



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 2008



Appendices 9.1, 9.3, 9.4, 9.6

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

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units
			R2	47842	GL	
			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	87124	261250
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	821491	516904
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	908615	778154

Guarantee fund

Guarantee fund requirement	21	180340	189460
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	728275	588694

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	541021	568380
Resilience capital requirement	32		
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	541021	568380
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	541021	568380
Excess (deficiency) of available capital resources to cover 50% of MCR	37	638104	493964
Excess (deficiency) of available capital resources to cover 75% of MCR	38	502849	351869

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	541021	568380

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	541021	568380
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	367594	209774

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51	374325	218280
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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 2008**

.....
N E T Prettejohn

Director

.....
A M Crossley

Director

.....
D J Belsham

Director

Date

London 27 March 2009

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	47842	GL	31	12	2008	£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		837700	837700	517700
Profit and loss account and other reserves	12		494438	494438	590126
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		1332138	1332138	1107826

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	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		1352138	1352138	1127826
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		352623	352623	349172
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		352623	352623	349172
Total tier one capital after deductions (31-37)	39		999515	999515	778654

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	47842	GL	31	12	2008	£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 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	47842	GL	31	12	2008	£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			999515	999515	778654
Inadmissible assets other than intangibles and own shares	73			90900	90900	500
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			908615	908615	778154

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81			908615	908615	778154
Available capital resources for 50% MCR requirement	82			908615	908615	778154
Available capital resources for 75% MCR requirement	83			908615	908615	778154

Financial engineering adjustments

Implicit items	91					
Financial reinsurance - ceded	92					
Financial reinsurance - accepted	93					
Outstanding contingent loans	94			370663	370663	218280
Any other charges on future profits	95			3662	3662	
Sum of financial engineering adjustments (91+92-93+94+95)	96			374325	374325	218280

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

Global business

Financial year ended **31 December 2008**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	2008	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11	66670			

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	320144	
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44	2209	4471	
Fixed interest securities	Approved	45	402367	329844
	Other	46	21655	148291
Variable interest securities	Approved	47	6646	6772
	Other	48		10826
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	6047	17107
	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 2008**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	2008	£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	5185
	due in more than 12 months	79	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	4	97
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	11760	9054
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 admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	842687	526462
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Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2008**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	2008	£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 of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	842687	526462
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(44)	(32)
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 101)	102	842643	526430
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2008**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	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		866870	793092	

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		384812
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		11690	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43		64464	89817
Rights under derivative contracts	44		196927	48967
Fixed interest securities	Approved	45	2591233	3516935
	Other	46	8646895	7039212
Variable interest securities	Approved	47	103618	122951
	Other	48	795873	658950
Participation in investment pools	49			
Loans secured by mortgages	50		36636	13137
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		4396	31292
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	281762	789969
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	1984673	1591727
	Property linked	59		

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

Global business

Financial year ended **31 December 2008**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	2008	£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	218	1210
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	7044	24996
	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	215738	2217
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	164565	29608
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	301588	243514
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	33158	23736

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	16692160	15021330
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Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2008**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	2008	£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 of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	16692160	15021330
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	90900	500
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(8059)	(3412)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2207530	
Other asset adjustments (may be negative)	101	(58340)	(103)
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 101)	102	18924191	15018315
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	501348	

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

Global business

Financial year ended **31 December 2008**Total business/Sub fund **10 Ordinary Branch Long Term**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	13525543	14209500	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	178025	261750	
Long term insurance business fund carried forward (11 to 13)	14	13703568	14471250	
Claims outstanding	Gross	15	3299	2837
	Reinsurers' share	16		
	Net (15-16)	17	3299	2837
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23	2036625		
Creditors	Direct insurance business	31	4457	491
	Reinsurance accepted	32	5165	2676
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	665030	466960	
Creditors	Taxation	37	6796	13487
	Other	38	358121	64129
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	3079493	550580	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	16783061	15021830	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1851	8976
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	16605036	14760080
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2207530	
Other adjustments to liabilities (may be negative)	74	(419022)	(352687)
Capital and reserves and fund for future appropriations	75	530647	
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	18924191	14407393

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

Global business

Financial year ended **31 December 2008**

R15	Company registration number 47842	GL/ UK/ CM GL	day month year			Units £000
			31	12	2008	
			As at end of this financial year		As at end of the previous year	
			1		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		100
	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	18140	7468
Creditors	Taxation	47	1607	1958
	Foreseeable dividend	48		
	Other	49	1449	32
Accruals and deferred income		51		
Total (19 to 51)		59	21196	9558
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	21196	9558

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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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(44)	(32)
Capital and reserves	84	821491	1127826
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	842643	1137352

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

Global business

Financial year ended **31 December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	47842	GL	31	12	2008	£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			(26275)		
Investment income	Income		14			33472		27338
	Value re-adjustments on investments		15			8339		
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17			412		400
	Value re-adjustments on investments		18					14841
	Loss on the realisation of investments		19			25311		188
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			(615)		(1000)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			(10802)		10909
Tax on profit or loss on ordinary activities			31			4611		3353
Profit or loss on ordinary activities after tax (29-31)			39			(15413)		7556
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			(15413)		7556
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59			(15413)		7556

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

Global business

Financial year ended **31 December 2008**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	2008	£000	1
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets	Liabilities	Bought / Long		Sold / Short			
		1	2	3		4			
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12							
	Inflation	13	2209		1405			77463	
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19							
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	2209		1405			77463	
Adjustment for variation margin		52							
Total (51 + 52)		53	2209		1405				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

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

Global business

Financial year ended **31 December 2008**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	2008	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	634				101618		
	Interest rates	12	145873			24	1581181		1581181
	Inflation	13	47905			35092	403536		367249
	Credit index / basket	14							
	Credit single name	15				440	5000		
	Equity index	16							
	Equity stock	17							
	Land	18	67			1127			983567
	Currencies	19	3031			248538	733204		926497
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	197510			285221	2824539		3858494
Adjustment for variation margin		52	(583)						
Total (51 + 52)		53	196927			285221			

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Long-term insurance business : Revenue account

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	754092	2029007
Investment income receivable before deduction of tax	12	850078	695776
Increase (decrease) in the value of non-linked assets brought into account	13	(1508619)	(474815)
Increase (decrease) in the value of linked assets	14		
Other income	15	131700	71200
Total income	19	227251	2321168

Expenditure

Claims incurred	21	1033740	891471
Expenses payable	22	102738	88447
Interest payable before the deduction of tax	23		
Taxation	24	(115270)	9786
Other expenditure	25		
Transfer to (from) non technical account	26	(26275)	
Total expenditure	29	994933	989704

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(767682)	1331464
Fund brought forward	49	14471250	13139786
Fund carried forward (39+49)	59	13703568	14471250

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11		2578		2578	2010
Single premiums	12		3138397		3138397	2026997

Reinsurance - external

Regular premiums	13					
Single premiums	14		22		22	

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16		2386861		2386861	

Net of reinsurance

Regular premiums	17		2578		2578	2010
Single premiums	18		751514		751514	2026997

Total

Gross	19		3140975		3140975	2029007
Reinsurance	20		2386883		2386883	
Net	21		754092		754092	2029007

Long-term insurance business : Analysis of claims

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 Financial year ended **31 December 2008**
 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		1081		1081	971
Disability periodic payments	12					
Surrender or partial surrender	13		9756		9756	7562
Annuity payments	14		1013675		1013675	877669
Lump sums on maturity	15		9229		9229	5269
Total	16		1033740		1033740	891471

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		1081		1081	971
Disability periodic payments	42					
Surrender or partial surrender	43		9756		9756	7562
Annuity payments	44		1013675		1013675	877669
Lump sums on maturity	45		9229		9229	5269
Total	46		1033740		1033740	891471

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Commission - acquisition	11		32414		32414	32721
Commission - other	12					
Management - acquisition	13		37546		37546	28769
Management - maintenance	14		29088		29088	19827
Management - other	15		3690		3690	7130
Total	16		102738		102738	88447

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		32414		32414	32721
Commission - other	42					
Management - acquisition	43		37546		37546	28769
Management - maintenance	44		29088		29088	19827
Management - other	45		3690		3690	7130
Total	46		102738		102738	88447

Long-term insurance business : Summary of new business

Name of insurer **Prudential Retirement Income Limited**
 Total business
 Financial year ended **31 December 2008**
 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					
Single premium business	12		45972		45972	43072
Total	13		45972		45972	43072

**Amount of new regular
premiums**

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

**Amount of new single
premiums**

Direct insurance business	25		1834545		1834545	859363
External reinsurance	26		418597		418597	144189
Intra-group reinsurance	27		1151555		1151555	1023445
Total	28		3404697		3404697	2026997

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Retirement Income Limited

Total business

Financial year ended

31 December 2008

Units

£000

UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
390	Deferred annuity non-profit - Group deferred annuities			75	1800
400	Annuity non-profit (CPA) - Individual annuities in payment			34273	554016
401	Annuity non-profit (bulk transfer) - Group annuities in payment			2276	352627
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment			594	37775
905	Index linked annuity(CPA) - Individual annuities in payment			3228	113115
906	Index linked annuity (bulk transfer) - Group annuities in payment			5470	773286
907	Index linked deferred annuity - Group deferred annuities			56	1926

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Retirement Income Limited

Total business

Financial year ended

31 December 2008

Units

£000

UK Pension / Reinsurance accepted external

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
400	Annuity non-profit (CPA) - Individual annuities in payment				119619
401	Annuity non-profit (bulk transfer) - Group annuities in payment				227934
905	Index linked annuity(CPA) - Individual annuities in payment				3421
906	Index linked annuity (bulk transfer) - Group annuities in payment				67623

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Retirement Income Limited

Total business

Financial year ended

31 December 2008

Units

£000

UK Pension / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
400	Annuity non-profit (CPA) - Individual annuities in payment				1104498
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment				28538
905	Index linked annuity(CPA) - Individual annuities in payment				18519

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Prudential Retirement Income Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 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	866870	931334	53938	5.79	
Approved fixed interest securities	12	2634888	2634888	119160	3.74	
Other fixed interest securities	13	8881646	8881646	612996	7.83	
Variable interest securities	14	909588	909588	46299	5.81	
UK listed equity shares	15	11690	11690	1141	9.76	
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	1402805	1338341	34888	2.49	
Total	19	14707487	14707487	868422	6.36	

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 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	576449	16.60	3.81	3.81
Other approved fixed interest securities	21	2058439	9.58	3.71	3.69
Other fixed interest securities					
AAA/Aaa	31	634023	8.45	6.09	5.48
AA/Aa	32	1625995	9.11	6.68	5.89
A/A	33	4023792	9.22	7.90	6.74
BBB/Baa	34	1630659	8.69	9.59	7.80
BB/Ba	35	16611	4.86	7.62	2.52
B/B	36	1609	4.77	11.65	0.50
CCC/Caa	37	11941	4.86	39.37	6.33
Other (including unrated)	38	937016	8.95	7.23	6.10
Total other fixed interest securities	39	8881646	9.00	7.83	6.61
Approved variable interest securities	41	104255	15.99	1.35	1.35
Other variable interest securities	51	805333	5.07	6.39	5.62
Total (11+21+39+41+51)	61	12426122	9.25	6.81	5.89

Long-term insurance business : Summary of mathematical reservesName of insurer **Prudential Retirement Income Limited**Total business / subfund **10 Ordinary Branch Long Term**Financial year ended **31 December 2008**

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		13398289	13398289	12542000
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		2334908	2334908	1591728
Form 54 - non-linked	17		179207	179207	75772
Total	18		15912404	15912404	14209500

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		2009746	2009746	
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36		350235	350235	
Form 54 - non-linked	37		26880	26880	
Total	38		2386861	2386861	

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		11388543	11388543	12542000
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		1984673	1984673	1591728
Form 54 - non-linked	47		152327	152327	75772
Total	48		13525543	13525543	14209500

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 **10 Ordinary Branch Long Term**
 Financial year ended **31 December 2008**
 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	30976	42839					334482
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							12697
400	Annuity non-profit (CPA) - Group annuities in payment	42452	107196					1341202
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		32096					396489
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							2325
400	Annuity non-profit (CPA) - Individual annuities in payment	343726	475810					5782251
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		332938					4401694
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment	9920	36576					410219
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		4178					52175
440	Additional reserves non-profit OB - Miscellaneous							90158
440	Additional reserves non-profit OB - Mismatching							330308
440	Additional reserves non-profit OB - Policy related expenses							244289

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 **10 Ordinary Branch Long Term**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

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		6426					50172
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							1905
400	Annuity non-profit (CPA) - Group annuities in payment		16079					201181
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		4814					59473
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							349
400	Annuity non-profit (CPA) - Individual annuities in payment		71372					867340
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		49941					660254
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment		5486					61533
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		627					7826
440	Additional reserves non-profit OB - Miscellaneous							13524
440	Additional reserves non-profit OB - Mismatching							49546
440	Additional reserves non-profit OB - Policy related expenses							36643

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

Name of insurer **Prudential Retirement Income Limited**
Total business / subfund **10 Ordinary Branch Long Term**
Financial year ended **31 December 2008**
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(CPA) - Group annuities in payment	25807	76441		1347508	1347508		1347508
905	Index linked annuity(CPA) - Group annuities in payment - valued as fixed	44	57		1046	1046		1046
905	Index linked annuity(CPA) - Group annuities in payment (reassurance accepted)		2667		46680	46680		46680
905	Index linked annuity(CPA) - Group annuities in payment unprocessed business				3187	3187		3187
905	Index linked annuity(CPA) - Individual annuities in payment	25509	35901		655669	655669		655669
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)		3623		73033	73033		73033
907	Index linked deferred annuity - Group deferred annuities	11282	16997		176759	176759		176759
907	Index linked deferred annuity - Group deferred annuities - valued as fixed	217	487		5073	5073		5073
907	Index linked deferred annuity - Group deferred annuities unprocessed business				4569	4569		4569
915	Additional reserves index linked - Miscellaneous						64943	64943
915	Additional reserves index linked - Mismatching						114264	114264
915	Additional reserves index linked - Policy related expenses				21384	21384		21384

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

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 Financial year ended **31 December 2008**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

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(CPA) - Group annuities in payment		11466		202125	202125		202125
905	Index linked annuity(CPA) - Group annuities in payment - valued as fixed		9		157	157		157
905	Index linked annuity(CPA) - Group annuities in payment (reassurance accepted)		400		7002	7002		7002
905	Index linked annuity(CPA) - Group annuities in payment unprocessed business				478	478		478
905	Index linked annuity(CPA) - Individual annuities in payment		5385		98350	98350		98350
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)		543		10955	10955		10955
907	Index linked deferred annuity - Group deferred annuities		2550		26514	26514		26514
907	Index linked deferred annuity - Group deferred annuities - valued as fixed		73		761	761		761
907	Index linked deferred annuity - Group deferred annuities unprocessed business				685	685		685
915	Additional reserves index linked - Miscellaneous						9740	9740
915	Additional reserves index linked - Mismatching						17140	17140
915	Additional reserves index linked - Policy related expenses				3208	3208		3208

Long-term insurance business : Index linked business

Name of insurer **Prudential Retirement Income Limited**
 Total business
 Financial year ended **31 December 2008**
 Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	481140	15.99
Other variable interest securities	12	849746	11.51
Approved fixed interest securities	13	204718	13.93
Other fixed interest securities	14	345364	10.44
Cash and deposits	15	40079	
Equity index derivatives	16		
Inflation swaps	17	29352	
Other assets	18	34274	
Variation margin	19		
Total (11 to 19)	20	1984673	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31	23006	6.89
AA/Aa	32	212010	12.93
A/A	33	537601	11.52
BBB/Baa	34	296409	10.56
BB/Ba	35		
B/B	36		
CCC/Caa	37	596	2.80
Other (including unrated)	38	125488	9.35
Total other fixed interest and other variable interest securities	39	1195110	11.21

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Prudential Retirement Income Limited**

Total business **10 Ordinary Branch Long Term**

Financial year ended **31 December 2008**

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	10823504		5.89	6.04
Form 51: Additional reserves	357397			6.04
Form 51: Additional reserves - policy related expenses	207646		2.18	2.23
Form 54: Additional reserves	152326			2.23
Total	11540873			

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **10 Ordinary Branch Long Term**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	13703568	14471250
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	13703568	14471250
Mathematical reserves	21	13525543	14209500
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	178025	261750

Composition of surplus

Balance brought forward	31	261750	156720
Transfer from non-technical account	32	26275	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(110000)	105030
Total	39	178025	261750

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		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	178025	261750
Total (48+49)	59	178025	261750

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 2008**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

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%				
Classes III, VII and VIII	15	0.3%				
Total	16					

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					
--	----	--	--	--	--	--

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	13398289	11388543	0.85	113885
Classes III, VII and VIII (investment risk)	33	1%	2514115	2137000	0.85	21370
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				
Class IV (other)	36	1%				
Class V	37	1%				
Class VI	38	1%				
Total	39					135255

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	13398289	11388543	0.85	341656
Classes III, VII and VIII (investment risk)	43	3%	2514115	2137000	0.85	64110
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%				
Class IV (other)	46	3%				
Class V	47	0%				
Class VI	48	3%				
Total	49		15912404	13525543		405766

Long term insurance capital requirement	51					541021
						568380

PRUDENTIAL RETIREMENT INCOME LIMITED

Valuation Report pursuant to the Interim Prudential Sourcebook (IPRU (INS)) rule 9.4, 9.31(a) and Appendix 9.4

Appendix 9.4

Valuation Report as at 31 December 2008

1. Introduction

- (1) The investigation relates to 31 December 2008.
- (2) The previous investigation related to 31 December 2007.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2007.

2. Product range

(a) New products

No new products have been introduced during the financial year.

(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.

(e) With-profits subfunds

There are no with-profits subfunds.

3. Discretionary charges and benefits

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

- (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, Form 56 includes sufficient fixed interest assets to match the corresponding liabilities.

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 3.5% annual revaluation throughout the remaining deferred period followed by the actual fixed escalation in payment. These annuities are included in these returns as non-linked business. They are matched with non-linked assets and inflation swaps.

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

- (2) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU (INS) Appendix 9.3 so that a more appropriate rate of interest will be used for assets taken in combination.

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 to 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 of the property at the end of the lease is taken as 75% of the current market value.

The interest rates used are as follows:

Non-linked

Product code number	Product description	31 December 2008 %	31 December 2007 %
All	All products	5.89	5.25

Index linked

Product code number	Product description	31 December 2008 %	31 December 2007 %
All	All products (except index linked annuities – valued as fixed)	2.18	1.55
All	Index linked annuity – group annuities in payment – valued as fixed Index linked annuity – group deferred annuities – valued as fixed	5.89	5.25

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 allowance for defaults is calculated as the long-term expected level of defaults plus an additional allowance for short-term defaults reflecting the market conditions at the valuation date.

The long-term 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.

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 long-term 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	6.6	8.5	13.8	28.5	107.2	216.6
Senior Unsecured	14.6	18.7	30.3	62.8	235.8	476.6
Subordinated Debt	21.2	27.2	44.0	91.3	343.0	693.3

The additional allowance for short-term defaults is taken to be 25% of the increase in credit spreads over swaps that have occurred since 31 December 2006 based on a set of externally published indices weighted to reflect the assets held by the Company.

A deduction is also made to allow for the risk of default of rent on properties. 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.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of INSPRU 3.1. The risk adjusted yields in Form 57 column 5 were calculated using the method specified in the section 148 waiver, after allowing for defaults.

Aggregate yields on the backing assets have been adjusted by 0.83% and 0.69% to allow for defaults within the non-linked and index-linked portfolios respectively. These default adjustments include margins for prudence.

For the portfolio as a whole this represents an aggregate default assumption of 80 basis points per annum. This can alternatively be expressed as 188 basis points for 3 years and 44 basis points per annum thereafter.

(4)

Non-linked

Product code number	Product description	31 December 2008	31 December 2007
400	Annuity non-profit (CPA) – individual annuities in payment Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted)		
405	Annuity non-profit (CPA impaired life) – individual annuities in payment Annuity non-profit (CPA impaired life) – individual annuities in payment (reassurance accepted)		
	Mortality table	Modified 97% PNMA00 / 88% PNFA00	Modified 99% PNMA00 / 85% PNFA00
	Expectation of life age 65	24.1 (M), 25.3 (F)	23.7 (M), 25.5 (F)
	Expectation of life age 75	14.6 (M), 16.1 (F)	14.3 (M), 16.3 (F)
400	Annuity non-profit (CPA) – group annuities in payment Annuity non-profit (CPA) – group annuities in payment unprocessed business Annuity non-profit (CPA) – group annuities in payment (reassurance accepted)		
	Mortality table	Modified 102% PNMA00 / 98% PNFA00	Modified 114% PNMA00 / 103% PNFA00
	Expectation of life age 65	23.6 (M), 24.4 (F)	22.4 (M), 23.9 (F)
	Expectation of life age 75	14.3 (M), 15.3 (F)	13.3 (M), 14.9 (F)
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 102% PNMA00 / 98% PNFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 114% PNMA00 / 103% PNFA00
	Current age 45, expectation of life age 65	27.6 (M), 26.4 (F)	26.4 (M), 25.9 (F)
	Current age 55, expectation of life age 65	25.6 (M), 25.4 (F)	24.4 (M), 24.9 (F)

Index linked

Product code number	Product description	31 December 2008	31 December 2007
905	Index linked annuity (CPA) – individual annuities in payment Index linked annuity (CPA) – individual annuities in payment (reassurance accepted)		
	Mortality table	Modified 97% PNMA00 / 88% PNFA00	Modified 99% PNMA00 / 85% PNFA00
	Expectation of life age 65	24.1 (M), 25.3 (F)	23.7 (M), 25.5 (F)
	Expectation of life age 75	14.6 (M), 16.1 (F)	14.3 (M), 16.3 (F)
905	Index linked annuity (CPA) – group annuities in payment Index linked annuity (CPA) – group annuities in payment - valued as fixed Index linked annuity (CPA) – group annuities in payment unprocessed business Index linked annuity (CPA) – group annuities in payment (reassurance accepted)		
	Mortality table	Modified 102% PNMA00 / 98% PNFA00	Modified 114% PNMA00 / 103% PNFA00
	Expectation of life age 65	23.6 (M), 24.4 (F)	22.4 (M), 23.9 (F)
	Expectation of life age 75	14.3 (M), 15.3 (F)	13.3 (M), 14.9 (F)
907	Index linked deferred annuity – group deferred annuities Index linked deferred annuity – group deferred annuities – valued as fixed Index linked deferred annuity – group deferred annuities unprocessed business		
	Mortality table	In deferment: AM92 /AF92 – 4 years In payment: Modified 102% PNMA00 / 98% PNFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 114% PNMA00 / 103% PNFA00
	Current age 45, expectation of life age 65	27.6 (M), 26.4 (F)	26.4 (M), 25.9 (F)
	Current age 55, expectation of life age 65	25.6 (M), 25.4 (F)	24.4 (M), 24.9 (F)

The changes in mortality assumptions relative to prior year reflect a rebalancing to better align the assumptions with the actual experience for each product type. The overall effect is financially neutral.

Mortality bases used at 31 December 2008 and 31 December 2007

Annuities are generally valued using a percentage of the 00 series tables for annuitants and pensioners (normal retirements). In order to allow for mortality improvement, improvement factors are applied from 2001. For males these future

improvement factors are in line with 100% of the CMI medium cohort projections, subject to future improvement factors not being less than 2.25% p.a. until age 90, tapering linearly to zero at age 120. 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 1.25% p.a. until age 90, tapering linearly to zero at age 120. For impaired lives, an adjustment is made to the annuitant's age to allow for impairment.

(5) Not applicable

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

Product code number	Product description	31 December 2008	31 December 2007
All	All products	£18.89 p.a.	£17.92 p.a.

The inflation rate assumed for future expenses is as follows:

Product code number	Product description	31 December 2008	31 December 2007
All	All products	3.50% p.a.	3.75% p.a.

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	Product description	31 December 2008	31 December 2007
All	All products	0.06% p.a.	0.06% p.a.

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) No lapses have been allowed for in the valuation.

(10) There are no material basis assumptions not stated elsewhere.

(11) Derivative contracts held as at 31 December 2008 comprised:

- i) Contracts to swap fixed US Dollars for fixed UK Sterling;

- ii) Contracts to swap fixed Euros for fixed UK Sterling;
- iii) Contracts to swap floating UK Sterling LIBOR for fixed UK Sterling;
- iv) Contracts to swap inflation-linked UK Sterling RPI for fixed UK Sterling;
- v) A contract to swap future fixed UK sterling for future inflation-linked UK Sterling RPI/LPI;
- vi) Contracts to swap inflation-linked UK Sterling property income for fixed UK Sterling
- vii) Contracts to swap fixed, floating LIBOR and credit default premium cashflows for fixed UK Sterling
- viii) Contracts to swap fixed UK Sterling for inflation-linked UK Sterling RPI/LPI
- ix) Contracts to swap stepped fixed property income for average fixed property income
- x) A futures contract giving exposure to UK Gilts

The effect of the contracts under i) is to convert fixed US Dollar denominated cashflows into fixed UK Sterling.

The effect of the contracts under ii) is to convert fixed Euro denominated cashflows into fixed UK Sterling cashflows.

The effect of the contracts under iii) is to convert cashflows from UK Sterling and Non Sterling floating rate LIBOR/EUROBOR assets into fixed UK Sterling cashflows. Euro cashflows are hedged into Sterling via currency forwards.

The effect of the contracts under iv) is to convert cashflows from UK Sterling RPI inflation-linked bonds into fixed UK Sterling.

The effect of the contract under v) is to convert future fixed UK Sterling cashflows into future RPI inflation-linked cashflows.

The effect of the contracts under vi) is to convert cashflows from RPI inflation-linked property rental payments into fixed UK Sterling cashflows.

The effect of the contracts under vii) is to convert various currency cashflows from floating rate LIBOR bonds, fixed rate bonds and a premium for providing protection on the default of a bond into fixed UK Sterling cashflows.

The effect of the contracts under viii) is to convert fixed UK Sterling assets into UK Sterling RPI inflation-linked cashflows.

The effect of the contracts under ix) is to convert fixed stepped property income cashflows into an average stream of fixed stepped property income cashflows.

The effect of the futures contract under x) is gain exposure to UK Gilts.

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.

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 INSPRU 3.1 and hence differ from the yields calculated in accordance with the section 148 waiver.

- (12) There were no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. Options and guarantees

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Some RPI-linked annuities are subject to maximum and minimum percentage increases. The valuation of this business is as described in 4(1). An additional reserve of £50m is held at the valuation date to cover the risk of negative RPI inflation.

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	14.7
Investment management expenses	11.3
Total	26.0

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 £29.1m. and include a performance related investment fee of £5.2m in respect of the investment performance during 2006 and 2007. The payment of such performance related investment fees is contingent on surplus emerging on the Company's business. The maintenance expenses shown in (1) above also include margins for prudence.

- (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 scenario, the amount of the expense loading over the remaining lifetime of the contracts in force at the valuation date is £260.2m.

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 20% and that loss of economies of scale would result in overall expenses thereafter 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, an additional reserve of £4.7m is held for the impact of closing to new business. In addition, a provision of £0.8m is held for the forecast expense margin expected to be paid to Prudential Distribution Limited in 2008.

- (6) No expenses have been treated as non-attributable.

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(11) for details.
- (2) Not applicable
- (3) Not applicable
- (4) The most onerous scenario under INSPRU 3.1.16R was:
 - (i) a fall in property values of 10% plus a fall in rental income of 10%, and;
 - (ii) a fall in yield on all fixed interest securities of 0.75%, 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 INSPRU 3.1.16R, 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 £962m.
 - (c) The increase in the aggregate amount of assets backing these liabilities was £1,000m.
- (7) A reserve of £444.6m was held arising from the test on assets in INSPRU 1.1.34R(2).

This reserve was set at a level which was sufficient to ensure that it covered the results of projecting the risk adjusted cashflows of the assets backing the liabilities and the future liability payments on the valuation assumptions.

In carrying out this test, it has been assumed that:

- (i) there will be a higher level of default losses in the short-term and this has been allowed for by applying a level percentage deduction to all asset cashflows, and;
- (ii) long-term default losses will occur at the rate of 44 basis points per annum.

The combined allowance for defaults in (i) and (ii) above is consistent with the Company's overall allowance for defaults of 80 basis points per annum (which is equivalent to 188 basis points per annum for 3 years and 44 basis points per annum thereafter).

In any year where asset income exceeds liability outgo, the excess is invested in a cash asset, and this cash asset is assumed to accumulate at 97.5% of the maximum reinvestment rate specified in INSPRU 3.1.45R. 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 allowances of £98.0m for general contingencies.

9. Reinsurance

- (1) Not applicable
- (2) Details of any reinsurance treaties held as at 31 December 2008 which satisfy criteria (a), (b) or (c) are as follows:
 - (d) The reinsurer is The Prudential Assurance Company Limited (PAC).
 - (e) PAC reinsures 15% of the liabilities in respect of all non-profit annuity business. For enhanced annuity business written after 27 October 2008, PAC's reinsurance applies after the cession of mortality risk to Hannover Life Re.
 - (f) The premium payable since 31 December 2007 was £2,386.9m.
 - (g) The amount of assets deposited back at the valuation date was £2,386.9m.

- (h) The treaty is open to new business.
- (i) There is no undischarged obligation.
- (j) The amount of mathematical reserves ceded under the treaty as at 31 December 2008 was £2,386.9m.
- (k) The firm retains 85% of liabilities in respect of new policies. For enhanced annuity business written after 27 October 2008, the firm's retention is 85% of liabilities after the cession of mortality risk to Hannover Life Re.
- (l) PAC is authorised to carry on insurance business in the United Kingdom.
- (m) The firm and PAC are connected companies.
- (n) The treaty is not subject to any material contingencies.
- (o) No allowance for the refund of any reinsurance commission has been included in the net liability.
- (p) Not applicable.

(3) Not applicable

10. Reversionary (or annual) bonus

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

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2008

Supplementary notes to the returns

Form 2

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

- (a) (771905) The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in May 2005. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU (INS) Appendix 9.3 so that a more appropriate rate of interest will be used for assets taken in combination. This direction ends on 31 October 2012.

Form 3

0301 Reconciliation of net admissible assets to total capital resources

	2008 £'000s
Line 89 on Form 13 (OLTB)	842,687
Line 89 on Form 13 (LTF)	16,692,160
Line 11 on Form 14	(13,525,543)
Line 49 on Form 14	(3,079,493)
Line 69 on Form 15	(21,196)
Line 79 on Form 3	<u>908,615</u>

0308 There are two contingent loans at the end of the year repayable to The Prudential Assurance Company Ltd. The Prudential Assurance Company Ltd replaced Prudential Capital plc as lender on one of the loans on 7 July 2008. The loans and interest on loans are repayable out of the surplus emerging on the Company's business and repayment is contingent on the surpluses arising.

The loans are repayable to the extent of a specified percentage of surplus of the Company (determined by reference to line 34 of Form 58), a repayment obligation crystallising on the first day of the Company's financial year, following the year in which the loans were received, and being discharged by application of funds on a date nominated by the Company.

In accordance with their terms, the loans may be prepaid upon prior notice, and the repayment obligation discharged in whole or part.

Supplementary notes to the returns (continued)

Form 3 – continued

0310 Valuation differences

	2008 £'000s
<i>Positive valuation differences where liabilities are lower than in the shareholders accounts</i>	
Deferred tax held on additional reserves and valuation difference	281,200
Contingent loan	370,663
<i>Positive valuation differences where assets are Higher than in the Shareholder account</i>	
FSA valuation difference on investments and performance related fees	11,721
<i>Negative valuation differences where liabilities are higher than in the shareholders accounts</i>	
Additional reserves held in long term fund	(1,016,207)
Line 35 on Form 3	<u>(352,623)</u>

0313 Reconciliation of profit and loss account and other reserves

	2008 £'000s
Profit & loss account and reserves b/fwd (Form 3 line 12)	590,126
Profit & loss account and reserves c/fwd (Form 3 line 12)	494,438
Movement	<u>(95,688)</u>
Movement in additional reserves held for FSA	(224,744)
Movement in valuation difference	8,311
Movement in deferred tax	60,600
Movement in unallocated surplus	236,108
Line 59 on Form 16	<u>(15,413)</u>

Form 13

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

1302 The company held £7m in hybrid securities.

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

1305 The maximum permitted exposure to any one counterparty has been set in accordance with the counterparty limits detailed in INSPRU 2.1.22. Therefore exposures to non-approved counterparties have been restricted to a maximum of 5% of the business amount. No counterparty exposure during the year exceeded these limits.

Supplementary notes to the returns (continued)

Form 13 (continued)

1306 No counterparty exposure at the year end exceeded 5% of the business amount.

1307 PRIL has no exposures at 31 December 08 that are 'secured obligations'.

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

1308 The company held £521m in unlisted securities.

1309 The company held £2,374m 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 INSPRU 2.1.22. 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

	2008 £'000s
<i>Other than long term business assets</i>	
Miscellaneous liabilities netted off against assets in the financial statements	(44)
Line 101 on Form 13	(44)
	2008 £'000s
<i>Total long term business assets</i>	
Miscellaneous liabilities netted off against assets in the financial statements	(58,340)
Line 101 on Form 13	(58,340)

Supplementary notes to the returns (continued)

Form 13 - continued

1321 Other differences in valuation of assets

	2008 £'000s
<i>Total long term business assets</i>	
Assets valued on a different basis than that in the financial statements	(8,059)
Line 98 on Form 13	<u>(8,059)</u>

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) In the normal course of business certain reinsurance liabilities were secured by a floating charge, ranking these liabilities equally with amounts due under unsecured direct (non-reassurance) policies, over the long term insurance assets of the Company. The amounts secured by charges of this nature and included in Form 14 Line 11 were £3,776,552k, £484,763k and £14,436k. The whole of the amount at Form 13 line 89 is subject to charge.

On 2 September 2008 a floating charge was placed over cash and assets of the long term fund to secure certain pension scheme liabilities. On crystallisation the charge gives the debt owed to the scheme trustees priority status in any claim against the said cash or assets. The charge provides for the amount to be secured to vary by reference to a percentage of the value of the liabilities. The amounts secured under this charge included in Form 14 line 11 is £1,057,785k. The aggregate value of the assets subject to the charge is £1,118,577k (see table below).

	2008 £'000s
<i>Assets which are subject to the charge (Form 13)</i>	
Line 41 – Equity shares	804
Line 45 – Approved fixed interest securities	147,388
Line 46 – Other fixed interest securities	205,438
Line 47 – Approved variable interest securities	242,819
Line 48 – Other variable interest securities	479,341
Line 78 – Other due in 12 months or less	784
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	28,938
Line 84 – Accrued interest and rent	13,065
Total	<u>1,118,577</u>

Supplementary notes to the returns (continued)

Form 14 - continued

1402 (continued)

- (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) There are two contingent loans, not in Form 14, at the year end repayable to The Prudential Assurance Company Ltd. The loans and interest on the loans are repayable out of the surplus emerging on the Company's business and repayment is contingent on surpluses arising. The value of these loans total £370,663k.

The loans are repayable to the extent of a specified percentage of surplus of the Company (determined by reference to line 34 of Form 58), a repayment obligation crystallising on the first day of the Company's financial year, following the year in which the loans were received, and being discharged by application of funds on a date nominated by the Company.

In accordance with their terms, the loans may be prepaid upon prior notice, and the repayment obligation discharged in whole or part.

Excluded from Form 14 is a performance related investment fee (PRF). The PRF was not paid in respect of 2008 as it only becomes payable in the event of surplus emerging on the Company's business. The value of the PRF for 2008 totals £3,662k. This amount will be paid in future years if sufficient surplus emerges.

- (d) During 2008 the Company entered into a credit facility agreement whereby it will lend up to £500m, at any time, in the form of subscription to Senior Notes issued under Prudential plc's £5,000 million Medium Term Note programme or of an unsecured senior loan to Prudential plc, Prudential Capital plc or other subsidiaries of Prudential plc. The purpose of the facility is to provide funding at Prudential Group level if the debt markets are closed to external issuance or if commercial paper issuance is difficult or not practicable. The commitment period is until further notice, but may be withdrawn at any time by the Company's Board. The facility is repayable on demand and the borrowers can repay at any time at par plus break costs.

There were no other guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business and in respect of related companies.

Supplementary notes to the returns (continued)

Form 14 - continued

1405 Details of other adjustments to liabilities

	2008 £'000s
Additional reserves held in long term fund	(1,016,207)
Deferred tax provision on additional reserves and valuation differences	281,200
Contingent loan	370,663
Contingent Performance related investment fees	3,662
Miscellaneous adjustments to liabilities	(58,340)
Line 74 on Form 14	<u>(419,022)</u>

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 £Nil.

(c) There were no contingent liabilities at the year end.

(d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business and in respect of related companies.

1507 Details of other adjustments to liabilities

	2008 £'000s
Intragroup balances less than £100k	<u>(44)</u>

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 17

1701 There is no liability to repay the variation margin. A variation margin of £51k and £583k are included in lines 44 and 78 respectively of Form 13. No variation margin is included in respect of other than long term business.

Supplementary notes to the returns (continued)

Form 40

4002 Other Income represents six capital injections in the form of contingent loans under a new agreement repayable to The Prudential Assurance Company Ltd. The loans and interest on loans are repayable out of the surplus emerging on the Company's business and repayment is contingent on surpluses arising.

The loans are repayable to the extent of a specified percentage of surplus of the Company (determined by reference to line 34 of Form 58), a repayment obligation crystallising on the first day of the Company's financial year, following the year in which the loans were received, and being discharged by application of funds on a date nominated by the Company.

In accordance with their terms, the loans may be prepaid upon prior notice, and the repayment obligation discharged in whole or part.

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

4009 The Company has reinsurance agreements with a related company, The Prudential Assurance Company Ltd, in respect of non-participating approved pension annuity contracts.

During the year, claims amounting to £292m were paid under these reinsurance agreements. A premium, calculated on normal commercial terms, amounting to £881m was received and a premium amounting to £2,387m was ceded. The liabilities included in the Return, relating to this business, amount to £4,276m at the year end.

There were no other material intra-group transactions.

Form 47

4702 For annuity business where a premium includes both non-linked and linked benefits, total counts have been reported against both the non-linked and linked premiums. The extent of double counting of policies on Form 47 arising from this is 2,300.

Form 48

4802 There are 4 assets where the payment of interest is in default. The expected income from these assets has been reduced to nil.

Supplementary notes to the returns (continued)

Form 48 (continued)

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. The only exception to this rule is where the terms and conditions of a security are such that the coupon moves from a fixed rate to a floating rate, should the issuer not redeem at the earliest call date. Securities that fall into this category have been classified on the assumption that they will redeem at the earliest 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 combined is 65,800.

The counts and benefit amounts are not 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 schemes which are now in wind-up where final benefits and member details are yet to be finalised by the Trustees.

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 on Forms 51 and 54 combined is 65,800.

The counts and benefit amounts are not 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 mostly from former occupational pension schemes which are now in wind-up where final benefits and member details are yet to be finalised by the Trustees.

Supplementary notes to the returns (continued)

Form 56

5601 The credit ratings shown are the lowest of three external rating agencies (S&P, Moody's & Fitch) expressed in the S&P format.

Form 57

The information required in respect of waiver 771905 (dated 17 December 2007) is as follows:

Product group	Risk adjusted yield on matching assets (Form 57 column 5)	Corresponding asset yield
Form 51: Immediate & deferred annuities	6.04%	6.88%
Form 51: Additional reserves non-profit OB – policy related expenses	2.23%	2.92%

Form 58

5803 There is a difference between line 29 and Form 2 line 11 of £90,900k. This difference relates to the inadmissible assets shown on Form 13 (Long term Business) line 93.

PRUDENTIAL RETIREMENT INCOME LIMITED

Financial year ended 31 December 2008

Directors' Certificate pursuant to the Interim Prudential Sourcebook (IPRU (INS)) rule 9.34

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by a waiver dated 17 December 2007 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), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
 - (b) that the mathematical reserves and deposits received from reinsurers, as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long term insurance business;

Directors' Certificate pursuant to the Interim Prudential Sourcebook (IPRU (INS)) rule 9.34 (continued)

- (c) that we have, in preparing the return, taken and paid due regard to advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

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N E T Prettejohn
Director

27 March 2009

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A M Crossley
Director

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D J Belsham
Director

PRUDENTIAL RETIREMENT INCOME LIMITED

Financial year ended 31 December 2008

Report of the auditor to the Directors pursuant to the Interim Prudential Sourcebook for Insurers (IPRU (INS)) rule 9.35

We have examined the following documents prepared by the Company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to IPRU (INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance 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 1 to 56 (‘the Forms’);
- the statement required by IPRU (INS) rule 9.29 on pages 62 to 63 (‘the Statement’); and
- the valuation report required by IPRU (INS) rule 9.31(a) (“the valuation report”) on pages 36 to 47.

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 21 to 56;
- the statement required by IPRU (INS) rules 9.30 on page 64; or
- the certificate signed by IPRU (INS) rule 9.34 on pages 57 to 58 (‘the certificate’).

This report is made solely to the Company’s directors, as a body, in accordance with the requirements of IPRU (INS) rule 9.35. 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 IPRU (INS) rule 9.35 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 IPRU (INS) rule 9.35 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 a waiver issued under section 148 of the Financial Services and Markets Act 2000 on 17 December 2007. Under IPRU (INS) 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 IPRU (INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2.

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 (Revised)” 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 IPRU (INS) rule 9.11.

In accordance with IPRU (INS) rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under rule IPRU (INS) 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU (INS) 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 report prepared in accordance with IPRU (INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2.

KPMG Audit Plc
Registered Auditor

London

27 March 2009

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2008

Statement pursuant to the Interim Prudential Sourcebook for Insurers (IPRU(INS)) rule 9.29

(a) Investment guidelines

As required by Rule 9.29 of the Interim Prudential Sourcebook for Insurers (IPRU(INS)), the investment guidelines for the use of derivative contracts for both long term and other than long term funds are set out below. These are fully explained in the Company's Investment Management Agreement with its fund managers and are consistent with the investment strategy.

- (i) Derivatives are used for the purpose of efficient portfolio management or to reduce risk, specific examples being to implement tactical asset allocation changes around the strategic benchmark, hedge cash flows, or control the risk profile of an identified strategy.
- (ii) A number of restrictions on the use of derivatives have been agreed with the Company's fund managers and can only be overruled by prior agreement between the two parties:
 - all derivatives that impose obligations on the fund must be strictly covered.
 - all derivative contracts must satisfy the definition of approved under Rule 3.2.5 of the Prudential sourcebook for Insurers (INSPRU)
 - 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 2008 no such contracts were used.

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

There were no derivative contracts held during 2008 that did not satisfy requirements of the Integrated Prudential Sourcebook.

(i) Consideration for granting rights under derivative contracts

No rights under derivative contracts have been granted.

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended Financial Year ended 31 December 2008

Rule 9.30 Statement on Shareholder Controllers

The following companies were shareholder controllers of Prudential Retirement Income Limited for the year: The Prudential Assurance Company Ltd holding 100% of its issued share capital and voting power throughout the year; and Prudential plc, being the ultimate holding company, holding 100% of the issued share capital and voting power of The Prudential Assurance Company Ltd throughout the year.