Registered No: SC73158

PRUDENTIAL LIFETIME MORTGAGES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

PRUDENTIAL LIFETIME MORTGAGES LIMITED

CONTENTS

PRUDENTIAL LIFETIME MORTGAGES LIMITED

Incorporated and registered in Scotland. Registered No: SC73158
Registered office: Craigforth, Stirling, FK9 4UE

Directors

The Directors in office during the year were as follows:-

T Naidu (Chairman)
J Deeks
J Betteridge

Secretary

Prudential Group Secretarial Services Limited

Auditor

KPMG Audit Plc, London

PRUDENTIAL LIFETIME MORTGAGES LIMITED

Incorporated and registered in Scotland. Registered no. SC73158
Registered office: Craigforth, Stirling, FK9 4UE

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

Principal activity

The principal activity of Prudential Lifetime Mortgages Limited ("The Company") is mortgage lending and administration. The Company is regulated by the Financial Services Authority for this activity. The Company closed to new business in April 2010, however, it continues to service the existing customers – extending further drawdowns from the undrawn commitments and administering the existing loan portfolio.

Business review

The Company was active in the lifetime mortgage market until April 2010, when a decision was made to close it to new business. The decision was in line with the Group's strategy to conserve capital. The Company, however, continues to service customers and offer further drawdowns. The Company has, beginning from 2008, periodically sold tranches of its portfolio to a group company 'The Prudential Assurance Company Limited' (PAC) but continues to act as the mortgage administrator in respect of the portfolio transferred.

Key Performance Indicators	2012 £000	2011 £000
Profit on ordinary activities before taxation	4,654	1,111
Shareholders' funds at end of year	37,210	27,366
Regulatory Capital requirement	6,357	6,168
Loan portfolio	77,288	52,046
Loan to value ratio (LTV) *	26%	23%

The major income lines for the Company are the interest accrued on loans advanced and the administration fees received from PAC. The Company funds its business through a floating rate loan secured from Prudential Capital Limited (Pru Cap), another group company. The interest rate risk in the business arises from the mortgage interest receivable and the interest on borrowings which is hedged by entering into Interest Rate Swaps.

The Company posted a pre-tax profit of £4.65m during the year as compared to £1.11m during 2011. The increase in profit in 2012 has mainly arisen from the administration fees charged to PAC; throughout any year PAC is charged administration fees based on a percentage of the loan balance being administered and in the following year there is an annual review whereby the fees charged are compared to the actual costs incurred by the Company. The differential is then charged or refunded to PAC. In 2011 the Company's costs increased due to increase in cost of building a new administration system for managing the loan portfolio and as a consequence the 2012 annual review of fees charged to PAC in 2011 has similarly increased, thus increasing the Company's income for 2012.

The movement in the loan portfolio for the year is due to the additional drawdowns issued during the year and the interest accrued on the mortgage loans net of £3.10m of redemptions (£1.17m for 2011).

*LTV for the business is calculated as the value of loans provided as compared to the property value. The Company operates at a LTV cap of 35%. The current LTV operated by the Company is well within target. The increase over the previous period from 23% to 26% is attributable to the loans provided during the year to existing customers. Since the Company is closed to new business the LTV is expected to increase over time on account of increase in the loans given during the year subject to the movement in redemptions.

Risks & Uncertainties

The Company is a wholly owned subsidiary of the Prudential Group and is subject to the Group's internal control and risk management processes as detailed in the Group Governance Manual and Group Risk Framework. The control procedures and systems established within the Group are designed to manage, rather than eliminate, the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatement or loss, and focus on aligning the levels of risk-taking with the achievement of business objectives.

As part of the Group's risk governance framework, the Company is required to establish processes for identifying, evaluating and managing key risks. The risk governance framework is based on the concept of three lines of defense: risk management, risk oversight and independent assurance.

A number of risk factors have the potential to impact the Company's results and financial condition. The key risk factors of the Company are mentioned below.

Financial risk

Whilst the Company is exposed to financial risks these are largely mitigated as explained below:

a) Market risk

Market risk is the risk of loss for the Company, or of adverse change in the financial situation, resulting directly or indirectly, from changes in interest rates.

A considerable part of the Company's profits is related to continued income from the fixed rate interest accruing on mortgages and floating rate paid on loans taken to fund the business. A policy of hedging the interest rates is in place to ensure that the Company's earnings and borrowings are not subject to fluctuations in interest rates. The interest rate risk is mitigated by the use of swaps.

b) Credit risk

Credit risk is the risk of loss for the Company or of adverse change in the financial position, resulting from fluctuations in the credit standing of counterparties and any debtors in the form of default or other significant credit event.

The Company, in the normal course of business enters into a variety of transactions with counterparties, including interest rate swaps as mentioned above. Failure of any of these counterparties to discharge their obligations, or where adequate collateral is not in place, could have an adverse impact on the Company's results.

The debtors are predominantly intragroup and therefore the risk of default is considered to be minimal.

The Company faces a demand risk due to falling housing prices in the UK. There is an additional risk if the policyholders invoke the no negative equity guarantee which could result in the Company funding any shortfalls from its own reserves. No provision has been established for this guarantee in the accounts reflecting the current low loan to value and also the expectation that the Company will sell the mortgages to a group company well before the loan to value increases.

c) Liquidity risk

Liquidity risk is the risk that the Company, although solvent on a balance sheet basis, does not have sufficient resources available to meet its obligations as they fall due, or can secure them only at excessive cost.

This risk is managed through careful management of bank balances and cash-flow forecasting. The Company is governed by the Risk Procedure Manual within the Group and has a defined liquidity appetite.

Non-financial risk

The Company has a limited exposure to business environment, strategic, operational and group risk.

a) Business environment risk

Business environment risk is the exposure to forces in the external environment that could significantly change the fundamentals that drive the Company's overall strategy.

Changes in government policy, legislation (including tax) or regulatory interpretation applying to companies in the financial services sector, which in some circumstances may be applied retrospectively, may adversely affect the Company's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements. Also, the regulator may change the level of capital required to be held by individual businesses thereby impacting the capital requirements of the Company.

Any further changes or modification to Financial Reporting Standards, or adoption of International Financial Reporting Standards (IFRS) may require a change in the reporting basis of future results, or a restatement of reported results.

b) Strategic risk

Strategic risk is the risk of ineffective, inefficient or inadequate senior management processes for the development and implementation of business strategy in relation to the business environment and the Company's capabilities.

The Company has little exposure to this risk, however any changes in the regulatory and market environment, could play a role in forcing the senior management to take decisions which could affect the company's performance.

c) Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

Operational risk arising from the administration systems, which are currently deployed to carry out the administration of the Loan Portfolio, is perceived to be high because the service provider for the existing system has expressed an inability to continue with the support activities post 2013. The risk is high due to the non-existence of alternative source systems which could administer the loan portfolio once the current service provider withdraws complete support. The Company has secured another service provider and is in the process of building a new administration system. Although the new administration system is planned to be implemented well within the timeline for withdrawal of support provided by the current service provider, the risk of failure in completing the implementation of the new system poses a threat until the time the implementation is successfully embedded in the Company.

The Company is, and in the future may be, subject to legal and regulatory actions in the ordinary course of its business. These actions could involve a review of business sold in the past under acceptable market practices at the time, changes to the tax regime affecting products and regulatory reviews on products sold and industry practices, including in the latter case businesses it has closed.

d) Group risk

Group risk is the risk of a direct or indirect loss arising from a connection with a related undertaking.

Group risk is present from the consequences of risks arising from other parts of the Group in addition to those risks arising from the Company's own activities. The independent capitalisation of the Company as well as the risk management processes and internal control mechanisms within the Company ensure Group risk is appropriately managed.

Corporate responsibility

The Company is a wholly owned subsidiary within the Prudential Group and Corporate Responsibility (CR) is integral to the way the Group does business.

The Group, of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures for example, the Group Code of Business Conduct

The Group aims to be sustainable in the broadest sense – financially, socially and environmentally.

The Group believes that CR is best managed on the ground by those closest to the customer and local stakeholders. Underpinning this approach are the Group's four global CR themes:

1. Customers: Using the Group's financial strength, knowledge and skills to provide fair and transparent products, which meet customers' needs;
2. People: Recruiting, developing and retaining the best people for the best-performing business;
3. The environment: Increasing the efficiency of the Group's business by reducing the direct impact of the properties it occupies and the properties it manages as part of its investment portfolio;
4. Communities: Supporting its communities through donations, employee volunteering and long-term partnerships with charitable organisations that make a real difference.

These themes demonstrate the Group's CR commitments and principles to its stakeholders and provide clarity to its businesses, including the Company, on where they should focus their CR efforts and resources in the context of their individual markets.

The Prudential plc Board discusses Prudential's performance in the areas of social and environmental management at least once a year and also reviews and approves Prudential's corporate responsibility report and strategy on an annual basis.

Post balance sheet events

There have been no significant events affecting the Company since the balance sheet date.

Accounts

The state of affairs of the Company at 31 December 2012 is shown in the balance sheet on page 10. The profit and loss account appears on page 9.

Share capital

There were no changes to share capital during the year.

Dividend

No dividend is proposed for the year (2011: Nil).

Payment Policy

The Company does not have any trade creditors and therefore codes or standards on payment practice and disclosure of trade creditor days are not applicable.

PRUDENTIAL LIFETIME MORTGAGES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (cont'd)

Directors

The directors of the Company holding office during the year are shown on page 1. There were no changes during the year.

Financial risk management objectives, policies and exposure

The Company's objectives and policy in relation to the management of financial risk resulting from its financial assets and liabilities are to minimise any risk. The Company's exposure to financial risk through its financial assets and liabilities is not considered material to the assessment of the Company's assets, liabilities, financial position and the profit and loss of the Company.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

In accordance with Section 487 (2) of the Companies Act 2006, KPMG Audit Plc will be deemed to be re-appointed auditor of the Company for the current financial year.

Directors' and officers' protection

Prudential plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. In addition, the Articles of Association of the Company permit the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office.

T Naidu
On behalf of the board of Directors

P.Howe

P Howe
On behalf of Prudential Group Secretarial Services Limited
Company Secretary
25 March 2013

PRUDENTIAL LIFETIME MORTGAGES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the Board of Directors on 25 March 2013 and signed on its behalf by

....

T Naidu
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL LIFETIME MORTGAGES LIMITED FOR THE YEAR ENDED 31 DECEMBER 2012

We have audited the financial statements of Prudential Lifetime Mortgages Limited for the year ended 31 December 2012 set out on pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to 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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

M Williams

Marie Williams (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

25 March 2013

PRUDENTIAL LIFETIME MORTGAGES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012 £000**	2011 £000
Interest receivable	3	**5,949**	3,195
Interest payable	4	**(3,881)**	(2,157)
Net interest income		**2,068**	1,038
Other operating income	5	**9,413**	6,952
Administrative expenses	6	**(6,827)**	(6,879)
Profit on ordinary activities before taxation		**4,654**	1,111
Taxation on profit on ordinary activities	7	**5,190**	(367)
Retained profit for the year		**9,844**	744

No statement of total recognised gains or losses has been included as there are no recognised gains or losses other than the profit for the financial year.

A statement of historical cost profits and losses has not been prepared as the amounts are not materially different from the profit for the financial year.

Turnover and profit on ordinary activities before taxation for the period relate exclusively to continuing operations as defined under the terms of Financial Reporting Standard 3.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 £000	2011 £000
Profit for the financial year	**9,844**	744
Shareholders' funds at start of year	**27,366**	26,622
Shareholders' funds at end of year	**37,210**	27,366

The accounting policies and notes on pages 11 to 16 form an integral part of these financial statements.

PRUDENTIAL LIFETIME MORTGAGES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £000	2011 £000
Current assets			
Loans and advances to customers	8	77,288	52,046
Debtors	9	269,460	254,145
Cash and bank balances	10	15,154	25,086
		361,902	331,277
Current Liabilities			
Creditors: amounts falling due within one year	11	3,799	4,239
Net Current Assets		358,103	327,038
Total Assets Less Current Liabilities		358,103	327,038
Creditors: amounts falling due after one year	12	320,893	299,672
Net assets		37,210	27,366
Capital and reserves			
Ordinary Share capital	13	53,000	53,000
Preference Share Capital	14	14,620	14,620
Profit and loss account	15	(30,410)	(40,254)
Shareholders' funds - equity interests		37,210	27,366

The accounting policies and notes on pages 11 to 16 form an integral part of these financial statements.

The financial statements on pages 9 to 16 were approved by the board of directors on 25 March 2013.

T Naidu
Director

1. Accounting policies

a) Changes in Accounting Policies

The Company has implemented the following changes in preparing its results for the year ended 31 December 2012. These standards closely reflect the requirements of International Financial Reporting Standards (IFRS) and form part of the continuing convergence of UKGAAP to IFRS requirements in the UK.

In 2012, the Company adopted "Amendments to FRS29 (IFRS 7) - Financial Instruments: Disclosures - Disclosures - Transfers of Financial Assets", which had no impact on the financial statements of the Company.

b) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements. This conclusion has been based upon the following: the Company is a subsidiary within the Prudential Group and its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation, the Company has a healthy capital adequacy, well in excess of the capital requirements stipulated by FSA. In addition consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Business Review on page 2.

c) Loans and advances to customers

Loans and advances to customers represent loans secured on property and are valued at the amount advanced plus interest accrued to date. The loans are considered as current assets as they are readily realisable.

d) Derivatives

Transactions are undertaken in derivative financial instruments, which include interest rate swaps. Derivatives are entered into for the purpose of matching or eliminating risk from potential movements in interest rates inherent in the Company's assets, liabilities and positions. Derivatives are reviewed regularly for their economic effectiveness as hedges.

Derivatives are accounted for consistent with the assets, liabilities, or positions being hedged. Profits and losses on these instruments are recognised in accordance with the accounting treatment of the underlying transaction. Fees payable on derivatives are deferred and amortised over the life of the derivatives contract. Hedge accounting is not applied.

Any loss on cancellation of swaps pursuant to sale of mortgage loans and pertaining to the period from the date of the agreement and date of the cancellation of swaps shall not be borne by the Company and shall be adjusted as a part of purchase consideration receivable by the Company. Any gains on cancellation of swaps pursuant to sale of mortgage loans pertaining to the period from the date of the agreement and date of the cancellation of swaps shall be passed on by the Company to the buyer of mortgage loans. Any loss/gain on cancellation of the swaps pertaining to the period prior to the date of the agreement shall be borne by the Company.

Notional amounts on the interest rate swaps are not recorded on the balance sheet.

e) Commission

Commissions payable are recognised as they are incurred.

f) Profit and loss

Income and expenditure have been accounted for on an accruals basis.

g) Cash flow statement

The Company has taken advantage of the exemption under paragraph 8(c) of Financial Reporting Standard 1 (Revised) from disclosing a cash flow statement on the basis that a consolidated statement including the cash flows of the Company is prepared by the ultimate parent company, Prudential plc.

h) Taxation

The tax charge in the profit and loss account is based on the taxable profit or loss for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits on ordinary activities and amounts charged or credited to reserves as appropriate.

2. Directors' emoluments and staff costs

During the year the directors of the Company received the following emoluments in respect of work performed on behalf of the Company:

	2012 £000	2011 £000
Aggregate emoluments and benefits	**4**	**6**
	4	**6**

For the highest paid Director the aggregate of emoluments was £3,339 (2011: £3,239).The Company has no employees. Included within administrative expenses are amounts paid in return for management services provided to the Company by other group companies.

3. Interest receivable

	2012 £000	2011 £000
Mortgage interest receivable	**4,821**	**2,559**
Bank interest	**99**	**133**
Swap interest	**852**	**417**
Other interest	**177**	**86**
	5,949	**3,195**

4. Interest payable

	2012 £000	2011 £000
Loan interest	**1,286**	**707**
Swap interest	**2,595**	**1,450**
	3,881	**2,157**

5. Other operating income

	2012 £000	2011 £000
Borrower fee income	2,859	2,727
Administration fees	6,554	4,225
	9,413	6,952

6. Administrative expenses

Auditor's remuneration of £20k (2011: £20k) in respect of the audit of the Company's financial statements is borne by a group company, Prudential Distribution Limited.

7. Taxation

(a) Analysis of taxation in the period

	2012 £000	2011 £000
Corporation tax charge on profit for the year	-	367
Adjustments in respect of previous years	(5,190)	-
Taxation (credit)/charge in the period	(5,190)	367

(b) Factors affecting corporation tax credit for the period

	2012 £000	2011 £000
Profit on ordinary activities before tax	4,654	1,111
Tax on profit on ordinary activities at effective rate of corporation tax in the UK of 24.5% (2011:26.5%)	1,140	294
Effects of		
Depreciation in excess/lower than capital allowances	(16)	(45)
Other permanent difference	3	118
Deferred tax not recognised in period	(1,127)	-
Adjustments to current tax in respect of previous years	(5,190)	-
Corporation tax (credit) /charge	(5,190)	367

(c) Factors that may affect future tax charges

From April 2012, the standard corporation tax rate for the UK changed from 26% to 24%. A further reduction in the standard corporation tax rate to 23% from April 2013 has also been enacted. As at 31 December 2012, there is an unprovided deferred tax asset of £ 8,945,591 relating to unutilised losses of £38,893,875. A deferred tax asset has not been recognised on the basis that there is insufficient certainty that there will be appropriate future taxable profits for utilisation of these losses.

The Chancellor has proposed a further reduction to the UK corporation tax rate to 20% by 2015 however this is not reflected in the financial statements for the year ended 31 December 2012 as it has not yet been substantively enacted.

8. Loans and advances to customers

	2012 £000	2011 £000
Mortgages:		
Balance at 1 January	52,046	20,862
Additional drawdowns	24,197	30,013
Amounts redeemed	(3,106)	(1,172)
Interest	4,151	2,343
Balance at 31 December	77,288	52,046

9. Debtors

	2012 £000	2011 £000
Amounts falling due within one year :		
Interest receivable on swaps	234	191
Prepayments and accrued income	-	9
Corporation tax receivable	5,159	-
Amounts falling due after one year :		
Amount receivable from Group undertakings*	264,067	253,945
	269,460	254,145

*The outstanding balance includes deferred purchase consideration receivable from The Prudential Assurance Company for the sale of mortgages purchased from Abbey National Treasury Services Plc ("ANTS").

10. Cash and bank balances

Under the terms of the Company's arrangements with the Prudential Group's main UK banker, the bank has a right of set-off between credit balances (other than those of Long Term Business funds) of those Group companies with similar arrangements.

11. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Corporation tax	-	381
Amounts due to group undertakings	2,894	3,205
Interest payable on swaps	881	629
Sundry creditors	24	24
	3,799	4,239

12. Creditors: amounts falling due after one year

	2012 £000	2011 £000
Repayable in more than five years:		
Amounts due to group undertakings*	82,099	55,812
Other creditors**	238,794	243,860
	320,893	299,672

*These are floating rate instruments with an option to renew at the end of the term and are expected to be repaid in more than five years.

**The outstanding balance represents deferred purchase consideration payable to ANTS.

13. Ordinary Share capital

	2012 £000	2011 £000
Allotted, called up and fully paid:		
Balance at 1 January and 31 December	53,000	53,000

14. Preference Share Capital

	2012 £000	2011 £000
Allotted, called up and fully paid:		
Balance at 1 January and 31 December	14,620	14,620

The preference shares are redeemable at the option of the Company. The Preference Shares do not confer any further right of participation in the profits or assets of the Company. On redemption of preference shares nominal amount of preference shares will be redeemed to the members of the Company along with the amount of preference dividend accrued on such shares. On a winding up, they carry a preferential right of return of capital ahead of the ordinary shares.

15. Profit and Loss Account

	2012 £000	2011 £000
Balance at 1 January	(40,254)	(40,998)
Retained profit for the financial year	9,844	744
Balance at 31 December	(30,410)	(40,254)

16. Related party transactions

The Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 relating to the disclosure of transactions with other wholly owned subsidiary undertakings of the Prudential Group.

17. Capital commitments

	2012 £000	2011 £000
Equity release mortgages offered not completed	273,861	285,537

18. Financial instruments

The Company undertakes transactions in derivative financial instruments including interest rate swaps in order to manage interest rate exposures. The notional value of interest rate swaps at 31 December 2012 was £90,000k (2011: £60,000k) maturing between year 2034 - 2062 and the fair valuation resulted in a loss of £11,622k (2011: loss £ 10,369k), which was not reflected on the balance sheet at the year end in line with the accounting policy on derivatives.

19. Immediate and ultimate parent company

The immediate parent company is The Prudential Assurance Company Limited. The ultimate parent company is Prudential plc, which is the only parent company to prepare group accounts, copies of which can be obtained from the Company Secretary, Laurence Pountney Hill, London EC4R 0HH.