contracts to swap fixed US Dollars for fixed UK Sterling

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 contracts under iii) and iv) is to convert fixed UK Sterling cashflows into RPI linked UK Sterling cashflows.

The effect of the contract under v) is to convert cashflows from a US Dollar denominated bond into UK Sterling cashflows.

The cashflows involved in these arrangements were included in the aggregate cashflows from the portfolio in order to derive the aggregate yield on the portfolio. This is in accordance with the section 148 waiver.

Valuation Report as at 31 December 2005 (continued)

No options are held and hence no out-of-the-money derivatives have been used to back liabilities.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of PRU 4.2 and hence differ from the yields calculated in accordance with the section 148 waiver.

5. Options and guarantees

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Not applicable

6. Expense reserves

- (1) The aggregate amount arising during the twelve months after the valuation date from implicit and explicit expense reserves made in the valuation to meet expenses are:

	£m
Per policy expenses	8.4
Investment management expenses	5.3
Total	13.7

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

- (2) Not applicable
- (3) The maintenance expenses shown at line 14 of Form 43 are £13.5m. These expenses include £1.1m of accrued performance related investment management fees for 2005 and a £1.3m payment in respect of 2004 performance related investment management fees. The performance related fees are not reserved for as they are contingent on surplus arising.
- (4) It is expected that all new business written in the twelve months following the valuation date will be written on terms which do not result in new business strain in the Company. Therefore no new business expense overrun reserve is required.
- (5) In the first instance, expense reserves are calculated on the assumption that Prudential's UK insurance operations will continue to write new business indefinitely and hence that there will be no loss of economies of scale. In this

Valuation Report as at 31 December 2005 (continued)

scenario, the amount of the expense loading over the remaining lifetime of the contracts in force at the valuation date is £188m.

In order to allow for the possibility that the firm will cease to transact new business twelve months after the valuation date, the expense loading is recalculated on the assumption that, over a two year period, unit costs would be reduced by 25% and that loss of economies of scale would result in overall expenses being cut more slowly than the rate at which policies run off. If this revised calculation results in a higher reserve than described in the paragraph above, then the difference is held as an additional reserve. In addition the costs associated with closing to new business, such as redundancy costs or the costs of terminating management agreements, are estimated. To the extent that these costs exceed the projected surplus on prudent assumptions from existing business a further additional reserve is held.

At the valuation date, no additional reserve is held for the impact of closing to new business.

7. Mismatching reserves

- (1) All the mathematical reserves are payable in sterling and the assets which match the liabilities are sterling assets. There are some US Dollar and Euro denominated assets which, in conjunction with specific swap derivative contracts, effectively produce income in UK Sterling. See 4(9) for details.
- (2) Not applicable
- (3) Not applicable
- (4) 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 0.82%, 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.

- (5) There were no significant territories at the valuation date.
- (6) In respect of the scenario described under (4) above;
 - (a) No resilience capital requirement was necessary.
 - (b) The increase in the aggregate amount of the long-term insurance liabilities was £741m.

Valuation Report as at 31 December 2005 (continued)

(c) The increase in the aggregate amount of assets backing these liabilities was £741m.

(7) A reserve of £138.5m was held arising from the test on assets in PRU 7.2.34R(2).

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.

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 97.5% of the maximum reinvestment rate.

8. Other special reserves

The additional reserves include £31.2m to cover potential additional liabilities in respect of systems and administration errors. The methods used to calculate the reserves vary depending on the nature of the specific issue.

The additional reserves also include £85.9m as an allowance for general contingencies.

9. Reinsurance

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable

10. Reversionary (or annual) bonus

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Not applicable

Supplementary notes to the returns (continued)

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2005

Supplementary notes to the returns

Form 2

***0201* Waivers under Section 148, Financial Services and Markets Act 2000**

- (a) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in December 2004, for the period 31 December 2004 to 31 October 2007. 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. (FSA reference 352191)
- (b) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in September 2005, for the period 5 September 2005 to 31 October 2007. The effect of the direction is to modify the provisions of PRU 4.2.35R and IPRU (INS) Appendix 9.4 so that more appropriate rate of interest will be used for assets taken in combination. (FSA reference 520102)
- (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. (FSA reference 333978)
- (d) The FSA, on the application of the Company, made a direction under section 148 of the Financial Services and Markets Act 2000 in July 2005 for the period 13 July 2005 to 31 March 2006. The effect of the direction is to modify rules PRU 4.3.38R, PRU 4.3.40R and PRU 4.3.41R on what is considered adequate and sufficiently immediate for cash collateral and the conditions for a letter of credit. (FSA reference 487343)

Supplementary notes to the returns (continued)

Form 3

0301 Reconciliation of net admissible assets to total capital resources

	2005 £'000s
Line 89 on Form 13 (OLTB)	467,036
Line 89 on Form 13 (LTF)	9,224,219
Line 11 on Form 14	(8,816,050)
Line 49 on Form 14	(408,169)
Line 69 on Form 15	(12,624)
Line 79 on Form 3	<u>454,412</u>

0308 The two contingent loans from 2004 were repaid to the Company's parent, The Prudential Assurance Company Limited. The loans and interest on the loans were repaid out of surplus emerging on its business.

In accordance with their terms, the loans could 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.

0310 Valuation differences

	2005 £'000s
<i>Positive valuation differences where liabilities are lower than in the shareholders accounts</i>	
Deferred tax held on additional reserves and valuation difference	140,400
<i>Negative valuation differences where liabilities are higher than in the shareholders accounts</i>	
Additional reserves held in long term fund	(467,682)
Line 35 on Form 3	<u>(327,282)</u>

Form 13

Notes 1302 to 1307 apply to the other than long term business fund.

1302 The company held £21m in hybrid securities.

1304 Amounts due to or from the company have been set off to the extent permitted by generally accepted accounting principles.

Supplementary notes to the returns (continued)

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 long term 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.

1307 No “secure obligations” were held at the year end.

Notes 1308 to 1313 apply to the long term business fund.

1308 The company held £212m in unlisted securities.

1309 The company held £1,108m 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 long term 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.

1313 No “secure obligations” were held at the year end.

1318 Other asset adjustments

	2005 £'000s
<i>Other than long term business assets</i>	
Amounts due from long term fund, notionally settled and shown as cash at bank on Form 13, which consolidates out in the financial statements.	(41,206)
Miscellaneous liabilities netted off against assets in the financial statements	(23)
Line 100 on Form 13	<u>(41,229)</u>
	2005 £'000s
<i>Total long term business assets</i>	
Cash at bank used to notionally settle balances owed to the other than long term fund	12,674

Supplementary notes to the returns (continued)

Miscellaneous liabilities netted off against assets in the financial statements	(3,858)
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Line 100 on Form 13	<u>8,816</u>
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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) Increases in the value of assets of the long term fund do not attract tax, and therefore no provision, potential or otherwise, has been made for any liability to tax which might arise if the company disposed of its assets at the values stated in this return.

(c) The two contingent loans from 2004 were repaid to the Company's parent, The Prudential Assurance Company Limited. The loans and interest on the loans were repaid out of surplus emerging on its business.

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.

1405 Details of other adjustments to liabilities

	<u>2005</u> <u>£'000s</u>
Additional reserves held in long term fund	(467,682)
Deferred tax provision on additional reserves	140,400
Amounts owed to credit institutions – notional settlements of interfund	(28,532)
Items netted off liabilities in financial statements	(4,358)
Line 74 on Form 14	<u>(360,172)</u>

Supplementary notes to the returns (continued)

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 £200k.

(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.

1507 Details of other adjustments to liabilities

	<u>2005</u> <u>£'000s</u>
Intragroup balances less than 100k	(23)

Form 16

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

1603 Balances in line 21 relate to management expenses.

Form 40

4002 Other expenditure represents two contingent loans repaid to the Company's parent, The Prudential Assurance Company Limited. The loans and interest on the loans were repaid out of surplus emerging on its business and were contingent on surpluses arising.

In accordance with their terms, the loans could 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.

Supplementary notes to the returns (continued)

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 £80 million were paid under these reinsurance agreements. A premium, calculated on normal commercial terms, amounting to £840 million was received. The liabilities included in the return, relating to this business, amount to £1,561 million at the year end.

There were no other material intra-group transactions.

Form 47

4702 For group annuity business arising from the buyout of former occupational pension schemes, we have details of new member numbers but do not have details of how many of these have fixed and linked benefits. We have therefore assumed that all members of these schemes have both fixed and linked benefits.

Form 48

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

4803 Where securities may be redeemed over a period at the option of the guarantor or issuer, and they are valued “above par” they have been classified on the assumption that they will be redeemed at the earliest possible date. Where they are valued “below par” they have been classified on the basis that they will be redeemed at the latest possible date.

Form 49

4901 Credit ratings used on Form 49 are the lowest of 3 external rating agencies, namely Fitch, S&P & Moody’s.

Form 51

5105 The amount of double-counting of policies between Forms 51 and 54 is 29,400.

There are no counts and benefits amounts shown for some liabilities where the benefits to which these relate are currently unprocessed and are not yet set up on our administration systems.

The unprocessed business comes from former occupational pension scheme, which are now in wind-up where final benefits and member details are yet to be resolved.

Supplementary notes to the returns (continued)

5106 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.

Form 54

5405 The amount of double-counting of policies between Forms 51 and 54 is 29,400.

There are no counts and benefits amounts shown for some liabilities where the benefits to which these relate are currently unprocessed and are not yet set up on our administration systems.

The unprocessed business comes from former occupational pension scheme, which are now in wind-up where final benefits and member details are yet to be resolved.

Form 57

The information required in respect of waivers 352191 (dated 29 December 2004) and 520102 (dated 5 September 2005) is as follows:

Product group	Risk adjusted yield on matching assets (Form 57 column 5)	Corresponding asset yield
Form 51: Immediate & deferred annuities	4.40%	4.74%
Form 51: Immediate annuities (reassurance accepted from Royal London (2005 business))	4.05%	4.05%
Form 54: Immediate & deferred annuities	1.38%	1.58%
Form 54: Immediate & deferred annuities - valued as fixed	4.40%	4.74%

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2005

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 waivers dated 23 November 2004, 31 December 2004, 13 July 2005 and 5 September 2005 issued under section 148 of the Financial Services and Markets Act 2000 which continue to have effect; 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.

Except for;

- (c) it was necessary to resubmit the 2004 return to correct certain omissions and errors.
 - (d) on one day insufficient collateral was received in respect of stock lending deals, due to administrative error. The error was identified and corrected the next day. As a result of the inadequate collateral position the Company had inadequate capital and fell below the FSA's capital resource requirement.
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 mathematical reserves, as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (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;

**Directors' Certificate required by rule 9.34 of the Accounts and Statements Rules
(continued)**

- (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.

.....
N E Prettejohn
Chief Executive

.....
D J Belsham
Director

.....
T V Boardman
Director

22 March 2006

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2005

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 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 43, 48, 49, 56, 58 and 60, (including the supplementary notes) on pages 3 to 58 (‘the Forms’);
- the statement required by rule 9.29 on pages 64 to 66 (‘the Statement’); and
- the valuation report required by rule 9.31(a) (“the valuation report”) on pages 36 to 51.

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

- Forms 46, 47, 50, 51, 54 and 57 (including the supplementary notes) on pages 23 to 58;
- the statement required by rules 9.30 on page 67; or
- the certificate signed in accordance with rule 9.34 on pages 59 to 60 (‘the certificate’).

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 certificate) under the provisions of the Rules. The requirements of the Rules have been modified by waivers issued under section 148 of the Financial Services and Markets Act 2000 on 23 November 2004, 31 December 2004, 13 July and 5 September 2005. Under rule 9.11 the Forms, the Statement, valuation report, the forms and statements not examined by us and the 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 Company 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, the Statement and 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 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 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 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 Company.

Opinion

In our opinion:

- i) the Forms, the Statement and the valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the Company 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

22 March 2006

PRUDENTIAL RETIREMENT INCOME LIMITED RULE 9.29 STATEMENT

Returns for the year ended 31 December 2005

Statement required by Rule 9.29 of the Integrated Prudential Sourcebook

(a) Investment guidelines

As requested by Rule 9.29 of the Integrated Prudential Sourcebook, (FSA Statutory Instrument 2004/98) 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 the Integrated Prudential Sourcebook.
 - 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 2005 no such contracts were used.

Statement required by Rule 9.29 of the Integrated Prudential Sourcebook (continued)

- (d) Effect on form 13 at 31 December 2005 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;	(£3,772k)
Form 13 line 58 (Derivatives);	(£22,810k)
Form 13 line 58 (Cash);	£22,503k
Form 13 line 54/55/81;	(£3,475k)

Other than long-term funds

Form 13 line 44;	(£1,742k)
Form 13 line 54/55/81;	(£431k)

- (e) Effect on form 13 at 31 December 2005 of exercising all derivatives. Decreases are shown in brackets**

Long-term funds

Form 13 line 44;	(£3,772k)
Form 13 line 58 (Derivatives);	(£22,810k)
Form 13 line 58 (Cash);	£22,503k
Form 13 line 54/55/81;	(£3,475k)

Other than long-term funds

Form 13 line 44;	(£1,742k)
Form 13 line 54/55/81;	(£431k)

- (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);	(£15,719k)
Form 13 line 58 (Cash);	£14,477k
Form 13 line 54/55/81;	(£1,375k)

Other than long-term funds

Form 13 line 44;	(£923k)
Form 13 line 54/55/81	£1,083k

Statement required by Rule 9.29 of the Integrated Prudential Sourcebook (continued)

Conditions noted in (e)

Long-term funds

Form 13 line 44;	(£5k)
Form 13 line 58 (Derivatives);	(£15,719k)
Form 13 line 58 (Cash);	£14,477k
Form 13 line 54/55/81;	(£1,375k)

Other than long-term funds

Form 13 line 44;	(£923k)
Form 13 line 54/55/81	£1,083k

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 £10,211k.

Under foreseeable market conditions the company's exposure would not increase beyond £29,000k as timely actions would be taken by the Investment Manager in line with its collateral management policies to prevent further exposures arising. The maximum loss at any other time during the year was £29,000k.

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 £1,742k.

Under foreseeable market conditions the company's exposure would not increase beyond £1,829k. The maximum loss at any other time during the year was £1,765k.

(h) Derivatives not covered by the definition of an admissible derivative contract in the Integrated Prudential Sourcebook.

There were no derivative contracts held during 2005 that did not satisfy requirements of the Integrated Prudential.

(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 2005

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

Additional information on shareholder controllers

We confirm that the following is a list of:

- (a) Persons who, to the knowledge of Prudential Retirement Income Limited (“the company”), have been, at any time during the year ended 31 December 2005, 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 2005:
 - (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.

	In the case of each person who was a shareholder controller of the Company at 31 December 2005:	
	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
Persons who, to the knowledge of the Company, have been, at any time during the year ended 31 December 2005, a shareholder controller of the Company.		
The Prudential Assurance Company Limited, being its immediate holding Company	100%	100%
Prudential plc, being its ultimate holding Company	100%	100%