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 2011

FSA

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6

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Form 2

Statement of solvency - long-term insurance business

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	47842	GL	31	12	2011	£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	710130	644455
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	993440	878700
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1703570	1523155
Guarantee fund			
Guarantee fund requirement	21	259788	234754
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1443782	1288401
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	779365	704263
Resilience capital requirement	32		
Base capital resources requirement	33	3056	3040
Individual minimum capital requirement	34	779365	704263
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	779365	704263
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1313887	1171023
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1119046	994958
Enhanced capital requirement			
With-profits insurance capital component	39		
Enhanced capital requirement	40	779365	704263
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	779365	704263
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	924205	818892
Contingent liabilities			
Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51	274266	393765

Form 2

Covering Sheet to Form 2

Name of insurer	**Prudential Retirement Income Limited**
Global business	
Financial year ended	**31 December 2011**

....	**R A Devey**	**Director**
....	**A M Crossley**	**Director**
....	**D J Belsham**	**Director**

London 23 March 2012

Form 3
(Sheet 1)

Components of capital resources

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	47842	GL	31	12	2011	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Core tier one capital					
Permanent share capital	**11**		837700	837700	837700
Profit and loss account and other reserves	**12**		1362929	1362929	1053538
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**		2200629	2200629	1891238
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**		2220629	2220629	1911238
Investments in own shares	**32**				
Intangible assets	**33**				
Amounts deducted from technical provisions for discounting	**34**				
Other negative valuation differences	**35**		516559	516559	387683
Deductions in related undertakings	**36**				
Deductions from tier one (32 to 36)	**37**		516559	516559	387683
Total tier one capital after deductions (31-37)	**39**		1704070	1704070	1523555

Form 3
(Sheet 2)

Components of capital resources

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	47842	GL	31	12	2011	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Tier two capital					
Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				
Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				
Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	47842	GL	31	12	2011	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Total capital resources					
Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		1704070	1704070	1523555
Inadmissible assets other than intangibles and own shares	73		500	500	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		1703570	1703570	1523155
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		1703570	1703570	1523155
Available capital resources for 50% MCR requirement	82		1703570	1703570	1523155
Available capital resources for 75% MCR requirement	83		1703570	1703570	1523155
Financial engineering adjustments					
Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		274266	274266	393765
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		274266	274266	393765

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

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	2011	£000	1

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	75559	70999
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	368392	493252
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	6094	4640
Fixed interest securities	Approved	45	197750	247525
	Other	46	235243	142304
Variable interest securities	Approved	47	8843	7587
	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	122586	11594
	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		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer	**Prudential Retirement Income Limited**
Global business	
Financial year ended	**31 December 2011**
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	2011	£000	1

			As at end of this financial year 1	As at end of the previous year 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	45	11881
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	53427	3126
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	11794	12138
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86		
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	1079733	1036385

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

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	2011	£000	1

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

		As at end of this financial year 1	As at end of the previous year 2
Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	1079733	1036385
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	(50000)	(57)
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	1029733	1036328

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	48618	

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

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	2011	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	751533	688130
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	885025	765071
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	3779	8954
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43		
Rights under derivative contracts		44	253353	145978
Fixed interest securities	Approved	45	3719787	3314734
	Other	46	12722844	11661757
Variable interest securities	Approved	47	121828	89689
	Other	48	763743	823992
Participation in investment pools		49		
Loans secured by mortgages		50	44432	42587
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	3924	3806
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	630589	488090
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	3556465	3039223
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

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	2011	£000	10

			As at end of this financial year 1	As at end of the previous year 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	263	2068
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	14518	12157
	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	2198	2153
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	41486	87891
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	398010	380086
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	39327	47498
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	23953104	21607204

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

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	2011	£000	10

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

		As at end of this financial year 1	As at end of the previous year 2
Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	23953104	21607204
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	500	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	(204641)	(101251)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	3256012	2934209
Other asset adjustments (may be negative)	101	103038	34441
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	27108013	24475003

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	1054029	916798

Form 14

Long term insurance business liabilities and margins

Name of insurer	**Prudential Retirement Income Limited**
Global business	
Financial year ended	**31 December 2011**
Total business/Sub fund	**Ordinary Branch Long Term**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		**11**	19444541	17569733
Cash bonuses which had not been paid to policyholders prior to end of the financial year		**12**		
Balance of surplus/(valuation deficit)		**13**	710630	644854
Long term insurance business fund carried forward (11 to 13)		**14**	20155171	18214587
Claims outstanding	Gross	**15**	3272	3115
	Reinsurers' share	**16**		
	Net (15-16)	**17**	3272	3115
Provisions	Taxation	**21**		
	Other risks and charges	**22**		
Deposits received from reinsurers		**23**	2814619	2564207
Creditors	Direct insurance business	**31**	6138	3677
	Reinsurance accepted	**32**	283	
	Reinsurance ceded	**33**	477	522
Debenture loans	Secured	**34**		
	Unsecured	**35**		
Amounts owed to credit institutions		**36**	669138	601720
Creditors	Taxation	**37**	70106	46474
	Other	**38**	215774	156523
Accruals and deferred income		**39**	18626	16778
Provision for "reasonably foreseeable adverse variations"		**41**		
Total other insurance and non-insurance liabilities (17 to 41)		**49**	3798433	3393016
Excess of the value of net admissible assets		**51**		
Total liabilities and margins		**59**	23953604	21607603

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	**61**	2043	296
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	**62**		

Total liabilities (11+12+49)	**71**	23242974	20962749
Increase to liabilities - DAC related	**72**		
Reinsurers' share of technical provisions	**73**	3256012	2934209
Other adjustments to liabilities (may be negative)	**74**	(618162)	(454493)
Capital and reserves and fund for future appropriations	**75**	1227189	1032538
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**	27108013	24475003

Form 15

Liabilities (other than long term insurance business)

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	47842	GL	31	12	2011	£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	85745	157595
Creditors	Taxation	47	378	
	Foreseeable dividend	48		
	Other	49	170	90
Accruals and deferred income		51		
Total (19 to 51)		59	86293	157685
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	86293	157685

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		

Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(50000)	(57)
Capital and reserves	84	993440	878700
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	1029733	1036328

Form 16

Profit and loss account (non-technical account)

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R16	47842	GL	31	12	2011	£000

			This financial year 1	Previous year 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	50000	
Investment income	Income	14	29239	29791
	Value re-adjustments on investments	15	37904	25023
	Gains on the realisation of investments	16	21075	
Investment charges	Investment management charges, including interest	17	605	1124
	Value re-adjustments on investments	18		
	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	(904)	(1559)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	136709	47979
Tax on profit or loss on ordinary activities		31	21969	8767
Profit or loss on ordinary activities after tax (29-31)		39	114740	39212
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	114740	39212
Dividends (paid or foreseeable)		51		
Profit or loss retained for the financial year (49-51)		59	114740	39212

Form 17

Analysis of derivative contracts

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

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	2011	£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	6094		77523	77523
	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	6094		77523	77523
Adjustment for variation margin		52				
Total (51 + 52)		53	6094			

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.

Form 17

Analysis of derivative contracts

Name of insurer	**Prudential Retirement Income Limited**
Global business	
Financial year ended	**31 December 2011**
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	2011	£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	193780		574114	574114
	Inflation	13	52293	46144	1041744	1041744
	Credit index / basket	14				
	Credit single name	15		31575	1196796	
	Equity index	16				
	Equity stock	17				
	Land	18				
	Currencies	19	7146	128653	600587	668440
	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	134		280	
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	253353	206372	3413521	2284298
Adjustment for variation margin		52				
Total (51 + 52)		53	253353	206372		

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.

Form 40

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 2011**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	**11**	1201263	1920533
Investment income receivable before deduction of tax	**12**	1128622	1044399
Increase (decrease) in the value of non-linked assets brought into account	**13**	1423031	953972
Increase (decrease) in the value of linked assets	**14**		
Other income	**15**		
Total income	**19**	3752916	3918904
Expenditure			
Claims incurred	**21**	1098654	1020000
Expenses payable	**22**	78945	78119
Interest payable before the deduction of tax	**23**	369817	290916
Taxation	**24**	84955	77931
Other expenditure	**25**	129961	
Transfer to (from) non technical account	**26**	50000	
Total expenditure	**29**	1812332	1466966
Business transfers - in	**31**		
Business transfers - out	**32**		
Increase (decrease) in fund in financial year (19-29+31-32)	**39**	1940584	2451938
Fund brought forward	**49**	18214587	15762649
Fund carried forward (39+49)	**59**	20155171	18214587

Form 41

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 2011**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11					
Single premiums	12		1476087		1476087	2322037
Reinsurance - external						
Regular premiums	13					
Single premiums	14		62836		62836	62587
Reinsurance - intra-group						
Regular premiums	15					
Single premiums	16		211988		211988	338917
Net of reinsurance						
Regular premiums	17					
Single premiums	18		1201263		1201263	1920533
Total						
Gross	19		1476087		1476087	2322037
Reinsurance	20		274824		274824	401504
Net	21		1201263		1201263	1920533

Form 42

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 2011**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Death or disability lump sums	11		454		454	506
Disability periodic payments	12					
Surrender or partial surrender	13		6943		6943	7190
Annuity payments	14		1335217		1335217	1244069
Lump sums on maturity	15		13212		13212	10383
Total	16		1355826		1355826	1262148
Reinsurance - external						
Death or disability lump sums	21					2
Disability periodic payments	22					
Surrender or partial surrender	23		10		10	53
Annuity payments	24		63282		63282	62095
Lump sums on maturity	25					
Total	26		63292		63292	62150
Reinsurance - intra-group						
Death or disability lump sums	31		68		68	76
Disability periodic payments	32					
Surrender or partial surrender	33		1040		1040	1071
Annuity payments	34		190790		190790	177294
Lump sums on maturity	35		1982		1982	1557
Total	36		193880		193880	179998
Net of reinsurance						
Death or disability lump sums	41		386		386	428
Disability periodic payments	42					
Surrender or partial surrender	43		5893		5893	6066
Annuity payments	44		1081145		1081145	1004680
Lump sums on maturity	45		11230		11230	8826
Total	46		1098654		1098654	1020000

Form 43

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 2011**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Commission - acquisition	11		17886		17886	22277
Commission - other	12					
Management - acquisition	13		26529		26529	27264
Management - maintenance	14		36403		36403	29700
Management - other	15		12059		12059	12662
Total	16		92877		92877	91903
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		2683		2683	3341
Commission - other	32					
Management - acquisition	33		3979		3979	4090
Management - maintenance	34		5461		5461	4454
Management - other	35		1809		1809	1899
Total	36		13932		13932	13784
Net of reinsurance						
Commission - acquisition	41		15203		15203	18936
Commission - other	42					
Management - acquisition	43		22550		22550	23174
Management - maintenance	44		30942		30942	25246
Management - other	45		10250		10250	10763
Total	46		78945		78945	78119

Form 46

Long-term insurance business : Summary of new business

Name of insurer	**Prudential Retirement Income Limited**
Total business	
Financial year ended	**31 December 2011**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Number of new policyholders/ scheme members for direct insurance business						
Regular premium business	11					
Single premium business	12		18564		18564	30544
Total	13		18564		18564	30544
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		519306		519306	1307839
External reinsurance	26		109416		109416	139465
Intra-group reinsurance	27		847365		847365	874733
Total	28		1476087		1476087	2322037

Long-term insurance business : Analysis of new business

Name of insurer	**Prudential Retirement Income Limited**
Total business	
Financial year ended	**31 December 2011**
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				(1155)
400	Annuity non-profit (CPA) - Individual annuities in payment			11365	151820
401	Annuity non-profit (bulk transfer) - Group annuities in payment			2349	89470
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment			434	15763
905	Index linked annuity(CPA) - Individual annuities in payment			1632	21994
906	Index linked annuity (bulk transfer) - Group annuities in payment			2784	241589
907	Index linked deferred annuity - Group deferred annuities				(175)

Long-term insurance business : Analysis of new business

Name of insurer	**Prudential Retirement Income Limited**
Total business	
Financial year ended	**31 December 2011**
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				108569
905	Index linked annuity(CPA) - Individual annuities in payment				847

Long-term insurance business : Analysis of new business

Name of insurer	**Prudential Retirement Income Limited**
Total business	
Financial year ended	**31 December 2011**
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				783693
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment				53372
905	Index linked annuity(CPA) - Individual annuities in payment				10300

Form 48

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 2011**
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	751533	751533	41169	5.48	
Approved fixed interest securities	12	3777233	3777233	150370	3.21	
Other fixed interest securities	13	13016425	13016425	712904	5.27	
Variable interest securities	14	891253	891253	21907	11.79	
UK listed equity shares	15	2179	2455	68	2.78	
Non-UK listed equity shares	16	250	250			
Unlisted equity shares	17	1350	1350	244	18.06	
Other assets	18	1956416	1956140	49458	2.53	
Total	19	20396639	20396639	976120	4.92	
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					

Form 49

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 2011**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	1358884	16.05	2.82	2.81
Other approved fixed interest securities	**21**	2418349	11.46	3.42	3.35
Other fixed interest securities					
AAA/Aaa	**31**	811845	9.12	3.94	3.83
AA/Aa	**32**	2471421	12.29	4.37	4.06
A/A	**33**	5376252	10.07	5.36	4.32
BBB/Baa	**34**	2781547	8.48	6.17	4.24
BB/Ba	**35**	142245	5.51	10.86	6.45
B/B	**36**	5622	7.48	12.39	6.84
CCC/Caa	**37**				
Other (including unrated)	**38**	1427493	8.78	4.90	4.14
Total other fixed interest securities	**39**	13016425	9.90	5.27	4.23
Approved variable interest securities	**41**	122351	16.33	(0.22)	(0.22)
Other variable interest securities	**51**	768901	9.07	13.71	13.08
Total (11+21+39+41+51)	**61**	17684910	10.59	5.16	4.35

Form 50

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 2011**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	11					
Form 51 - non-profit	12		18639896		18639896	17025259
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16		4184058		4184058	3575513
Form 54 - non-linked	17		98567		98567	112810
Total	18		22922521		22922521	20713582
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22		46609		46609	43351
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26		(19)		(19)	(44)
Form 54 - non-linked	27					
Total	28		46590		46590	43307
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32		2788993		2788993	2547286
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36		627612		627612	536334
Form 54 - non-linked	37		14785		14785	16921
Total	38		3431390		3431390	3100541
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42		15804294		15804294	14434622
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46		3556465		3556465	3039223
Form 54 - non-linked	47		83782		83782	95889
Total	48		19444541		19444541	17569734

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 2011**
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	26311	35990					495786
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							7735
400	Annuity non-profit (CPA) - Group annuities in payment	58401	141939					1988153
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		11318					173932
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							10861
400	Annuity non-profit (CPA) - Individual annuities in payment	394830	509909					7047738
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		486176					7550799
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment	11727	41778					507562
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		11162					163108
440	Additional reserves non-profit OB - Miscellaneous							96223
440	Additional reserves non-profit OB - Mismatching							152110
440	Additional reserves non-profit OB - Policy related expenses							445889

Form 51

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 2011**
Units	**£000**
UK Pension / Reinsurance ceded external	

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
400	Annuity non-profit (CPA) - Individual annuities in payment							46840
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment							80
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)							(311)

Form 51

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 2011**
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		5399					74368
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							1160
400	Annuity non-profit (CPA) - Group annuities in payment		21291					298223
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		1698					26090
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							1629
400	Annuity non-profit (CPA) - Individual annuities in payment		76486					1050135
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		72926					1132620
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment		6267					76122
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		1674					24513
440	Additional reserves non-profit OB - Miscellaneous							14433
440	Additional reserves non-profit OB - Mismatching							22817
440	Additional reserves non-profit OB - Policy related expenses							66883

Form 54

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 2011**
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	35069	136108		2834781	2834781		2834781
905	Index linked annuity(CPA) - Group annuities in payment - valued as fixed	43	60		1237	1237		1237
905	Index linked annuity(CPA) - Group annuities in payment unprocessed business				41129	41129		41129
905	Index linked annuity(CPA) - Individual annuities in payment	31634	40480		867206	867206		867206
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)		5407		129477	129477		129477
907	Index linked deferred annuity - Group deferred annuities	9660	14049		251521	251521		251521
907	Index linked deferred annuity - Group deferred annuities - valued as fixed	187	333		12958	12958		12958
907	Index linked deferred annuity - Group deferred annuities unprocessed business				172	172		172
915	Additional reserves index linked - Miscellaneous						16429	16429
915	Additional reserves index linked - Mismatching						82138	82138
915	Additional reserves index linked - Policy related expenses				45577	45577		45577

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 2011**
Units	**£000**
UK Pension / Reinsurance ceded external	

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) - Individual annuities in payment				18	18		18
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)				(37)	(37)		(37)

Form 54

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 2011**
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		20416		425217	425217		425217
905	Index linked annuity(CPA) - Group annuities in payment - valued as fixed		9		186	186		186
905	Index linked annuity(CPA) - Group annuities in payment unprocessed business				6169	6169		6169
905	Index linked annuity(CPA) - Individual annuities in payment		6072		130078	130078		130078
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)		811		19427	19427		19427
907	Index linked deferred annuity - Group deferred annuities		2107		37728	37728		37728
907	Index linked deferred annuity - Group deferred annuities - valued as fixed		50		1944	1944		1944
907	Index linked deferred annuity - Group deferred annuities unprocessed business				26	26		26
915	Additional reserves index linked - Miscellaneous						2464	2464
915	Additional reserves index linked - Mismatching						12321	12321
915	Additional reserves index linked - Policy related expenses				6837	6837		6837

Form 56

Long-term insurance business : Index linked business

Name of insurer	**Prudential Retirement Income Limited**
Total business	
Financial year ended	**31 December 2011**
Units	**£000**

Analysis of assets

		Value of assets 1	Mean Term 2
Approved variable interest securities	**11**	513572	16.33
Other variable interest securities	**12**	1603637	13.34
Approved fixed interest securities	**13**	558049	15.99
Other fixed interest securities	**14**	748826	11.54
Cash and deposits	**15**	208622	
Equity index derivatives	**16**		
Inflation swaps	**17**	58350	
Other assets	**18**	(134591)	
Variation margin	**19**		
Total (11 to 19)	**20**	3556465	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	**31**	35584	12.42
AA/Aa	**32**	354417	13.93
A/A	**33**	1289421	13.34
BBB/Baa	**34**	376517	12.25
BB/Ba	**35**	58794	10.84
B/B	**36**		
CCC/Caa	**37**		
Other (including unrated)	**38**	237730	9.34
Total other fixed interest and other variable interest securities	**39**	2352463	12.77

Form 57

Long-term insurance business: Analysis of valuation interest rate

Name of insurer	**Prudential Retirement Income Limited**
Total business	**Ordinary Branch Long Term**
Financial year ended	**31 December 2011**
Units	**£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
Form 51: Immediate & deferred annuities	15214205		4.08	4.18
Form 51: Additional reserves - policy related expenses	379006		0.74	0.76
Form 51: Additional reserves	211083			4.18
Form 54: Additional reserves	83782			0.76
Total	15888076			

Form 58

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 2011**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	20155171	18214587
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	50000	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	20205171	18214587
Mathematical reserves	21	19444541	17569733
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	760630	644854
Composition of surplus			
Balance brought forward	31	644854	453461
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	115776	191393
Total	39	760630	644854
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	50000	
Total distributed surplus (46+47)	48	50000	
Surplus carried forward	49	710630	644854
Total (48+49)	59	760630	644854
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Form 60

Long-term insurance capital requirement

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2011**

Units **£000**

		LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
		1	2	3	4	5	6
Insurance death risk capital component							
Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%					
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%					
Classes III, VII and VIII	15	0.3%					
Total	16						
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21						
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	18639897	15804295	0.85	158439	144715
Classes III, VII and VIII (investment risk)	33	1%	4282624	3640246	0.85	36402	31351
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					194841	176066
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	18639897	15804295	0.85	475317	434144
Classes III, VII and VIII (investment risk)	43	3%	4282624	3640246	0.85	109207	94053
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		22922521	19444541		584524	528197
Long term insurance capital requirement	51					779365	704263

PRUDENTIAL RETIREMENT INCOME LIMITED

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

Appendix 9.4

Valuation Report as at 31 December 2011

1. Introduction

(1) The investigation relates to 31 December 2011.

(2) The previous investigation related to 31 December 2010.

(3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2010.

2. Product range

(a) New products

No new products have been introduced during the financial year.

(b) New bonus series

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

(c) Products withdrawn

No products have been withdrawn during the financial year.

(d) Changes to options or guarantees under existing products

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

(e) With-profits subfunds

There are no with-profits subfunds.

3. Discretionary charges and benefits

(1) Not applicable

(2) Not applicable

(3) Not applicable

(4) Not applicable

(5) Not applicable

(6) Not applicable

(7) Not applicable

(8) Not applicable

(9) Not applicable

(10) Not applicable

4. Valuation basis (other than for special reserves)

(1) The mathematical reserve for annuities in payment is the present value of the annuities.

The mathematical reserve for inflation-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 inflation-linked annuities which are subject to maximum and/or minimum percentage increases is as follows:

(a) inflation-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 inflation-linked annuities.

(b) inflation-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 inflation-linked annuities.

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

The mathematical reserve for deferred annuities is the present value of the annuity secured to date.
For deferred annuities where benefits include revaluation in deferment in line with inflation, followed by fixed escalation in payment, the revaluation in deferment is generally subject to a minimum annual increase of 0% and a maximum annual increase of 5%. For valuation purposes these are treated as annuities with fixed 3.75% annual revaluation throughout the remaining deferred period followed by the actual fixed escalation in payment. The 3.75% 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. These annuities are included in these returns as non-linked business.

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

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

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

The interest rates used are as follows:

Non-linked

Product code number	Product description	31 December 2011 %	31 December 2010 %
All	All products	4.08	4.62

Index linked

Product code number	Product description	31 December 2011 %	31 December 2010 %
All	All products (except index linked annuities – valued as fixed)	0.74	1.23
All	Index linked annuity – group annuities in payment – valued as fixed Index linked annuity – group deferred annuities – valued as fixed	4.08	4.62

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 credit risk is calculated as the long-term expected level of defaults plus the long-term credit risk premium plus the long-term downgrade resilience reserve plus an allowance for the impact of additional short-term credit events reflecting the market conditions at the valuation date.

Valuation Report as at 31 December 2011 (continued)

The long-term expected levels 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 aggregate provision for the long-term expected levels of defaults and the long-term credit risk premium, 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	20.3	56.0	185.2
Senior Unsecured	11.4	18.8	34.5	44.7	123.1	407.4
Subordinated Debt	16.5	27.4	50.2	65.0	179.1	592.5

The long-term downgrade resilience reserve is determined as the hypothetical impact on the aggregate provision described above of a one-notch downgrade of the entire credit-risky asset portfolio.

A deduction is also made to allow for the risk of default of rent on properties. This deduction is calculated in the same way as for corporate bonds (having regard to the credit quality of the relevant tenants), as described above.

The overall allowance for credit risk at 31 December 2011 has been taken to be the allowance for credit risk brought forward from 31 December 2010 but adjusted to allow for changes in asset mix that have occurred during 2011. For the valuation at 31 December 2010, a surplus, which arose during 2010 due to credit experience being better than allowed for in the previous valuation, was retained and used to increase the allowance for credit risk at 31 December 2010. During 2011, credit experience was again better than allowed for in the previous valuation. For the valuation at 31 December 2011, this experience has not been used to increase the allowance for credit risk and has therefore emerged into surplus.

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 credit risk.

Aggregate yields on the backing assets have been adjusted by 0.67% and 0.61% to allow for credit risk within the non-linked and index-linked portfolios respectively. These credit risk adjustments include margins for prudence.

For the portfolio as a whole this represents an aggregate credit risk assumption of 66 basis points per annum. This can alternatively be expressed as 169 basis points for 3 years and 35 basis points per annum thereafter.

(4)

Non-linked

Product code number	Product description	31 December 2011	31 December 2010
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 93.5% PCMA00 / 84.5% PCFA00	Modified 95% PCMA00 / 86% PCFA00
	Expectation of life age 65	24.9 (M), 26.1 (F)	24.6 (M), 25.8 (F)
	Expectation of life age 75	15.3 (M), 16.6 (F)	14.9 (M), 16.4 (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 93.5% PCMA00 / 95.5% PCFA00	Modified 94% PCMA00 / 97% PCFA00
	Expectation of life age 65	24.9 (M), 25.1 (F)	24.7 (M), 24.8 (F)
	Expectation of life age 75	15.3 (M), 15.7 (F)	15.0 (M), 15.5 (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 93.5% PCMA00 / 95.5% PCFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 94% PCMA00 / 97% PCFA00
	Current age 45, expectation of life age 65	28.7 (M), 27.0 (F)	28.5 (M), 26.8 (F)
	Current age 55, expectation of life age 65	26.8 (M), 26.0 (F)	26.6 (M), 25.8 (F)

Valuation Report as at 31 December 2011 (continued)

Index linked

Product code number	Product description	31 December 2011	31 December 2010
905	**Index linked annuity (CPA) – individual annuities in payment**		
	Index linked annuity (CPA) – individual annuities in payment (reassurance accepted)		
	Mortality table	Modified 93.5% PCMA00 / 84.5% PCFA00	Modified 95% PCMA00 / 86% PCFA00
	Expectation of life age 65	24.9 (M), 26.1 (F)	24.6 (M), 25.8 (F)
	Expectation of life age 75	15.3 (M), 16.6 (F)	14.9 (M), 16.4 (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 93.5% PCMA00 / 95.5% PCFA00	Modified 94% PCMA00 / 97% PCFA00
	Expectation of life age 65	24.9 (M), 25.1 (F)	24.7 (M), 24.8 (F)
	Expectation of life age 75	15.3 (M), 15.7 (F)	15.0 (M), 15.5 (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 93.5% PCMA00 / 95.5% PCFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 94% PCMA00 / 97% PCFA00
	Current age 45, expectation of life age 65	28.7 (M), 27.0 (F)	28.5 (M), 26.8 (F)
	Current age 55, expectation of life age 65	26.8 (M), 26.0 (F)	26.6 (M), 25.8 (F)

Valuation Report as at 31 December 2011 (continued)

Mortality bases used at 31 December 2011 and 31 December 2010

Annuities are generally valued using a percentage of the 00 series PCxA tables for annuitants and pensioners. 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).

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 2011	31 December 2010
All	All products	£19.35 p.a.	£20.16 p.a.

The inflation rate assumed for future expenses is as follows:

Product code number	Product description	31 December 2011	31 December 2010
All	All products	3.75% 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 2011	31 December 2010
All	All products	0.053% p.a.	0.053% 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 2011 comprised:

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

ii) Contracts to swap fixed Euros for fixed UK Sterling;

iii) Contracts to swap floating UK Sterling LIBOR for fixed UK Sterling;

iv) Contracts to swap inflation-linked UK Sterling RPI for fixed UK Sterling;

v) A contract to swap future fixed UK sterling for future inflation-linked UK Sterling RPI/LPI;

vi) Contracts to swap inflation-linked UK Sterling property income for fixed UK Sterling;

vii) Contracts to swap fixed, floating LIBOR and credit default premium cashflows for fixed UK Sterling;

viii) Contracts to swap fixed UK Sterling for inflation-linked UK Sterling RPI/LPI;

ix) Contracts to 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

(3) Not applicable

(4) Some inflation-linked annuities are subject to maximum and minimum percentage increases. The valuation of this business is a described in 4(1). An additional reserve of £45.7m is held at the valuation date to cover the risk of negative 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	18.9
Longevity swap management expenses	1.7
Investment management expenses	13.1
Total	33.6

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 £36.4m. These expenses include costs whose payment is contingent on the emergence of statutory surplus emerging and, as such, no reserve is held for them.

(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 £422.7m.

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 21% and that loss of economies of scale would result in overall expenses thereafter being cut more slowly than the rate at which policies run off. If this revised calculation results in a higher reserve than described in the paragraph above, then the difference is held as an additional reserve. In addition the costs associated with closing to new business, such as redundancy costs or the costs of terminating management agreements, are estimated. To the extent that these costs exceed the surplus expected to arise over the following year on prudent assumptions from existing business a further additional reserve is held.

At the valuation date, an additional reserve of £52.7m is held for the impact of closing to new business. In addition, a reserve of £1.2m is held for the forecast expense margin expected to be paid to Prudential Distribution Limited in 2012 and a reserve of £14.9m is held to cover the cost of additional contributions to the Prudential Staff Pension Scheme.

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

Valuation Report as at 31 December 2011 (continued)

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 different for non-linked annuities and index-linked annuities in the 31 December 2011 valuation.

For non-linked annuities, the most onerous scenario was:

(i) a fall in property values of 20% plus a fall in rental income of 10%, and;

(ii) a fall in yield on all fixed interest securities of 0.50%, which is the percentage point fall equal to 20% of the long-term gilt yield at the valuation date, and;

(iii) a rise of 0.03% in the index-linked real security yield in conjunction with a fall of 0.52% in the inflation rate such that the overall fall in the nominalised yield is equal to 0.50%.

For index-linked annuities, the most onerous scenario was:

(iv) a fall in property values of 20% plus a fall in rental income of 10%, and;

(v) a rise in yield on all fixed interest securities of 0.50%, which is the percentage point rise equal to 20% of the long-term gilt yield at the valuation date, and;

(vi) a fall of 0.03% in the index-linked real security yield in conjunction with a rise of 0.52% in the inflation rate such that the overall rise in the nominalised yield is equal to 0.50%.

(5) There were no significant territories at the valuation date.

(6) In respect of the scenarios described under (4) above;

(a) No resilience capital requirement was necessary.

(b) For non-linked annuities, the increase in the aggregate amount of the long-term insurance liabilities was £795m.

For index-linked annuities, the decrease in the aggregate amount of long-term insurance liabilities was £51m.

(c) For non-linked annuities, the increase in the aggregate amount of assets backing these liabilities was £801m.

For index-linked annuities, the decrease in the aggregate amount of assets backing these liabilities was £50m.

(7) A reserve of £234m was held arising from the test on assets in INSPRU 1.1.34R(2).

This reserve was set at a level which was sufficient to ensure that it covered the results of projecting:

(i) the risk adjusted cashflows of the assets backing the liabilities and;

(ii) the future liability payments on the valuation assumptions.

In carrying out this test, the asset cashflows have been adjusted to allow for a level of defaults equivalent to the short-term element of the company's credit risk assumptions occurring immediately followed by a longer-term rate of default equivalent to 35 basis points per annum.

In determining the risk adjusted cashflows of the assets, two scenarios are tested:

- Scenario A: In any year where asset income exceeds liability outgo, the excess is invested in a notional 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 below zero, then the shortfall is assumed to be borrowed at a rate 2% higher than 97.5% of the maximum reinvestment rate.

- Scenario B: In any year where asset income exceeds liability outgo, the excess is invested in a notional cash asset, and this cash asset is assumed to accumulate at the valuation rate of interest (as specified in 4(2)). 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 below zero, then the shortfall is assumed to be borrowed at a rate 2% higher than the valuation rate of interest.

The reserve held is that required to satisfy the more onerous of these two scenarios.

8. Other special reserves

Other special reserves are as follows:

A reserve of £118m is held to cover general contingencies.

A reserve of £20.6m are held to cover potential additional liabilities in respect of systems and administration errors.

A reserve of £18.0m is held to cover the potential risks, including operational risks, arising in connection with the sale of sovereign credit default swaps.

A reserve of £45.7m 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 inflation-linked assets. The reserve is calculated from projected inflation rates derived from a stochastic inflation model.

A reserve of £14.9m 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.

9. Reinsurance

(1) Not applicable

(2) Details of any reinsurance treaties held as at 31 December 2011 which satisfy criteria (a), (b) or (c) are as follows:

(d) Reinsurer	(e) Nature of Cover	(f) Premiums £m	(g) Deposits back at the valuation date £m	(h) Open/ Closed	(i) Amount of any Undischarged Obligation	(j) Reserves Ceded £m	(k) Retention
Hannover Life Re	A single treaty covering specific annuity liabilities issued by PRIL. In return for a fixed series of reinsurance premiums Hannover Life Re will pay to PRIL a specified proportion (40%) of the actual claims incurred by PRIL on the policies covered by the reinsurance arrangement.	57.4	None	Closed	None	46.8	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.	212.0	3,431.4	Open	None	3,431.4	The firm retains 85% of liabilities in respect of new policies. The firm's retention is 85% of liabilities after the cession of mortality risk under other reinsurance arrangements.

(l) All of the above companies are authorised to carry on insurance business in the United Kingdom.

(m) An asterisk (*) denotes companies connected to the cedent.

(n) In general the treaties are exposed to the credit risk of the reinsurers, against which a reserve is held.

(o) The net liability includes no allowance for the refund of any reinsurance commission.

(p) Not applicable

(3) Not applicable

10. Reversionary (or annual) bonus

(1) Not applicable

(2) Not applicable

(3) Not applicable

(4) Not applicable

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2011

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

	2011 £'000s
Line 89 on Form 13 (OLTB)	1,079,733
Line 89 on Form 13 (LTF)	23,953,104
Line 11 on Form 14	(19,444,541)
Line 49 on Form 14	(3,798,433)
Line 69 on Form 15	(86,293)
Line 79 on Form 3	1,703,570

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.

During the year a repayment of £129,961k was made as a prepayment in respect of these loans.

Supplementary notes to the returns (continued)

Form 3 (continued)

0310 Valuation differences

	2011 £'000s
Positive valuation differences where liabilities are lower than in the shareholders accounts	
Deferred tax held on additional reserves and valuation difference	263,600
Contingent loan	274,266
Positive valuation differences where assets are Higher than in the Shareholder account	
FSA valuation difference on investments	204,641
Negative valuation differences where liabilities are higher than in the shareholders accounts	
Additional reserves held in long term fund	(1,259,066)
Line 35 on Form 3	(516,559)

0313 Reconciliation of profit and loss account and other reserves

	2011 £'000s
Profit & loss account and reserves b/fwd (Form 3 line 12)	1,053,538
Profit & loss account and reserves c/fwd (Form 3 line 12)	1,362,929
Movement	309,391
Movement in additional reserves held for FSA	(87,266)
Movement in valuation difference	103,390
Movement in deferred tax	(25,500)
Movement in unallocated surplus	(65,776)
Movement in contingent loan	(119,499)
Line 59 on Form 16	114,740

Form 13

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

1302 The company held £13k 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 long term 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 long term business amount.

1307 PRIL has an exposure of £225.5m to 'secured obligations'. This figure has not been deducted from the Admissibility testing for 31st Dec 2011, as the original test covered all exposures within the limits set.

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

1308 The company held £659m in unlisted securities.

1309 The company held £1,611m 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 PRIL has an exposure of £225.5m to 'secured obligations'. This figure has not been deducted from the Admissibility testing for 31st Dec 2011, as the original test covered all exposures within the limits set.

1318 Other asset adjustments

	2011 £'000s
Other than long term business assets	
Amounts due from long term fund, notionally settled and shown as cash at bank on Form 13, which consolidates out in the financial statements	(50,000)
Line 101 on Form 13	(50,000)

	2011 £'000s
Total long term business assets	
Deposit back liability netted off Index Linked assets in the regulatory return	38,130
Miscellaneous adjustments to assets	14,908
Cash at bank used to notionally settle balance owed to the other than long term fund	50,000
Line 101 on Form 13	103,038

Supplementary notes to the returns (continued)

Form 13 (continued)

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.

1321 Other differences in valuation of assets

	2011 £'000s
Total long term business assets	
Assets valued on a different basis than that in the financial statements	(204,641)
Line 98 on Form 13	(204,641)

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 £6,784,604k and £492,284k. 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 £2,229,667k. The aggregate value of the assets subject to the charge is £2,367,270k (see table on following page).

Supplementary notes to the returns (continued)

Form 14 (continued)

1402 (continued)

	2011 £'000s
Assets which are subject to the charge	
Form 13	
Line 41 – Equity shares	711
Line 45 – Approved fixed interest securities	261,527
Line 46 – Other fixed interest securities	265,313
Line 47 – Approved variable interest securities	59,224
Line 48 – Other variable interest securities	165,303
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	42,535
Line 84 – Accrued interest and rent	11,239
Form 56	
Line 11 – Approved variable interest securities	249,664
Line 12 – Other variable interest securities	696,845
Line 13 – Approved fixed interest securities	297,420
Line 14 – Other fixed interest securities	262,218
Line 15 – Cash and deposits	40,338
Line 18 – Other assets	14,933
Total	2,367,270

(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 £274,266k.

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.

During the year a repayment of £129,961k was made as a prepayment in respect of these loans.

(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.

Supplementary notes to the returns (continued)

Form 14 (continued)

1405 Details of other adjustments to liabilities

	2011 £'000s
Additional reserves held in long term fund	(1,259,066)
Deferred tax provision on additional reserves and valuation differences	263,600
Contingent loan	274,266
Cash at bank used to notionally settle balances owed to the other than long term fund	50,000
Miscellaneous adjustments to liabilities	53,038
Line 74 on Form 14	(618,162)

Form 15

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

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

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

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

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

1507 Details of other adjustment in liabilities

	2011 £'000s
Cash at bank used to notionally settle balances owed to the other than long term fund	(50,000)
Line 83 on Form 15	(50,000)

Form 16

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

1603 Balances in line 21 relate to management expenses.

Supplementary notes to the returns (continued)

Form 17

1702 Convertible securities of £640k, with the features of a quasi-derivative, have been included in line 46 of the Long-term Form 13.

Form 40

4002 Other expenditure represents a repayment of a contingent loan repayable to a related group undertaking. The loan and interest on the loan is repayable out of the surplus emerging on its business and is contingent on surpluses arising, but can be repaid by the Company at any time.

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

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

During the year a repayment of £129,961k was made as a prepayment in respect of these loans.

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 reassurance 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 £427m were paid under these reassurance agreements and claims amounting to £194m were ceded. A premium, calculated on normal commercial terms, amounting to £847m was received and a premium amounting to £212m was ceded. The reinsurance included in the Return, relating to this business, amount to £7,277m liability for reinsurance accepted and £3,431m asset for the reinsurance ceded at the year end.

There were no other material intra-group transactions.

Form 47

4702 For annuity business where a premium includes both non-linked and linked benefits, total counts have been reported against both the non-linked and linked premiums. The extent of double counting of policies on Form 47 arising from this is 3,127.

Supplementary notes to the returns (continued)

Form 48

4802 There are 10 assets where the payment of interest is in default. The expected interest from these assets has been reduced to nil.

4803 Securities with an issuer option to redeem early are assumed to redeem at the next call date. The only exception to this are Government perpetual bonds (which can redeem at any time), and for these securities we assume that cashflows continue for 150 years.

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 34,124.

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 UK inflation. Deferred annuities with revaluation in line with inflation in deferment and fixed increases in payment are included in Form 51.

Form 54

5405 The amount of double-counting of policies between Forms 51 and 54 combined is 34,124.

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.

Supplementary notes to the returns (continued)

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	4.18%	4.85%
Form 51: Additional reserves non-profit OB – policy related expenses	0.76%	1.36%

Form 58

5803 There is a difference between line 49 and Form 2 line 11 of £500k. 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 2011

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

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by a waiver detailed in supplementary note 0201 issued under section 148 of the Financial Services and Markets Act 2000 which continues to have effect; and:

   (b) we are satisfied that:

      (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU, INSPRU; and

      (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;

   (b) that the sum of the mathematical reserves and the deposits received from reinsurers, as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;

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

R A Devey Director	A M Crossley Director	D J Belsham Director

23 March 2012

PRUDENTIAL RETIREMENT INCOME LIMITED
Global business

Returns for the year ended 31 December 2011

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 62 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on pages 67 to 68 ('the Statement'); and
- the valuation report required by IPRU(INS) rule 9.31(a)(i) ("the valuation report") on pages 38 to 53.

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 62;
- the statement required by IPRU(INS) rules 9.30 on page 69; or
- the certificate required by IPRU(INS) rule 9.34(1) on page 63 ('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 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 work (including our examination), for this report, or for the opinions we have formed.

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 insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement and 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, and the valuation report, 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 insurer.

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 insurer 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.

Robert Lewis

Robert Lewis
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
23 March 2012

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2011

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 £640k.

(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

There was zero exposure during the year to out of the money call options / warrants.

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

There were no derivative contracts held during 2011 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 2011

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.