Registered No: SC73158

PRUDENTIAL LIFETIME MORTGAGES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

PRUDENTIAL LIFETIME MORTGAGES LIMITED

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

CONTENTS

PRUDENTIAL LIFETIME MORTGAGES LIMITED

Directors

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

	Resigned on
T Naidu (Chairman)	
J Deeks	
J Betteridge	31 December 2013

Secretary

Prudential Group Secretarial Services Limited

Auditor

KPMG Audit Plc, London

PRUDENTIAL LIFETIME MORTGAGES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Principal activity

The principal activity of Prudential Lifetime Mortgages Limited ("The Company") is mortgage lending and administration.

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, since 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	2013 £000	2012 £000
Profit on ordinary activities before taxation	7,453	4,654
Shareholders' funds at end of year	44,288	37,210
Regulatory Capital requirement	6,414	6,357
Loan portfolio	97,878	77,288
Loan to value ratio (LTV) *	28%	26%

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 £7,453k during the year as compared to £4,654k during 2012. The increase in pre-tax profit is mainly on account of interest earned on the outstanding loan balances and drawdowns granted during the year. The net interest outflow on swaps has increased due to new swap transactions entered during the year. The Company initiated a project in prior years to transition from the old servicing system to a new portfolio servicing system. The project was completed in 2013 and the Company went live on the new servicing system in April 2013. The administrative expenses were higher in 2012 on account of costs in relation to the transition.

The movement in the loan portfolio for the year is due to the additional drawdowns of £20,248k (2012 : £24,197) issued during the year and the interest accrued on the mortgage loans net of redemptions of £4,899k (2012: £3,106k).

*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 26% to 28% 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 due to the 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. As such, they provide strong but not absolute assurance against material misstatement or loss, and focus on optimising the levels of risk and reward with the aim of achieving the business objectives.

The Group's risk and governance framework requires all business units and functions within the Group, including the Company, to establish processes for identifying, evaluating and managing key risks. The risk management framework for the Company is approved by the Board and operates based on the concept of three lines of defence: risk management, risk oversight and independent assurance.

The Company's results and financial condition are exposed to both financial and non-financial risks. The key risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties

Financial risk

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk factors affecting the Company are market and insurance risks.

a) Market risk

Market risk is the risk of loss or adverse change in the financial condition of the Company resulting directly or indirectly from fluctuations in the level or volatility of market prices of assets and liabilities and changes in interest rates.

The Company is exposed to market risk as a result of its exposure to residential property assets backing customer loans and mismatch between asset and liability interest rates.

Market risk is a significant risk for the Company. A considerable part of the Company's profit is a function of the fixed interest income accruing on the mortgage loans made to the customers and floating rate interest expense paid on loans taken out by the Company to fund the business. The Company hedges this interest rate mismatch risk by using interest rate swaps so that the Company's profits are not materially affected by changes in interest rates.

The Company's profits can also be affected by an increase in volatility or fall in value of the residential property in the UK backing the loans made to customers. To manage this risk, the company limits the maximum loan to value ratio on the loans made to customers. Further, the Company also bears the "no negative equity" guarantee risk, which is the risk that the accumulated value on the loan exceeds the property value at the time of policy termination, in which case, the Company would make a loss. No provision has been established for this guarantee in the accounts reflecting the current low loan to value ratios and also the expectation that before the loan to value ratios increase beyond the set limits the Company will sell the mortgages to another group company, where a provision for the guarantee will be held.

b) Insurance risk

Insurance risk is the risk of loss or of adverse change in the value of insurance liabilities of the Company, resulting from changes in the level, trend or volatility of a number of insurance risk drivers. These include adverse persistency, longevity, mortality, morbidity and expense experience.

Persistency risk is the risk of actual persistency or customer retention levels being different to the Company's expectations. This risk can materialise if more customers opt for early repayment or transfer of their loans than expected in the Company's assumptions. This can result in reduction in the current and expected future profits from this line of business and hence profitability for the Company. Early repayments impact the Company's profitability if the early repayment charges are not sufficient to cover costs and loss in profitability on early repayments.

Similarly, different mortality and / or morbidity experience than expected in the Company's assumptions can also impact the current and future profitability of the Company and hence are also a risk.

Longevity risk is the risk of customers living longer than expected. This will result in delayed emergence of cash flows compared to expected. This risk can also adversely impact the company in certain scenarios if loan balances increase substantially, increasing the risk of "no negative equity" guarantee materialising. This risk is mitigated by limiting the loan to value ratios.

The Company is also exposed to expense risk which is the risk of actual expenses exceeding the assumptions in pricing and reserving basis. If the actual expenses exceed these assumptions, the Company's operating results could be adversely impacted.

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 risk that can arise as a result of changing external factors in the business environment and the impact on 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 that can arise as a result of ineffective or inadequate business strategy decisions in relation to competitors, the market and consumers.

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.

The Company implemented the new administration system for managing loan portfolio successfully. In turn, the Company is reliant upon the operational processing performance of its new system, but their performance is monitored carefully.

The Company's systems and processes incorporate controls which are designed to manage and mitigate the operational risks associated with its activities as any weakness in the administration systems, finance systems and processes could have an impact on its results during the effective period.

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.

B Rais
On behalf of Prudential Group Secretarial Services Limited
Company Secretary

25 March 2014

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 2013

Introduction

None of the information required to be included in the Directors' Report under Schedule 1 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) has been set out in the Company's Strategic Report.

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.

As a business that provides savings, income, investment and protection products and services social value is created through the day-to-day operations. The Group provides customers with ways to help manage uncertainty and build a more secure future. In seeking to match the long-term liabilities the Group has towards its customers with similarly long-term financial assets, it provides capital that finances businesses, builds infrastructure and fosters growth in both developed and developing markets.

The Group's sustainable approach to business is reinforced by the Group-wide CR strategy. While the Group believes that CR is best managed on the ground by those closest to the customer and local stakeholders, the Group approach is underpinned by four global CR themes:

- Serving its customers: The Group aims to provide fair and transparent products that meets the customers' needs
- Valuing its people: The Group aspires to retain and develop highly engaged employees
- Supporting local communities: The Group seeks to make a positive contribution to its communities through long-term partnerships with charitable organisations that make a real difference
- Protecting the environment: The Group takes responsibility for the environment in which it operates

These themes provide clarity to the businesses as to how they should focus their CR efforts and resources in the context of their individual markets.

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

Results and dividends

The state of the affairs of the Company at 31 December 2013 is shown in the balance sheet on page 11. The profit and loss accounts appear on page 10.

Post balance sheet events

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

Directors

The directors holding office during the year are show on page 1.

Mr J Betteridge stood down as director on 31 December 2013. There were no further changes in the year and up to the date of approving this report.

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 the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor in unaware; and each director has taken all the steps that he 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 Company 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. Prudential plc also provides protections for directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity as such. These indemnities were in force during 2013 and remain in force.

B Rais
On behalf of Prudential Group Secretarial Services Limited
Company Secretary

25 March 2014

PRUDENTIAL LIFETIME MORTGAGES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for preparing the Strategic Report and 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 judgements 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 the 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors on 25 March 2014 and signed on its behalf by

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T Naidu
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL LIFETIME MORTGAGES LIMITED FOR THE YEAR ENDED 31 DECEMBER 2013

We have audited the financial statements of Prudential Lifetime Mortgages Limited for the year ended 31 December 2013 set out on pages 10 to 17. 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 8, 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 website 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 2013 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 Strategic Report and 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 2014

PRUDENTIAL LIFETIME MORTGAGES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013 £000**	2012 £000
Interest receivable	3	**7,732**	5,949
Interest payable	4	**(4,620)**	(3,881)
Net interest income		**3,112**	2,068
Other operating income	5	**9,084**	9,413
Administrative expenses	6	**(4,743)**	(6,827)
Profit on ordinary activities before taxation		**7,453**	4,654
Taxation on profit on ordinary activities	7	**(375)**	5,190
Retained profit for the year		**7,078**	9,844

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 2013

	2013 £000	2012 £000
Profit for the financial year	**7,078**	9,844
Shareholders' funds at start of year	**37,210**	27,366
Shareholders' funds at end of year	**44,288**	37,210

The accounting policies and notes on pages 12 to 17 form an integral part of these financial statements.

PRUDENTIAL LIFETIME MORTGAGES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013 £000	2012 £000
Current assets			
Loans and advances to customers	8	**97,878**	77,288
Debtors	9	**259,688**	269,460
Cash and bank balances	10	**30,873**	15,154
		388,439	361,902
Current Liabilities			
Creditors: amounts falling due within one year	11	**6,783**	3,799
Net Current Assets		**381,656**	358,103
Total Assets Less Current Liabilities		**381,656**	358,103
Creditors: amounts falling due after one year	12	**337,368**	320,893
Net assets		**44,288**	37,210
Capital and reserves			
Ordinary Share capital	13	**53,000**	53,000
Preference Share Capital	14	**14,620**	14,620
Profit and loss account	15	**(23,332)**	(30,410)
Shareholders' funds - equity interests		**44,288**	37,210

The accounting policies and notes on pages 12 to 17 form an integral part of these financial statements.

The financial statements on pages 10 to 17 were approved by the board of directors on 25 March 2014.

T Naidu
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting policies

a) Changes in Accounting Policies

In 2013 there have been no changes to accounting policies arising from changes to, or new Financial Reporting Standards.

b) Basis of preparation

The financial statements have been prepared in accordance with Part 15 of the Companies Act 2006 and Schedule 1 of The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008.

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 FCA. 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 the 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.

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:

	2013 £000	2012 £000
Aggregate emoluments and benefits	**3**	4
	3	4

For the highest paid Director the aggregate of emoluments was £3,070 (2012: £3,339).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

	2013 £000	2012 £000
Mortgage interest receivable	**6,689**	4,821
Bank interest	**87**	99
Swap interest	**585**	852
Other interest	**371**	177
	7,732	5,949

4. Interest payable

	2013 £000	2012 £000
Loan interest	**1,401**	1,286
Swap interest	**3,219**	2,595
	4,620	3,881

5. Other operating income

	2013	2012
	£000	£000
Borrower fee income	**3,616**	2,859
Administration fees	**5,468**	6,554
	9,084	9,413

6. Administrative expenses

Auditor's remuneration of £20k (2012: £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

	2013	2012
	£000	£000
Corporation tax charge/(credit) on profit for the year	-	-
Adjustments in respect of previous years	**375**	(5,190)
Taxation charge/(credit) in the period	**375**	(5,190)

(b) Factors affecting corporation tax credit for the period

	2013	2012
	£000	£000
Profit on ordinary activities before tax	**7,453**	4,654
Tax on profit on ordinary activities at effective rate of corporation tax in the UK of 23.25% (2012:24.5%)	**1,733**	1,140
Effects of		
Depreciation in excess/lower than capital allowances	-	(16)
Other permanent difference	**102**	3
Utilisation of losses on which no deferred tax is recognised	**(1,835)**	(1,127)
Adjustments to current tax in respect of previous years	**375**	(5,190)
Corporation tax charge/(credit)	**375**	(5,190)

(c) Factors that may affect future tax charges

From 1 April 2013, the standard corporation tax rate for the UK changed from 24% to 23%. Further reductions in the standard corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015 have also been enacted. As at 31 December 2013, there is an unprovided deferred tax asset of £7,320k (2012:£8,964k) relating to losses. 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.

8. Loans and advances to customers

	2013 £000	2012 £000
Mortgages:		
Balance at 1 January	**77,288**	52,046
Additional drawdowns	**20,248**	24,197
Amounts redeemed	**(4,900)**	(3,106)
Interest	**5,242**	4,151
Balance at 31 December	**97,878**	77,288

9. Debtors

	2013 £000	2012 £000
Amounts falling due within one year :		
Interest receivable on swaps	**168**	234
Prepayments and accrued income	**18**	-
Corporation tax receivable	**-**	5,159
Amounts falling due after one year :		
Amount receivable from Group undertakings*	**259,502**	264,067
	259,688	269,460

*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

	2013 £000	2012 £000
Corporation tax	**-**	-
Amounts due to group undertakings	**5,755**	2,894
Interest payable on swaps	**1,004**	881
Sundry creditors	**24**	24
	6,783	3,799

12. Creditors: amounts falling due after one year

	2013 £000	2012 £000
Repayable in more than five years:		
Amounts due to group undertakings*	**103,500**	82,099
Other creditors**	**233,868**	238,794
	337,368	320,893

*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

	2013 £000	2012 £000
Allotted, called up and fully paid:		
Balance at 1 January and 31 December	**53,000**	53,000

14. Preference Share Capital

	2013 £000	2012 £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

	2013 £000	2012 £000
Balance at 1 January	**(30,410)**	(40,254)
Retained profit for the financial year	**7,078**	9,844
Balance at 31 December	**(23,332)**	(30,410)

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

	2013	2012
	£000	£000
Equity release mortgages offered not completed	**253,097**	273,861

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 2013 was £100,000k (2012: £90,000k) maturing between year 2034 - 2062 and the fair valuation resulted in a loss of £2,920k (2012: loss £ 11,622k), 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.