



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 2010



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 2010**

Solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R2	47842	GL	31	12	2010	£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	644455	453061
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	878700	839488
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1523155	1292549

Guarantee fund

Guarantee fund requirement	21	234754	204517
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1288401	1088032

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	704263	613550
Resilience capital requirement	32		
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	704263	613550
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	704263	613550
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1171023	985774
Excess (deficiency) of available capital resources to cover 75% of MCR	38	994958	832387

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	704263	613550

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	704263	613550
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	818892	678999

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51	393765	384531
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Covering Sheet to Form 2

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2010**

..... **R A Devey** **Director**

..... **A M Crossley** **Director**

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

London 28 March 2011

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	47842	GL	31	12	2010	£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		1053538	1053538	762266
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		1891238	1891238	1599966

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		1911238	1911238	1619966
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		387683	387683	327017
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		387683	387683	327017
Total tier one capital after deductions (31-37)	39		1523555	1523555	1292949

Components of capital resources

Name of insurer

Prudential Retirement Income Limited

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	47842	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
		1	2	3	4		

Tier two capital

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

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

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

Components of capital resources

Name of insurer

Prudential Retirement Income Limited

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	47842	GL	31	12	2010	£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		1523555	1523555	1292949
Inadmissible assets other than intangibles and own shares	73		400	400	400
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		1523155	1523155	1292549

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		1523155	1523155	1292549
Available capital resources for 50% MCR requirement	82		1523155	1523155	1292549
Available capital resources for 75% MCR requirement	83		1523155	1523155	1292549

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		393765	393765	383614
Any other charges on future profits	95				917
Sum of financial engineering adjustments (91+92-93+94+95)	96		393765	393765	384531

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

Global business

Financial year ended **31 December 2010**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	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		70999	69920	

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	493252	539014
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	4640	4361	
Fixed interest securities	Approved	45	247525	342916
	Other	46	142304	66247
Variable interest securities	Approved	47	7587	6965
	Other	48	31339	
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	11594	2610
	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 2010**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	2010	£000
						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	11881	10187
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	3126	4523
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	12138	9970
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	1036385	1056713
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Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2010**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	2010	£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	1036385	1056713
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	(57)	(38)
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	1036328	1056675
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 2010**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	2010	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		688130	648162	

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	765071	624342
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	8954	1870	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44	145978	107969	
Fixed interest securities	Approved	45	3314734	2848003
	Other	46	11661757	10453561
Variable interest securities	Approved	47	89689	101835
	Other	48	823992	880870
Participation in investment pools	49			
Loans secured by mortgages	50	42587	39986	
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	3806	4090	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	488090	542232
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	3039223	2113389
	Property linked	59		

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

Global business

Financial year ended **31 December 2010**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	2010	£000
	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	2068	312
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	12157	6813
	Ceded	75	3340	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	2153	6361
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	87891	30411
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	380086	355653
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	47498	42051

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	21607204	18807910
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Analysis of admissible assetsName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2010**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	2010	£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	21607204	18807910
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	400	400
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	(101251)	(65876)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2934209	2549421
Other asset adjustments (may be negative)	101	34441	11835
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	24475003	21303690
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	916798	752999

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

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Ordinary Branch Long Term**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	17569733	15309188	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	644854	453461	
Long term insurance business fund carried forward (11 to 13)	14	18214587	15762649	
Claims outstanding	Gross	15	3115	2531
	Reinsurers' share	16		
	Net (15-16)	17	3115	2531
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23	2564207	2349495	
Creditors	Direct insurance business	31	3677	12846
	Reinsurance accepted	32		
	Reinsurance ceded	33	522	1125
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	601720	483816	
Creditors	Taxation	37	46474	26934
	Other	38	156523	151991
Accruals and deferred income	39	16778	16923	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	3393016	3045661	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	21607603	18808310	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	296	341
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	20962749	18354849
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2934209	2549421
Other adjustments to liabilities (may be negative)	74	(454493)	(381058)
Capital and reserves and fund for future appropriations	75	1032538	780478
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	24475003	21303690

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R15	47842	GL	31	12	2010	£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		157595	213373
Creditors	Taxation	47		
	Foreseeable dividend	48		
	Other	49		90
Accruals and deferred income	51			
Total (19 to 51)	59		157685	217225
Provision for "reasonably foreseeable adverse variations"	61			
Cumulative preference share capital	62			
Subordinated loan capital	63			
Total (59 to 63)	69		157685	217225

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		(57)	(38)
Capital and reserves	84		878700	839488
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		1036328	1056675

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

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	47842	GL	31	12	2010
					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				
Investment income	Income		14			29791	34596
	Value re-adjustments on investments		15			25023	
	Gains on the realisation of investments		16				13691
Investment charges	Investment management charges, including interest		17			1124	537
	Value re-adjustments on investments		18				23620
	Loss on the realisation of investments		19			4152	
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			(1559)	(677)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			47979	23453
Tax on profit or loss on ordinary activities			31			8767	5456
Profit or loss on ordinary activities after tax (29-31)			39			39212	17997
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			39212	17997
Dividends (paid or foreseeable)			51				
Profit or loss retained for the financial year (49-51)			59			39212	17997

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

Global business

Financial year ended **31 December 2010**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	2010	£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	4640				72619	72619	
	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	4640				72619	72619	
Adjustment for variation margin		52							
Total (51 + 52)		53	4640						

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 2010**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	2010	£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							
	Interest rates	12	92732				586114	586114	
	Inflation	13	38327		31527		829168	829168	
	Credit index / basket	14							
	Credit single name	15	11459		6563		985277		
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	3359		114477		711790	791531	
	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	101				235			
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	145978		152567		3112584	2206813	
Adjustment for variation margin		52							
Total (51 + 52)		53	145978		152567				

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 2010**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	1920533	1317175
Investment income receivable before deduction of tax	12	1044399	990105
Increase (decrease) in the value of non-linked assets brought into account	13	953972	1204047
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	3918904	3511327

Expenditure

Claims incurred	21	1020000	940215
Expenses payable	22	78119	81969
Interest payable before the deduction of tax	23	290916	323531
Taxation	24	77931	106531
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	1466966	1452246

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2451938	2059081
Fund brought forward	49	15762649	13703568
Fund carried forward (39+49)	59	18214587	15762649

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 2010**
 Units **£000**

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

Gross

Regular premiums	11					(300)
Single premiums	12		2322037		2322037	1612112

Reinsurance - external

Regular premiums	13					
Single premiums	14		62587		62587	62194

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16		338917		338917	232443

Net of reinsurance

Regular premiums	17					(300)
Single premiums	18		1920533		1920533	1317475

Total

Gross	19		2322037		2322037	1611812
Reinsurance	20		401504		401504	294637
Net	21		1920533		1920533	1317175

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 2010**
 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		506		506	945
Disability periodic payments	12					
Surrender or partial surrender	13		7190		7190	6344
Annuity payments	14		1244069		1244069	1152186
Lump sums on maturity	15		10383		10383	9153
Total	16		1262148		1262148	1168628

Reinsurance - external

Death or disability lump sums	21		2		2	2
Disability periodic payments	22					
Surrender or partial surrender	23		53		53	4
Annuity payments	24		62095		62095	62486
Lump sums on maturity	25					
Total	26		62150		62150	62492

Reinsurance - intra-group

Death or disability lump sums	31		76		76	142
Disability periodic payments	32					
Surrender or partial surrender	33		1071		1071	951
Annuity payments	34		177294		177294	163455
Lump sums on maturity	35		1557		1557	1373
Total	36		179998		179998	165921

Net of reinsurance

Death or disability lump sums	41		428		428	801
Disability periodic payments	42					
Surrender or partial surrender	43		6066		6066	5389
Annuity payments	44		1004680		1004680	926245
Lump sums on maturity	45		8826		8826	7780
Total	46		1020000		1020000	940215

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 2010**
 Units **£000**

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

Gross

Commission - acquisition	11		22277		22277	25766
Commission - other	12					
Management - acquisition	13		27264		27264	34679
Management - maintenance	14		29700		29700	30675
Management - other	15		12662		12662	5316
Total	16		91903		91903	96436

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		3341		3341	3865
Commission - other	32					
Management - acquisition	33		4090		4090	5202
Management - maintenance	34		4454		4454	4598
Management - other	35		1899		1899	802
Total	36		13784		13784	14467

Net of reinsurance

Commission - acquisition	41		18936		18936	21901
Commission - other	42					
Management - acquisition	43		23174		23174	29477
Management - maintenance	44		25246		25246	26077
Management - other	45		10763		10763	4514
Total	46		78119		78119	81969

Long-term insurance business : Summary of new businessName of insurer **Prudential Retirement Income Limited**

Total business

Financial year ended **31 December 2010**Units **£000**

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

Regular premium business	11				
Single premium business	12		30544	30544	34459
Total	13		30544	30544	34459

**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		1307839	1307839	517760
External reinsurance	26		139465	139465	129839
Intra-group reinsurance	27		874733	874733	964513
Total	28		2322037	2322037	1612112

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Retirement Income Limited

Total business

Financial year ended

31 December 2010

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			48	82
400	Annuity non-profit (CPA) - Individual annuities in payment			22978	229626
401	Annuity non-profit (bulk transfer) - Group annuities in payment			197	6675
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment			538	22801
905	Index linked annuity(CPA) - Individual annuities in payment			2027	132171
906	Index linked annuity (bulk transfer) - Group annuities in payment			4755	916059
907	Index linked deferred annuity - Group deferred annuities			1	425

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Retirement Income Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Reinsurance accepted external

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
400	Annuity non-profit (CPA) - Individual annuities in payment				137577
905	Index linked annuity(CPA) - Individual annuities in payment				1888

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Retirement Income Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Reinsurance accepted intra-group

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
400	Annuity non-profit (CPA) - Individual annuities in payment				828242
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment				36032
905	Index linked annuity(CPA) - Individual annuities in payment				10459

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 2010**
 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	688130	688130	34639	5.03	
Approved fixed interest securities	12	3411247	3411247	151605	3.97	
Other fixed interest securities	13	11903838	11903838	684758	5.51	
Variable interest securities	14	919282	919282	19844	4.61	
UK listed equity shares	15	5741	5756	309	5.38	
Non-UK listed equity shares	16	783	783			
Unlisted equity shares	17	2430	2430	244	10.04	
Other assets	18	1636530	1636515	46428	2.84	
Total	19	18567981	18567981	937827	4.93	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Prudential Retirement Income Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1168196	15.95	4.12	4.12

Other approved fixed interest securities	21	2243051	10.83	3.90	3.88
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Other fixed interest securities

AAA/Aaa	31	628084	9.40	4.63	4.04
AA/Aa	32	2213576	11.29	5.17	4.49
A/A	33	5200133	9.79	5.59	4.65
BBB/Baa	34	2237508	8.59	5.73	4.60
BB/Ba	35	129940	7.59	8.04	4.53
B/B	36	2855	6.16	11.30	4.53
CCC/Caa	37	12213	2.53	44.34	4.85
Other (including unrated)	38	1479529	7.68	5.17	4.21
Total other fixed interest securities	39	11903838	9.53	5.51	4.52

Approved variable interest securities	41	90152	15.04	0.50	0.50
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Other variable interest securities	51	829130	6.59	5.05	4.42
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Total (11+21+39+41+51)	61	16234367	10.05	5.14	4.38
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Long-term insurance business : Summary of mathematical reserves

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2010**
 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		17025259	17025259	15458907
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		3575513	3575513	2486379
Form 54 - non-linked	17		112810	112810	100287
Total	18		20713582	20713582	18045573

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22		43351	43351	34723
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26		(44)	(44)	40
Form 54 - non-linked	27				
Total	28		43307	43307	34763

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		2547286	2547286	2313628
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36		536334	536334	372951
Form 54 - non-linked	37		16921	16921	15043
Total	38		3100541	3100541	2701622

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		14434622	14434622	13110556
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		3039223	3039223	2113388
Form 54 - non-linked	47		95889	95889	85244
Total	48		17569734	17569734	15309188

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 2010**
 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	28297	41146					478482
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							5275
400	Annuity non-profit (CPA) - Group annuities in payment	56176	137299					1834998
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		10960					166007
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							863
400	Annuity non-profit (CPA) - Individual annuities in payment	389363	507231					6755417
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		441841					6538380
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment	11415	40619					477225
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		8057					110288
440	Additional reserves non-profit OB - Miscellaneous							93602
440	Additional reserves non-profit OB - Mismatching							173601
440	Additional reserves non-profit OB - Policy related expenses							391121

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 2010**
 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		6172					71772
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							791
400	Annuity non-profit (CPA) - Group annuities in payment		20595					275250
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		1644					24901
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							129
400	Annuity non-profit (CPA) - Individual annuities in payment		76085					1006683
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		66276					980757
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment		6093					71610
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		1209					16645
440	Additional reserves non-profit OB - Miscellaneous							14040
440	Additional reserves non-profit OB - Mismatching							26040
440	Additional reserves non-profit OB - Policy related expenses							58668

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 2010**
 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	31426	121852		2400534	2400534		2400534
905	Index linked annuity(CPA) - Group annuities in payment - valued as fixed	42	58		1171	1171		1171
905	Index linked annuity(CPA) - Group annuities in payment unprocessed business				1008	1008		1008
905	Index linked annuity(CPA) - Individual annuities in payment	30127	38387		791626	791626		791626
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)		4891		111511	111511		111511
907	Index linked deferred annuity - Group deferred annuities	10017	15606		222855	222855		222855
907	Index linked deferred annuity - Group deferred annuities - valued as fixed	199	364		10994	10994		10994
907	Index linked deferred annuity - Group deferred annuities unprocessed business				202	202		202
915	Additional reserves index linked - Miscellaneous						20023	20023
915	Additional reserves index linked - Mismatching						92787	92787
915	Additional reserves index linked - Policy related expenses				35612	35612		35612

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 2010**
 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		18278		360081	360081		360081
905	Index linked annuity(CPA) - Group annuities in payment - valued as fixed		9		176	176		176
905	Index linked annuity(CPA) - Group annuities in payment unprocessed business				151	151		151
905	Index linked annuity(CPA) - Individual annuities in payment		5758		118743	118743		118743
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)		734		16734	16734		16734
907	Index linked deferred annuity - Group deferred annuities		2341		33428	33428		33428
907	Index linked deferred annuity - Group deferred annuities - valued as fixed		55		1649	1649		1649
907	Index linked deferred annuity - Group deferred annuities unprocessed business				30	30		30
915	Additional reserves index linked - Miscellaneous						3003	3003
915	Additional reserves index linked - Mismatching						13918	13918
915	Additional reserves index linked - Policy related expenses				5342	5342		5342

Long-term insurance business : Index linked business

Name of insurer **Prudential Retirement Income Limited**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	424886	15.04
Other variable interest securities	12	1392719	13.16
Approved fixed interest securities	13	450766	14.91
Other fixed interest securities	14	663404	11.28
Cash and deposits	15	112050	
Equity index derivatives	16		
Inflation swaps	17	68285	
Other assets	18	(72887)	
Variation margin	19		
Total (11 to 19)	20	3039223	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31	24738	10.41
AA/Aa	32	328562	13.23
A/A	33	1148999	13.09
BBB/Baa	34	316572	12.43
BB/Ba	35	20689	9.51
B/B	36		
CCC/Caa	37	738	2.50
Other (including unrated)	38	215825	9.36
Total other fixed interest and other variable interest securities	39	2056123	12.55

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 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	18214587	15762649
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	18214587	15762649
Mathematical reserves	21	17569733	15309188
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	644854	453461

Composition of surplus

Balance brought forward	31	453461	178025
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	191393	275436
Total	39	644854	453461

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	644854	453461
Total (48+49)	59	644854	453461

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 2010**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%	17025259	14434621	0.85	144715	131401
Classes III, VII and VIII (investment risk)	33	1%	3688323	3135112	0.85	31351	21987
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					176066	153388

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	17025259	14434621	0.85	434144	394202
Classes III, VII and VIII (investment risk)	43	3%	3688323	3135112	0.85	94053	65960
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		20713582	17569733		528197	460162

Long term insurance capital requirement	51					704263	613550
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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 2010

1. Introduction

- (1) The investigation relates to 31 December 2010.
- (2) The previous investigation related to 31 December 2009.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2009.

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

Valuation Report as at 31 December 2010 (continued)

- (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 0% and a maximum annual increase of 12% are, for valuation purposes, treated as being identical to normal RPI-linked annuities.
- (c) 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.
- (d) 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.

Valuation Report as at 31 December 2010 (continued)

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. The 4.25% annual revaluation rate is the same as the inflation rate assumed in the valuation and is appropriate as these annuities are matched with non-linked assets and inflation swaps. They are included in these returns as non-linked business.

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

- (2) 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(IN) Appendix 9.3 so that a more appropriate rate of interest will be used for assets taken in combination.

In applying the section 148 waiver, the yield on property is taken to be the lower of the current rental yield and the “redemption yield”, which is the interest rate at which the market value equates to the present value of future rental income and the disposal value. No allowance is made for non-contractual increases in rental income. As an allowance for the risk of falls in value, the disposal value of the property at the end of the lease is taken as 75% of the current market value.

The interest rates used are as follows:

Non-linked

Product code number	Product description	31 December 2010 %	31 December 2009 %
All	All products	4.62	5.11

Index linked

Product code number	Product description	31 December 2010 %	31 December 2009 %
All	All products (except index linked annuities – valued as fixed)	1.23	1.65
All	Index linked annuity – group annuities in payment – valued as fixed Index linked annuity – group deferred annuities – valued as fixed	4.62	5.11

Valuation Report as at 31 December 2010 (continued)

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 40 year period, produces mean default rates according to credit quality and term to redemption.

In the event of default it may be possible to recover some capital, especially if the loan is secured. The allowance for recovery (or partial recovery) of the loan varies according to the level of security and the following recovery rates are assumed:

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

To calculate the 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	5.2	8.6	15.7	28.8	94.8	185.2
Senior Unsecured	11.4	18.8	34.5	63.3	208.4	407.4
Subordinated Debt	16.5	27.4	50.2	92.1	303.2	592.5

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.

Valuation Report as at 31 December 2010 (continued)

The overall allowance for default risk at 31 December 2010 has been taken to be the allowance for defaults brought forward from 31 December 2009 but adjusted to allow for changes in asset mix that have occurred during 2010. In addition, a surplus which arose during 2010 due to default experience being better than allowed for at 31 December 2009, has been retained and used to increase the allowance for defaults at 31 December 2010.

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 0.70% and 0.62% 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 68 basis points per annum. This can alternatively be expressed as 199 basis points for 3 years and 29 basis points per annum thereafter.

Valuation Report as at 31 December 2010 (continued)

(4)

Non-linked

Product code number	Product description	31 December 2010	31 December 2009
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 95% PCMA00 / 86% PCFA00	Modified 96% PNMA00 / 88% PNFA00
	Expectation of life age 65	24.6 (M), 25.8 (F)	24.4 (M), 25.4 (F)
	Expectation of life age 75	14.9 (M), 16.4 (F)	14.9 (M), 16.2 (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 94% PCMA00 / 97% PCFA00	Modified 102% PNMA00 / 98% PNFA00
	Expectation of life age 65	24.7 (M), 24.8 (F)	23.8 (M), 24.5 (F)
	Expectation of life age 75	15.0 (M), 15.5 (F)	14.4 (M), 15.4 (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 94% PCMA00 / 97% PCFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 102% PNMA00 / 98% PNFA00
	Current age 45, expectation of life age 65	28.5 (M), 26.8 (F)	27.8 (M), 26.5 (F)
	Current age 55, expectation of life age 65	26.6 (M), 25.8 (F)	25.8 (M), 25.5 (F)

Valuation Report as at 31 December 2010 (continued)

Index linked

Product code number	Product description	31 December 2010	31 December 2009
905	Index linked annuity (CPA) – individual annuities in payment Index linked annuity (CPA) – individual annuities in payment (reassurance accepted)		
	Mortality table	Modified 95% PCMA00 / 86% PCFA00	Modified 96% PNMA00 / 88% PNFA00
	Expectation of life age 65	24.6 (M), 25.8 (F)	24.4 (M), 25.4 (F)
	Expectation of life age 75	14.9 (M), 16.4 (F)	14.9 (M), 16.2 (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 94% PCMA00 / 97% PCFA00	Modified 102% PNMA00 / 98% PNFA00
	Expectation of life age 65	24.7 (M), 24.8 (F)	23.8 (M), 24.5 (F)
	Expectation of life age 75	15.0 (M), 15.5 (F)	14.4 (M), 15.4 (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 94% PCMA00 / 97% PCFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 102% PNMA00 / 98% PNFA00
	Current age 45, expectation of life age 65	28.5 (M), 26.8 (F)	27.8 (M), 26.5 (F)
	Current age 55, expectation of life age 65	26.6 (M), 25.8 (F)	25.8 (M), 25.5 (F)

Valuation Report as at 31 December 2010 (continued)

Mortality bases used at 31 December 2010 and 31 December 2009

Annuities are generally valued using a percentage of the 00 series tables for annuitants and pensioners. The base mortality assumptions have now been updated to use the PCxA tables. Previously the PNxA tables were used, which reflected normal retirements only. The PCxA tables reflect all types of retirement and have been found to provide a better fit to experience. In order to allow for mortality improvement, future improvement factors are applied from 2001. For males these future improvement factors are in line with Prudential's own calibration of the CMI 2009 mortality model, with a long term improvement rate of 2.25% p.a. For females, future improvement factors are in line with Prudential's own calibration of the CMI 2009 mortality model, with a long term improvement rate of 1.25% p.a. Compared with the core CMI mortality model, Prudential's calibration:

- (a) blends period improvements between ages 60 to 80 to the long term improvement rate over a 15 year period (compared with a 20 year period in the core CMI model), and
- (b) assumes that cohort improvements dissipate over a 30 year period, or by age 90 if earlier (compared with a 40 year period, or by age 100 if earlier, in the core CMI model).

The mortality improvement assumptions applied at the 31 December 2009 valuation were: for males, future improvement factor were 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 were 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 2010	31 December 2009
All	All products	£20.16 p.a.	£20.44 p.a.

Valuation Report as at 31 December 2010 (continued)

The inflation rate assumed for future expenses is as follows:

Product code number	Product description	31 December 2010	31 December 2009
All	All products	4.25% p.a.	4.25% 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 2010	31 December 2009
All	All products	0.053% p.a.	0.060% 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 2010 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;

Valuation Report as at 31 December 2010 (continued)

- viii) Contracts to swap fixed UK Sterling for inflation-linked UK Sterling RPI/LPI;
- ix) Contracts to take sovereign credit risk in return for ongoing premiums.

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

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

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

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

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

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

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

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

The effect of the contracts under ix) is to take sovereign credit risk in return for fixed, ongoing premiums.

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

Valuation Report as at 31 December 2010 (continued)

- (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 £47m 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	18.6
Investment management expenses	11.7
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 £29.7m. This includes a prior year performance related investment fee of £0.9m. 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 £392.2m. In order to allow for the possibility that the firm will cease to transact new business twelve months after the valuation date, the expense loading is recalculated on the assumption that, over a two year period, unit costs would be reduced by 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.

Valuation Report as at 31 December 2010 (continued)

At the valuation date, an additional reserve of £19.3m is held for the impact of closing to new business. In addition, a reserve of £1.0m is held for the forecast expense margin expected to be paid to Prudential Distribution Limited in 2011 and a reserve of £14.3m 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 17% plus a fall in rental income of 10%, and;

(ii) a fall in yield on all fixed interest securities of 0.80%, which is the percentage point fall equal to 20% of the long-term gilt yield at the valuation date, and;

(iii) a fall of 0.11% in the index-linked real security yield in conjunction with a fall of 0.67% in the inflation rate such that the overall fall in the nominalised yield is equal to 0.80%.

(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 £1,224m.

(c) The increase in the aggregate amount of assets backing these liabilities was £1,275m.

(7) A reserve of £266m 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.

Valuation Report as at 31 December 2010 (continued)

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 29 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

Other special reserves are as follows:

A reserve of £114m is held to cover general contingencies.

A reserve of £15m is held to cover the potential risks, including operational risks, arising in connection with the sale of sovereign credit default swaps.

A reserve of £47m is held to cover potential deflation losses. The risk arises as the liabilities include benefits which are linked to inflation subject to a minimum of 0%, but which are backed by standard RPI-linked assets. The reserve is calculated from projected inflation rates derived from a stochastic inflation model.

A reserve of £14m is held in respect of the UK life insurance operation's share of additional contributions expected to be required to fund future defined benefits in the Prudential Staff Pension Scheme and the Scottish Amicable Pension Scheme, taking into account the expected run-off of the schemes' membership.

A reserve of £50m is held to eliminate the impact on the portfolio asset yield, and hence the valuation interest rate, of very high yields on some fixed interest securities.

9. Reinsurance

(1) Not applicable

(2) Details of any reinsurance treaties held as at 31 December 2010 which satisfy criteria (a), (b) or (c) are as follows:

Valuation Report as at 31 December 2010 (continued)

(d) Reinsurer	(e) Nature of Cover	(f) Premiums £m	(g) Deposits back at the valuatio n date £m	(h) Open/Clo sed	(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.	59.3	None	Closed	None	44.2	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 .	338.9	3,100.5	Open	None	3,100.5	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.

Valuation Report as at 31 December 2010 (continued)

- (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 2010

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

	2010 £'000s
Line 89 on Form 13 (OLTB)	1,036,385
Line 89 on Form 13 (LTF)	21,607,204
Line 11 on Form 14	(17,569,733)
Line 49 on Form 14	(3,393,016)
Line 69 on Form 15	(157,685)
Line 79 on Form 3	<u>1,523,155</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

	2010 £'000s
<i>Positive valuation differences where liabilities are lower than in the shareholders accounts</i>	
Deferred tax held on additional reserves and valuation difference	289,100
Contingent loan	393,765
<i>Positive valuation differences where assets are Higher than in the Shareholder account</i>	
FSA valuation difference on investments	101,251
<i>Negative valuation differences where liabilities are higher than in the shareholders accounts</i>	
Additional reserves held in long term fund	(1,171,799)
Line 35 on Form 3	<u>(387,683)</u>

0313 Reconciliation of profit and loss account and other reserves

	2010 £'000s
Profit & loss account and reserves b/fwd (Form 3 line 12)	762,266
Profit & loss account and reserves c/fwd (Form 3 line 12)	1,053,538
Movement	<u>291,272</u>
Movement in additional reserves held for FSA	(118,076)
Movement in valuation difference	34,458
Movement in deferred tax	12,800
Movement in unallocated surplus	(191,393)
Movement in contingent loan	10,151
Line 59 on Form 16	<u>39,212</u>

Form 13

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

1302 The company held £3k 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 2010 that are 'secured obligations'.

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

1308 The company held £628m in unlisted securities.

1309 The company held £1,973m 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

	<u>2010</u> £'000s
<i>Other than long term business assets</i>	
Miscellaneous liabilities netted off against assets in the financial statements	(57)
Line 101 on Form 13	<u>(57)</u>
	<u>2010</u> £'000s
<i>Total long term business assets</i>	
Deposit back liability netted off Index Linked assets in the regulatory return	36,916
Miscellaneous assets netted off against liabilities in the financial statements	(2,475)
Line 101 on Form 13	<u>34,441</u>

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

	2010 £'000s
<i>Total long term business assets</i>	
Assets valued on a different basis than that in the financial statements	(101,251)
Line 98 on Form 13	<u>(101,251)</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 £5,802,811k and £490,018k. The whole of the amount at Form 13 line 89 is subject to charge.

On 2 September 2008 and 10 November 2010 floating charges were placed over cash and assets of the long term fund to secure certain pension scheme liabilities. On crystallisation the charge gives the debts owed to the scheme trustees priority status in any claim against the said cash or assets. The charges provide 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 £2,023,903k. The aggregate value of the assets subject to the charge is £2,102,949k (see table below).

	2010 £'000s
<i>Assets which are subject to the charge</i>	
<i>Form 13</i>	
Line 41 – Equity shares	695
Line 45 – Approved fixed interest securities	184,817
Line 46 – Other fixed interest securities	269,030
Line 47 – Approved variable interest securities	44,179
Line 48 – Other variable interest securities	135,283
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	33,054
Line 84 – Accrued interest and rent	10,755
<i>Form 56</i>	
Line 11 – Approved variable interest securities	209,291
Line 12 – Other variable interest securities	640,881
Line 13 – Approved fixed interest securities	259,124
Line 14 – Other fixed interest securities	259,861
Line 15 – Cash and deposits	40,933
Line 18 – Other assets	15,046
Total	<u>2,102,949</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 £393,765k.

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.

- (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

	2010 £'000s
Additional reserves held in long term fund	(1,171,799)
Deferred tax provision on additional reserves and valuation differences	289,100
Contingent loan	393,765
Miscellaneous adjustments to liabilities	34,441
Line 74 on Form 14	<u>(454,493)</u>

Form 15

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

Supplementary notes to the returns (continued)

Form 15 (continued)

- *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

	2010
	£'000s
Intragroup balances less than £100k	<u>(57)</u>

Form 16

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

Form 17

- *1702* Convertible securities of £623k, with the features of a quasi-derivative, have been included in line 46 of the Long-term Form 13.

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.
- *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 £384m were paid under these reinsurance agreements and claims amounting to £180m were ceded. A premium, calculated on normal commercial terms, amounting to £874m was received and a premium amounting to £339m was ceded. The reinsurance included in the Return, relating to this business, amount to £6,280m liability for reinsurance accepted and £3,101m asset for the reinsurance ceded at the year end.

There were no other material intra-group transactions.

Supplementary notes to the returns (continued)

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 1,425.

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 Credit ratings used on form 49 are the second best of 3 external rating agencies, namely Fitch, S&P & Moody's.

Form 51

5105 The amount of double-counting of policies between Forms 51 and 54 combined is 31,528.

The counts and benefit amounts are not shown for some liabilities where the benefits to which these relate are currently unprocessed and are not yet set up on our administration systems.

The unprocessed business comes from former occupational pension schemes which are now in wind-up where final benefits and member details are yet to be finalised by the Trustees.

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

Supplementary notes to the returns (continued)

Form 54

5405 The amount of double-counting of policies between Forms 51 and 54 combined is 31,528.

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.

Form 56

5601 Credit ratings used on form 49 are the second best of 3 external rating agencies, namely Fitch, S&P & Moody's.

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	4.74%	5.44%
Form 51: Additional reserves non-profit OB – policy related expenses	1.27%	1.89%

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

Global business

Returns for the year ended 31 December 2010

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.

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R A Devey
Director

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A M Crossley
Director

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D J Belsham
Director

28 March 2011

PRUDENTIAL RETIREMENT INCOME LIMITED

Global business

Returns for the year ended 31 December 2010

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 insurer 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 60 (‘the Forms’);
- the statement required by IPRU(INS) rule 9.29 on pages 65 to 66 (‘the Statement’); and
- the valuation report required by IPRU(INS) rule 9.31(a) (“the valuation report”) on pages 38 to 52.

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 60;
- the statement required by IPRU(INS) rules 9.30 on page 67; or
- the certificate required by IPRU(INS) rule 9.34 on page 61 (‘the certificate’).

This report is made solely to the insurer’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 insurer’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 insurer, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our work (including our examination) has been undertaken so that we might state to the insurer’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 insurer and the insurer’s directors as a body, for our audit work, for this report, or for the opinions we have formed.

PRUDENTIAL RETIREMENT INCOME LIMITED

Global business

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

Respective responsibilities of the Company and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report) 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 insurer and used to perform the actuarial investigation as set out in the valuation report 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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the Statement and the valuation report are not in agreement with the accounting records and returns; or
- 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 insurer for the financial year. It also included an assessment of the significant estimates and judgements made by the insurer 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.

PRUDENTIAL RETIREMENT INCOME LIMITED

Global business

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

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
15 Canada Square
Canary Wharf
London
E14 5GL
28 March 2011

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2010

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, (FSA Statutory Instrument 2004/98) the investment guidelines for the use of derivative contracts for both long term and other than long term funds are set out below. These are fully explained in the Company's Investment Management Agreement with its fund managers and are consistent with the investment strategy.

- (i) Derivatives are used for the purpose of efficient portfolio management or to reduce risk, specific examples being to implement tactical asset allocation changes around the strategic benchmark, hedge cash flows, or control the risk profile of an identified strategy.
- (ii) A number of restrictions on the use of derivatives have been agreed with the Company's fund managers and can only be overruled by prior agreement between the two parties:
 - all derivatives that impose obligations on the fund must be strictly covered.
 - all derivative contracts must satisfy the definition of approved under 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, credit default and inflation-linked swaps in the long term business and interest rate swaps in the other than long term business.
The company has also used redeemable convertible corporate bonds. These bonds have not been categorised as derivative contracts as the derivative element is minimal and have therefore not been reported on form 17. The total value of these bonds on the form 13 is £623k.

(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.

PRUDENTIAL RETIREMENT INCOME LIMITED

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

(c) Quantification of derivatives in (b) above

The largest exposure during the year to out of the money call options / warrants was £181k.

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

There were no derivative contracts held during 2010 that did not satisfy requirements of the Interim Prudential Sourcebook.

(i) Consideration for granting rights under derivative contracts

No rights under derivative contracts have been granted.

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2010

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.