



Prudential Retirement Income Limited

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

Annual FSA Insurance Returns for the year ended

31 December 2009



IPRU(INS) 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 2009**

Solo solvency calculation

Solo solvency calculation		Company registration number	GL/ UK/ CM	day month year			Units
	R2	47842	GL	31	12	2009	£000
				As at end of this financial year			As at end of the previous year
				1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	453061	87124
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	839488	821491
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1292549	908615

Guarantee fund

Guarantee fund requirement	21	204517	180340
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1088032	728275

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	613550	541021
Resilience capital requirement	32		
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	613550	541021
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	613550	541021
Excess (deficiency) of available capital resources to cover 50% of MCR	37	985774	638104
Excess (deficiency) of available capital resources to cover 75% of MCR	38	832387	502849

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	613550	541021

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	613550	541021
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	678999	367594

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51	384531	374325
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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 2009**.....
R A Devey**Director**.....
A M Crossley**Director**.....
D J Belsham**Director****Date****London 26 March 2010**

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

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	47842	GL	31	12	2009	£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	837700
Profit and loss account and other reserves	12		762266	762266	494438
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		1599966	1599966	1332138

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		1619966	1619966	1352138
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		327017	327017	352623
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		327017	327017	352623
Total tier one capital after deductions (31-37)	39		1292949	1292949	999515

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

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	47842	GL	31	12	2009	£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				

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	47842	GL	31	12	2009	£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		1292949	1292949	999515
Inadmissible assets other than intangibles and own shares	73		400	400	90900
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		1292549	1292549	908615

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		1292549	1292549	908615
Available capital resources for 50% MCR requirement	82		1292549	1292549	908615
Available capital resources for 75% MCR requirement	83		1292549	1292549	908615

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		383614	383614	370663
Any other charges on future profits	95		917	917	3662
Sum of financial engineering adjustments (91+92-93+94+95)	96		384531	384531	374325

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

Global business

Financial year ended **31 December 2009**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	2009	£000	1
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings				11		69920		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	539014	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	4361	2209
Fixed interest securities	Approved	45	342916	402367
	Other	46	66247	21655
Variable interest securities	Approved	47	6965	6646
	Other	48		
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	2610	6047
	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 2009**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	2009	£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	10187	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	4523	4
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	9970	11760
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	1056713	842687
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Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2009**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	2009	£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	1056713	842687
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	(38)	(44)
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	1056675	842643
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 2009**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	2009	£000	10
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings				11	648162		866870

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	624342	384812
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	1870	11690
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43		64464
Rights under derivative contracts		44	107969	196927
Fixed interest securities	Approved	45	2848003	2591233
	Other	46	10453561	8646895
Variable interest securities	Approved	47	101835	103618
	Other	48	880870	795873
Participation in investment pools		49		
Loans secured by mortgages		50	39986	36636
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	4090	4396
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	542232	281762
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	2113389	1984673
	Property linked	59		

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

Global business

Financial year ended **31 December 2009**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	2009	£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	312	218
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	6813	7044
	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	6361	215738
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	30411	164565
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	355653	301588
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	42051	33158

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	18807910	16692160
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Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2009**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	2009	£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	18807910	16692160
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	400	90900
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	(65876)	(8059)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2549421	2207530
Other asset adjustments (may be negative)	101	11835	(58340)
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	21303690	18924191
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	752999	501348

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

Global business

Financial year ended **31 December 2009**Total business/Sub fund **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	15309188	13525543
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	453461	178025
Long term insurance business fund carried forward (11 to 13)		14	15762649	13703568
Claims outstanding	Gross	15	2531	3299
	Reinsurers' share	16		
	Net (15-16)	17	2531	3299
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23	2349495	2036625
Creditors	Direct insurance business	31	12846	4457
	Reinsurance accepted	32		5165
	Reinsurance ceded	33	1125	
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	483816	665030
Creditors	Taxation	37	26934	6796
	Other	38	151991	358121
Accruals and deferred income		39	16923	
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	3045661	3079493
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	18808310	16783061

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	341	1851
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	18354849	16605036
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2549421	2207530
Other adjustments to liabilities (may be negative)	74	(381058)	(419022)
Capital and reserves and fund for future appropriations	75	780478	530647
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	21303690	18924191

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

Global business

Financial year ended **31 December 2009**

Company registration number	GL/ UK/ CM	day	month	year	Units	
R15	47842	GL	31	12	2009	£000
			As at end of this financial year 1		As at end of the previous year 2	

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46	213373	18140
Creditors	Taxation	47		1607
	Foreseeable dividend	48		
	Other	49	3852	1449
Accruals and deferred income		51		
Total (19 to 51)		59	217225	21196
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	217225	21196

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	(38)	(44)
Capital and reserves	84	839488	821491
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	1056675	842643

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

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	47842	GL	31	12	2009	£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	34596			33472	
	Value re-adjustments on investments		15				8339	
	Gains on the realisation of investments		16	13691				
Investment charges	Investment management charges, including interest		17	537			412	
	Value re-adjustments on investments		18	23620				
	Loss on the realisation of investments		19				25311	
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	(677)			(615)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	23453			(10802)	
Tax on profit or loss on ordinary activities			31	5456			4611	
Profit or loss on ordinary activities after tax (29-31)			39	17997			(15413)	
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	17997			(15413)	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59	17997			(15413)	

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

Global business

Financial year ended **31 December 2009**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	2009	£000	1
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							
	Interest rates	12							
	Inflation	13	4361			71452	71452		
	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	4361			71452	71452		
Adjustment for variation margin		52							
Total (51 + 52)		53	4361						

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 2009**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	2009	£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		246			9843		
	Interest rates	12	66548				586114	586114	
	Inflation	13	33890	28020			705854	705854	
	Credit index / basket	14							
	Credit single name	15		29			5000		
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	7385	108888			728064	807097	
	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	146				291		
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	107969	137183			2035166	2099065	
Adjustment for variation margin		52		(290)					
Total (51 + 52)		53	107969	136893					

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 **Ordinary Branch Long Term**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	1317175	754092
Investment income receivable before deduction of tax	12	990105	850078
Increase (decrease) in the value of non-linked assets brought into account	13	1204047	(1508619)
Increase (decrease) in the value of linked assets	14		
Other income	15		131700
Total income	19	3511327	227251

Expenditure

Claims incurred	21	940215	1033740
Expenses payable	22	81969	102738
Interest payable before the deduction of tax	23	323531	
Taxation	24	106531	(115270)
Other expenditure	25		
Transfer to (from) non technical account	26		(26275)
Total expenditure	29	1452246	994933

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2059081	(767682)
Fund brought forward	49	13703568	14471250
Fund carried forward (39+49)	59	15762649	13703568

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Regular premiums	11		(300)		(300)	2578
Single premiums	12		1612112		1612112	3138397

Reinsurance - external

Regular premiums	13					
Single premiums	14		62194		62194	22

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16		232443		232443	2386861

Net of reinsurance

Regular premiums	17		(300)		(300)	2578
Single premiums	18		1317475		1317475	751514

Total

Gross	19		1611812		1611812	3140975
Reinsurance	20		294637		294637	2386883
Net	21		1317175		1317175	754092

Long-term insurance business : Analysis of claims

Name of insurer **Prudential Retirement Income Limited**
Total business / subfund **Ordinary Branch Long Term**
Financial year ended **31 December 2009**
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		945		945	1081
Disability periodic payments	12					
Surrender or partial surrender	13		6344		6344	9756
Annuity payments	14		1152186		1152186	1013675
Lump sums on maturity	15		9153		9153	9229
Total	16		1168628		1168628	1033740

Reinsurance - external

Death or disability lump sums	21		2		2	
Disability periodic payments	22					
Surrender or partial surrender	23		4		4	
Annuity payments	24		62486		62486	
Lump sums on maturity	25					
Total	26		62492		62492	

Reinsurance - intra-group

Death or disability lump sums	31		142		142	
Disability periodic payments	32					
Surrender or partial surrender	33		951		951	
Annuity payments	34		163455		163455	
Lump sums on maturity	35		1373		1373	
Total	36		165921		165921	

Net of reinsurance

Death or disability lump sums	41		801		801	1081
Disability periodic payments	42					
Surrender or partial surrender	43		5389		5389	9756
Annuity payments	44		926245		926245	1013675
Lump sums on maturity	45		7780		7780	9229
Total	46		940215		940215	1033740

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Retirement Income Limited**
Total business / subfund **Ordinary Branch Long Term**
Financial year ended **31 December 2009**
Units **£000**

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

Gross

Commission - acquisition	11		25766		25766	32414
Commission - other	12					
Management - acquisition	13		34679		34679	37546
Management - maintenance	14		30675		30675	29088
Management - other	15		5316		5316	3690
Total	16		96436		96436	102738

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		3865		3865	
Commission - other	32					
Management - acquisition	33		5202		5202	
Management - maintenance	34		4598		4598	
Management - other	35		802		802	
Total	36		14467		14467	

Net of reinsurance

Commission - acquisition	41		21901		21901	32414
Commission - other	42					
Management - acquisition	43		29477		29477	37546
Management - maintenance	44		26077		26077	29088
Management - other	45		4514		4514	3690
Total	46		81969		81969	102738

Long-term insurance business : Summary of new business

Name of insurer **Prudential Retirement Income Limited**

Total business

Financial year ended **31 December 2009**

Units **£000**

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

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11					
Single premium business	12		34459		34459	45972
Total	13		34459		34459	45972

**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		517760		517760	1834545
External reinsurance	26		129839		129839	418597
Intra-group reinsurance	27		964513		964513	1151555
Total	28		1612112		1612112	3404697

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Retirement Income Limited

Total business

Financial year ended

31 December 2009

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
390	Deferred annuity non-profit - Group deferred annuities			31	1063
400	Annuity non-profit (CPA) - Individual annuities in payment			30524	358130
401	Annuity non-profit (bulk transfer) - Group annuities in payment			47	23624
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment			837	31317
905	Index linked annuity(CPA) - Individual annuities in payment			2942	86717
906	Index linked annuity (bulk transfer) - Group annuities in payment			72	16761
907	Index linked deferred annuity - Group deferred annuities			6	148

Prudential Retirement Income Limited

31 December 2009

£000

UK Pension / Reinsurance accepted external

[illegible]

Prudential Retirement Income Limited

31 December 2009

£000

UK Pension / Reinsurance accepted intra-group

[illegible]

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 2009**
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	648162	648162	35290	5.44	
Approved fixed interest securities	12	2935163	2945006	136398	4.09	
Other fixed interest securities	13	10684471	10684471	653968	6.36	
Variable interest securities	14	988100	988100	19123	5.66	
UK listed equity shares	15	1870	2157	23	1.25	
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	1436755	1426625	40239	2.80	
Total	19	16694521	16694521	885041	5.58	

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 **####**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	938979	16.47	4.45	4.45

Other approved fixed interest securities	21	2006027	9.47	3.93	3.91
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Other fixed interest securities

AAA/Aaa	31	484124	8.35	5.12	4.95
AA/Aa	32	1409535	10.58	5.66	5.03
A/A	33	4710262	10.02	5.93	5.23
BBB/Baa	34	2619756	8.52	6.88	5.41
BB/Ba	35	229019	8.52	9.59	5.52
B/B	36	85125	6.12	14.54	5.76
CCC/Caa	37				
Other (including unrated)	38	1146650	8.72	7.06	5.65
Total other fixed interest securities	39	10684471	9.45	6.36	5.29

Approved variable interest securities	41	102396	15.59	0.83	0.83
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Other variable interest securities	51	885704	5.45	6.22	5.56
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Total (11+21+39+41+51)	61	14617577	9.70	5.86	5.03
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Long-term insurance business : Summary of mathematical reservesName of insurer **Prudential Retirement Income Limited**Total business / subfund **Ordinary Branch Long Term**Financial year ended **31 December 2009**

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		15458907	15458907	13398289
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		2486379	2486379	2334908
Form 54 - non-linked	17		100287	100287	179207
Total	18		18045573	18045573	15912404

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22		34723	34723	
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26		40	40	
Form 54 - non-linked	27				
Total	28		34763	34763	

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		2313628	2313628	2009746
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36		372951	372951	350235
Form 54 - non-linked	37		15043	15043	26880
Total	38		2701622	2701622	2386861

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		13110556	13110556	11388543
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		2113388	2113388	1984673
Form 54 - non-linked	47		85244	85244	152327
Total	48		15309188	15309188	13525543

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 **Ordinary Branch Long Term**
Financial year ended **31 December 2009**
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	29084	42567					435663
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							12710
400	Annuity non-profit (CPA) - Group annuities in payment	55967	138072					1742432
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		11151					152473
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							277
400	Annuity non-profit (CPA) - Individual annuities in payment	371041	494671					6359076
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		392888					5548020
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment	10810	39136					452478
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		6096					79424
440	Additional reserves non-profit OB - Miscellaneous							90515
440	Additional reserves non-profit OB - Mismatching							247797
440	Additional reserves non-profit OB - Policy related expenses							338042

[illegible]

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 **Ordinary Branch Long Term**
Financial year ended **31 December 2009**
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		6385					65349
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							1907
400	Annuity non-profit (CPA) - Group annuities in payment		20711					261365
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		1673					22871
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							41
400	Annuity non-profit (CPA) - Individual annuities in payment		74200					948596
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		58934					832204
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment		5870					67893
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		914					11949
440	Additional reserves non-profit OB - Miscellaneous							13577
440	Additional reserves non-profit OB - Mismatching							37170
440	Additional reserves non-profit OB - Policy related expenses							50706

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

Name of insurer **Prudential Retirement Income Limited**
Total business / subfund **Ordinary Branch Long Term**
Financial year ended **31 December 2009**
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	25125	78174		1436650	1436649		1436649
905	Index linked annuity(CPA) - Group annuities in payment - valued as fixed	42	55		1089	1089		1089
905	Index linked annuity(CPA) - Group annuities in payment unprocessed business				303	303		303
905	Index linked annuity(CPA) - Individual annuities in payment	28337	37478		721437	721437		721437
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)		4356		92362	92362		92362
907	Index linked deferred annuity - Group deferred annuities	10294	16035		195349	195349		195349
907	Index linked deferred annuity - Group deferred annuities - valued as fixed	205	372		9106	9106		9106
907	Index linked deferred annuity - Group deferred annuities unprocessed business				2018	2018		2018
915	Additional reserves index linked - Miscellaneous						14918	14918
915	Additional reserves index linked - Mismatching						85369	85369
915	Additional reserves index linked - Policy related expenses				28066	28066		28066

[illegible]

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

Name of insurer **Prudential Retirement Income Limited**
Total business / subfund **Ordinary Branch Long Term**
Financial year ended **31 December 2009**
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		11726		215498	215498		215498
905	Index linked annuity(CPA) - Group annuities in payment - valued as fixed		8		163	163		163
905	Index linked annuity(CPA) - Group annuities in payment unprocessed business				45	45		45
905	Index linked annuity(CPA) - Individual annuities in payment		5622		108210	108210		108210
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)		653		13854	13854		13854
907	Index linked deferred annuity - Group deferred annuities		2405		29302	29302		29302
907	Index linked deferred annuity - Group deferred annuities - valued as fixed		56		1366	1366		1366
907	Index linked deferred annuity - Group deferred annuities unprocessed business				303	303		303
915	Additional reserves index linked - Miscellaneous						2238	2238
915	Additional reserves index linked - Mismatching						12805	12805
915	Additional reserves index linked - Policy related expenses				4210	4210		4210

Long-term insurance business : Index linked businessName of insurer **Prudential Retirement Income Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	382850	15.59
Other variable interest securities	12	996378	12.87
Approved fixed interest securities	13	178717	12.85
Other fixed interest securities	14	376854	10.44
Cash and deposits	15	102798	
Equity index derivatives	16		
Inflation swaps	17	61450	
Other assets	18	14342	
Variation margin	19		
Total (11 to 19)	20	2113389	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31	12294	7.43
AA/Aa	32	187424	13.22
A/A	33	726162	12.30
BBB/Baa	34	273831	13.25
BB/Ba	35	27410	9.61
B/B	36	1305	2.26
CCC/Caa	37		
Other (including unrated)	38	144806	9.42
Total other fixed interest and other variable interest securities	39	1373232	12.20

Long-term insurance business: Analysis of valuation interest rateName of insurer **Prudential Retirement Income Limited**Total business **Ordinary Branch Long Term**Financial year ended **31 December 2009**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	12535655		5.11	5.24
Form 51: Additional reserves	287565			5.24
Form 51: Additional reserves - policy related expenses	287336		1.65	1.70
Form 54: Additional reserves	85244			1.70
Total	13195800			

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	15762649	13703568
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	15762649	13703568
Mathematical reserves	21	15309188	13525543
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	453461	178025

Composition of surplus

Balance brought forward	31	178025	261750
Transfer from non-technical account	32		26275
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	275436	(110000)
Total	39	453461	178025

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	453461	178025
Total (48+49)	59	453461	178025

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 2009**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					
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	15458907	13110555	0.85	131401	113885
Classes III, VII and VIII (investment risk)	33	1%	2586667	2198633	0.85	21987	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					153387	135255

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	15458907	13110555	0.85	394202	341656
Classes III, VII and VIII (investment risk)	43	3%	2586667	2198633	0.85	65960	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		18045574	15309188		460162	405766

Long term insurance capital requirement	51					613550	541021
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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 2009

1. Introduction

- (1) The investigation relates to 31 December 2009.
- (2) The previous investigation related to 31 December 2008.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2008.

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.

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.
- (c) RPI-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 3% arising from Guaranteed Minimum Pension liabilities are, for valuation purposes, treated as annuities with fixed 3% annual increases. This business is reported on Form 51 as non-linked business.

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 4.25% 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.

Valuation Report as at 31 December 2009 (continued)

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 2009 %	31 December 2008 %
All	All products	5.11	5.89

Index linked

Product code number	Product description	31 December 2009 %	31 December 2008 %
All	All products (except index linked annuities – valued as fixed)	1.65	2.18
All	Index linked annuity – group annuities in payment – valued as fixed Index linked annuity – group deferred annuities – valued as fixed	5.11	5.89

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 the long-term credit risk premium and an allowance for the impact of additional short-term defaults and credit rating downgrades reflecting the market conditions at the valuation date.

The long-term expected level of defaults are 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:

Valuation Report as at 31 December 2009 (continued)

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

To calculate the overall 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. This further amount for credit risk (the long-term credit risk premium) is determined as the excess over the best estimate level of default, of the 95th percentile of historic cumulative defaults, reduced to allow for the expected recovery of capital and subject to a minimum margin over best estimate of 50%. 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

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 overall allowance for default risk at 31 December 2009 has been taken to be the allowance for defaults brought forward from 31 December 2008 but adjusted to allow for changes in asset mix that have occurred during 2009. In addition, a surplus which arose during 2009 due to default experience being better than allowed for at 31 December 2008, has been retained and used to increase the allowance for defaults at 31 December 2009.

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 0.74% and 0.58% 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 71 basis points per annum. This can alternatively be expressed as 184 basis points for 3 years and 36 basis points per annum thereafter.

(4)

Non-linked

Product code number	Product description	31 December 2009	31 December 2008
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 96% PNMA00 / 88% PNFA00	Modified 97% PNMA00 / 88% PNFA00
	Expectation of life age 65	24.4 (M), 25.4 (F)	24.1 (M), 25.3 (F)
	Expectation of life age 75	14.9 (M), 16.2 (F)	14.6 (M), 16.1 (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 102% PNMA00 / 98% PNFA00
	Expectation of life age 65	23.8 (M), 24.5 (F)	23.6 (M), 24.4 (F)
	Expectation of life age 75	14.4 (M), 15.4 (F)	14.3 (M), 15.3 (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 102% PNMA00 / 98% PNFA00
	Current age 45, expectation of life age 65	27.8 (M), 26.5 (F)	27.6 (M), 26.4 (F)
	Current age 55, expectation of life age 65	25.8 (M), 25.5 (F)	25.6 (M), 25.4 (F)

Index linked

Product code number	Product description	31 December 2009	31 December 2008
905	Index linked annuity (CPA) – individual annuities in payment Index linked annuity (CPA) – individual annuities in payment (reassurance accepted)		
	Mortality table	Modified 96% PNMA00 / 88% PNFA00	Modified 97% PNMA00 / 88% PNFA00
	Expectation of life age 65	24.4 (M), 25.4 (F)	24.1 (M), 25.3 (F)
	Expectation of life age 75	14.9 (M), 16.2 (F)	14.6 (M), 16.1 (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 102% PNMA00 / 98% PNFA00
	Expectation of life age 65	23.8 (M), 24.5 (F)	23.6 (M), 24.4 (F)
	Expectation of life age 75	14.4 (M), 15.4 (F)	14.3 (M), 15.3 (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 102% PNMA00 / 98% PNFA00
	Current age 45, expectation of life age 65	27.8 (M), 26.5 (F)	27.6 (M), 26.4 (F)
	Current age 55, expectation of life age 65	25.8 (M), 25.5 (F)	25.6 (M), 25.4 (F)

Mortality bases used at 31 December 2009 and 31 December 2008

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 life annuities written prior to November 2008, an adjustment is made to the annuitant's age to allow for the impairment. Impaired life annuities written since November 2008 have been underwritten by Hannover Life Re and the impairment is modelled explicitly using parameters determined as part of the underwriting process. The mortality assumptions and expectations of life in the tables above are before the allowance for the impairment has been applied.

(5) Not applicable

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

Product code number	Product description	31 December 2009	31 December 2008
All	All products	£20.44 p.a.	£18.89 p.a.

The inflation rate assumed for future expenses is as follows:

Product code number	Product description	31 December 2009	31 December 2008
All	All products	4.25% p.a.	3.50% 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 2009	31 December 2008
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 2009 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) 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 futures contract under ix) 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 £35m 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	18.2
Investment management expenses	12.1
Total	30.3

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 £30.7m. This includes one-off exceptional expenses of £6.5m and a prior year performance related investment fee of £2.7m. The expense reserves include a margin for prudence on top of the ongoing level of expenses.

- (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 £350.6m.

In order to allow for the possibility that the firm will cease to transact new business twelve months after the valuation date, the expense loading is recalculated on the assumption that, over a two year period, unit costs would be reduced by 25% and that loss of economies of scale would result in overall expenses 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 surplus expected to arise over the following year on prudent assumptions from existing business a further additional reserve is held.

At the valuation date, an additional reserve of £2.9m is held for the impact of closing to new business. In addition, a reserve of £0.9m is held for the forecast expense margin expected to be paid to Prudential Distribution Limited in 2010 and a reserve of £11.7m is held to cover the cost of additional contributions to the Prudential Staff Pension Scheme.

- (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 0.89%, which is the percentage point fall equal to 20% of the long-term gilt yield at the valuation date, and;
 - (iii) a fall of 0.12% in the index-linked real security yield in conjunction with a fall of 0.75% in the inflation rate such that the overall fall in the nominalised yield is equal to 0.89%.
- (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 £1,225m.
 - (c) The increase in the aggregate amount of assets backing these liabilities was £1,285m.
- (7) A reserve of £333m 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:

- (i) the risk adjusted cashflows of the assets backing the liabilities and;
- (ii) the future liability payments on the valuation assumptions.

In carrying out this test, the asset cashflows have been adjusted to allow for a level of defaults equivalent to the short-term element of the company's default assumptions occurring immediately followed by a longer-term rate of default equivalent to 36 basis points per annum.

In determining the risk adjusted cashflows of the assets, it has been assumed that 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 £105m for general contingencies.

9. Reinsurance

- (1) Not applicable
- (2) Details of any reinsurance treaties held as at 31 December 2009 which satisfy criteria (a), (b) or (c) are as follows:

Valuation Report as at 31 December 2009 (continued)

(d) Reinsurer	(e) Nature of Cover	(f) Premiums £m	(g) Deposits back at the valuation date £m	(h) Open/Closed	(i) Amount of any Undischarged Obligation	(j) Reserves Ceded £m	(k) Retention
Hannover Life Re	A single treaty covering specific annuity liabilities issued by PRIL. In return for a fixed series of reinsurance premiums Hannover Life Re will pay to PRIL a specified proportion (40%) of the actual claims incurred by PRIL on the policies covered by the reinsurance arrangement.	60.7	None	Closed	None	35.0	N/A
The Prudential Assurance Company Limited (PAC) *	PAC reinsures 15% of the liabilities in respect of all non-profit annuity business. PAC's reinsurance applies after the cession of mortality risk under other reinsurance arrangements .	232.4	2,701.6	Open	None	2,701.6	The firm retains 85% of liabilities in respect of new policies. The firm's retention is 85% of liabilities after the cession of mortality risk under other reinsurance arrangements.

- (l) All of the above companies are authorised to carry on insurance business in the United Kingdom.
 - (m) An asterisk (*) denotes companies connected to the cedent.
 - (n) In general the treaties are exposed to the credit risk of the reinsurers, against which a reserve is held.
 - (o) The net liability includes no allowance for the refund of any reinsurance commission.
 - (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 2009

Supplementary notes to the returns

Form 2

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

(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 is for the period from 1 November 2007 to 31 October 2012.

Form 3

0301 Reconciliation of net admissible assets to total capital resources

	2009 £'000s
Line 89 on Form 13 (OLTB)	1,056,713
Line 89 on Form 13 (LTF)	18,807,910
Line 11 on Form 14	(15,309,188)
Line 49 on Form 14	(3,045,661)
Line 69 on Form 15	(217,225)
Line 79 on Form 3	<u>1,292,549</u>

0308 The Company has two contingent loans from The Prudential Assurance Company Ltd. The loans accumulate with interest at specified rates.

Loan repayments are contingent upon surplus arising and are made after the end of each financial year as a specified percentage of the lesser of the Company's Pillar 1 surplus (determined by reference to line 34 of Form 58) and the Company's pillar 2 surplus which emerged over that period. If either surplus arising amount is negative, no repayments need be made in respect of that financial year.

Any repayment obligations crystallise on the last day of the financial year to which the surplus arising relates. The loans may be prepaid by the Company upon prior notice.

Supplementary notes to the returns (continued)

Form 3 (continued)

0310 Valuation differences

	2009 £'000s
<i>Positive valuation differences where liabilities are lower than in the shareholders accounts</i>	
Deferred tax held on additional reserves and valuation difference	276,300
Contingent loan	383,614
<i>Positive valuation differences where assets are Higher than in the Shareholder account</i>	
FSA valuation difference on investments and performance related fees	66,793
<i>Negative valuation differences where liabilities are higher than in the shareholders accounts</i>	
Additional reserves held in long term fund	(1,053,724)
Line 35 on Form 3	<u>(327,017)</u>

0313 Reconciliation of profit and loss account and other reserves

	2009 £'000s
Profit & loss account and reserves b/fwd (Form 3 line 12)	494,438
Profit & loss account and reserves c/fwd (Form 3 line 12)	762,266
Movement	<u>267,828</u>
Movement in additional reserves held for FSA	(37,517)
Movement in valuation difference	55,072
Movement in deferred tax	(4,900)
Movement in unallocated surplus	(275,436)
Movement in contingent loan	12,950
Line 59 on Form 16	<u>17,997</u>

Form 13

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

1302 The company held £3m 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 09 that are 'secured obligations'.

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

1308 The company held £590m in unlisted securities.

1309 The company held £2,234m in hybrid securities.

1310 Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

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

	2009 £'000s
<i>Other than long term business assets</i>	
Miscellaneous liabilities netted off against assets in the financial statements	(38)
Line 101 on Form 13	(38)
	2009 £'000s
<i>Total long term business assets</i>	
Deposit back liability netted off Index Linked assets in the regulatory return	(119)
Miscellaneous liabilities netted off against assets in the financial statements	23,268
Amounts due to long term fund, notionally settled and shown as other adjustments to liabilities on Form 14, which consolidates out in the financial statements.	(11,314)
Line 101 on Form 13	11,835

1319 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.

Supplementary notes to the returns (continued)

Form 13 (continued)

1321 Other differences in valuation of assets

	2009 £'000s
<i>Total long term business assets</i>	
Assets valued on a different basis than that in the financial statements	(65,876)
Line 98 on Form 13	<u>(65,876)</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 £4,872,461k and £489,359k. 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 £1,041,004k. The aggregate value of the assets subject to the charge is £1,133,660k (see table below).

	2009 £'000s
<i>Assets which are subject to the charge (Form 13)</i>	
Line 45 – Approved fixed interest securities	114,748
Line 46 – Other fixed interest securities	223,880
Line 47 – Approved variable interest securities	265,405
Line 48 – Other variable interest securities	499,505
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	17,464
Line 84 – Accrued interest and rent	12,658
Total	<u>1,133,660</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) The Company has two contingent loans not in Form 14, from The Prudential Assurance Company Ltd. The loans accumulate with interest at specified rates. The value of these loans total £383,614k.

Loan repayments are contingent upon surplus arising and are made after the end of each financial year as a specified percentage of the lesser of the Company's Pillar 1 surplus (determined by reference to line 34 of Form 58) and the Company's pillar 2 surplus which emerged over that period. If either surplus arising amount is negative, no repayments need be made in respect of that financial year.

Any repayment obligations crystallise on the last day of the financial year to which the surplus arising relates. The loans may be prepaid by the Company upon prior notice.

Excluded from Form 14 is a performance related investment fee (PRF). The PRF was not paid in respect of 2008 or 2009 as it only becomes payable in the event of surplus emerging on the Company's business. The value of the PRF for 2008 and 2009 totals £917k. This amount will be paid in future years if sufficient surplus emerges.

- (d) Although currently none the Company has provided, from time to time, other guarantees and commitments to third parties entered into in the normal course of business.

1405 Details of other adjustments to liabilities

	2009 £'000s
Additional reserves held in long term fund	(1,053,724)
Deferred tax provision on additional reserves and valuation differences	276,300
Contingent loan	383,614
Contingent Performance related investment fees	917
Miscellaneous adjustments to liabilities	23,149
Amounts due to long term fund, notionally settled and shown as other asset adjustments on Form 13, which consolidates out in the financial statements.	(11,314)
Line 74 on Form 14	(381,058)

Supplementary notes to the returns (continued)

Form 15

1501 The other than long term fund held a number of interest rate swaps during the year. The swaps involved the exchange of cash flows and not of the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are strictly covered.

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

(b) The total potential liability to taxation on capital gains which might arise if the company disposed of its assets was £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

	2009
	£'000s
Intragroup balances less than £100k	(38)

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 £44k and (£290k) are included in lines 44 and 78 respectively of Form 13. No variation margin is included in respect of other than long term business.

Form 40

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.

Supplementary notes to the returns (continued)

Form 40 (continued)

- *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 £337m were paid under these reinsurance agreements and claims amounting to £166m were ceded. A premium, calculated on normal commercial terms, amounting to £963m was received and a premium amounting to £232m was ceded. The liabilities included in the Return, relating to this business, amount to £5,362m 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 1,620.

Form 48

- *4802* There are no assets where the payment of interest is in default.
- *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 steps up from current level, 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* The credit ratings shown are the lowest of three external rating agencies (S&P, Moody's & Fitch) expressed in the S&P format.

Form 51

- *5105* The amount of double-counting of policies between Forms 51 and 54 combined is 30,344.

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.

Supplementary notes to the returns (continued)

Form 51 (continued)

5106 Annuities included in Forms 51 and 54 are categorised depending on the type of escalation of benefits once an annuity is in payment. Form 51 includes annuities that increase at a guaranteed fixed rate and Form 54 includes annuities where benefits are dependent on changes in RPI. Deferred annuities with revaluation in line with RPI in deferment and fixed increases in payment are included in Form 51.

Form 54

5405 The amount of double-counting of policies on Forms 51 and 54 combined is 30,344.

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.

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	5.24%	5.98%
Form 51: Additional reserves non-profit OB – policy related expenses	1.70%	2.28%

Form 58

5803 There is a difference between line 29 and Form 2 line 11 of £400k. This difference relates to the inadmissible assets shown on Form 13 (Long term Business) line 93.

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2009

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

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by a waiver detailed in supplementary note 0201 issued under section 148 of the Financial Services and Markets Act 2000 which continues 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, 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 sum of the mathematical reserves and the deposits received from reinsurers, as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
 - (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.

.....
R A Devey
Director

.....
A M Crossley
Director

.....
D J Belsham
Director

26 March 2010

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2009

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

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 58 (‘the Forms’);
- the statement required by IPRU(INS) rule 9.29 on pages 63 to 64 (‘the Statement’); and
- the valuation report required by IPRU(INS) rule 9.31(a) (“the valuation report”) on pages 38 to 50.

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 58;
- the statement required by IPRU(INS) rules 9.30 on page 65; or
- the certificate required by IPRU(INS) rule 9.34 on page 59 (‘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, as a body, those matters we are required to state to them in an auditor’s report issued pursuant to IPRU(INS) rule 9.35 of the Rules and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Company and its auditors

The Company is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report, the forms and statements not examined by us and the certificate) under the provisions of the Rules. The requirements of the Rules have been modified by waiver issued under section 148 of the Financial Services and Markets Act 2000 dated 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 IPRU(INS) rule 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 Statements 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.

Chris Moulder
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 Canada Square
Canary Wharf
London
E14 5AG
26 March 2010

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2009

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

(a) Investment guidelines

As requested 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 2009 no such contracts were used.

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

There were no derivative contracts held during 2009 that did not satisfy this criteria.

(i) Consideration for granting rights under derivative contracts

No rights under derivative contracts have been granted.

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2009

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.