Registered No. 793051

PRUDENTIAL HOLBORN LIFE LIMITED

Annual Report and Accounts for the year ended 31st December 2007

PRUDENTIAL HOLBORN LIFE LIMITED

Incorporated and registered in England and Wales Registered no: 793051

Registered office: Laurence Pountney Hill, London, EC4R OHH.

Annual report and accounts 2007

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PRUDENTIAL HOLBORN LIFE LIMITED

Directors

A Allen
D J Belsham
G Shaughnessy
M Sheppard

Secretary

Prudential Group Secretarial Services Limited

Auditors

KPMG Audit PLC
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

PRUDENTIAL HOLBORN LIFE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Principal activity

The principal activity of the Company is the writing of long-term insurance business in the United Kingdom. This activity will continue in 2008.

Business review

The Company primarily accepts reassurance from The Prudential Assurance Company Limited in respect of unit linked bonds. Although the Company does not write new direct business, it has in-force policies in respect of business written in the past. All of the Company's products are unit-linked products. The profits from the Company's business accrue solely to shareholders.

During 2007 the Company acquired 100% ownership of Prudential Vietnam Finance Company Limited. The subsidiary's principal activity is consumer finance and its country of incorporation is Vietnam.

There have been no other significant changes to the Company's business during the year.

Market review and strategy

The operations of the Company are managed as part of the UK Insurance Operations (UKIO) of the Prudential plc Group. UKIO's long-term products consist of life insurance, pension products and pension annuities. In 2007, it continued its strategy of selectively competing in areas of the retirement savings and income markets where it can generate attractive returns. The Company remains focussed on maximising value from the opportunity afforded by the fast growing need for retirement solutions.

Risks & uncertainties

The Company is a wholly owned subsidiary within the Group, Prudential plc and as such forms a part of the overall risk management process of the Group. A significant part of the Group's business involves the acceptance and management of risk. The Group has a Risk Framework requiring all businesses and functions within the Group i.e. including the Company, to establish processes for identifying, evaluating and managing key risks. The system of internal control is an essential and integral part of the risk management process.

As part of the annual preparation of its business plan, all of the Group's businesses and functions are required to carry out a review of risks including an assessment of the impact and likelihood of key risks and effectiveness of the controls in place to manage them. The assessment is reviewed regularly throughout the year and all businesses and functions within the Group are required to confirm annually that they have undertaken risk management. Actual performance is regularly monitored against the business plans. Detailed procedures are laid down in financial and actuarial procedure manuals. The insurance operations of the Group, such as the Company, also prepare a financial condition report.

Further detail about the key risks and uncertainties affecting the Company is provided in the sections Financial risk management, Market risk, Credit risk and Liquidity risk in note 7 and in the financial statements of the parent company, Prudential Assurance Company Limited.

Performance and measurement

The results of the Company for the year as set out on pages 7 to 8 show a profit on ordinary activities before tax of £9,621,000 (2006:£17,678,000).

The shareholders' funds of the Company total £57,927,000 (2006:£48,661,000).

The Company does not report against Key Performance Indicators in its Business Review. This is because the Company is part of the wider Prudential Group and the Group's business is managed on a divisional basis such as UK Insurance Operations. Key Performance Indicators exist for the management of the divisions, of which this Company's business forms a part. The divisional Key Performance Indicators can be found in the Annual Report of Prudential plc.

Corporate responsibility

The Company is a wholly owned subsidiary within the Group, Prudential plc, and as such forms a part of the overall approach to corporate responsibility (CR) for the Group. For the Group, CR is not an optional extra. It is fundamental to how the Group and its businesses and functions operate and is a philosophy that is now embedded therein. It is recognised that stakeholders increasingly support those companies that define and exhibit sound values around trust, ethics and environmental responsibility.

It is also believed that performance in key areas of conduct such as corporate governance, environmental management and employment practices can have a significant impact on its financial performance. 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 CR policy and Health and Safety Policy. "Treating Customers Fairly" is a key ethic on which the Company conducts its business.

There is also a Corporate Responsibility Committee, which is Group-wide and has responsibility for reviewing business conduct and social and environmental policy. A CR unit develops the Group's strategy, provides training across the Group and works closely with the businesses and functions, of which the Company is a part, to provide advice and ensuring that core values are maintained and assisting with the adaptation of Group-wide initiatives to meet local needs.

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 2007 is shown in the balance sheet on page 10. The profit and loss account appears on pages 7 to 8.

Share capital

There were no changes in the Company's share capital during 2007.

Dividends

No dividend is proposed for the year (2006: 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.

Directors

The present directors of the Company are shown on page 1.
Ms M Sheppard was appointed a director of the Company on 22 January 2007.
Mrs R Harris resigned as a director on 2 February 2007.
Mr G Shaughnessy was appointed a director of the Company on 21 February 2008.
Mr A Allen was appointed a director of the Company on 29 February 2008.
There were no other changes during the year.

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 each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he / she ought to have taken as a director to make himself / herself 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 234ZA of the Companies Act 1985.

PRUDENTIAL HOLBORN LIFE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

Financial Instruments

The Company is exposed to financial risk through its financial assets, financial liabilities and policyholder liabilities. The financial risk factors affecting the Company include market risk, credit risk and liquidity risk. Information on the financial risk management objectives and policies of the Company and the exposure of the Company to the financial risk factors is given in note 7.

The Company holds and has held no derivatives in the year under review.

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 provide that, to the extent permitted by law, every director, manager, Secretary and other officer or servant of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay to him, all costs, losses and expenses which he may incur or become liable to by reason of any contract entered into or any act or deed done by him as such officer or servant or in any way in the discharge of his duties.

On behalf of the board of directors

On behalf of Prudential Group Secretarial Services
Secretary

27 March 2008

PRUDENTIAL HOLBORN LIFE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

D J Bell

D J Belsham
Chairman

27 March 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRUDENTIAL HOLBORN LIFE LIMITED

We have audited the financial statements of Prudential Holborn Life Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, Reconciliation of Movement in Shareholders' fund and the related notes.

These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

27 March 2007

PRUDENTIAL HOLBORN LIFE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

Technical Account - Long Term Business	**Note**	**2007 £000**	**2006 £000**
Earned premiums, net of reinsurance			
Gross premiums written	2	906	896
Outwards reinsurance premiums	2	853	526
		1,759	1,422
Investment income	3	108,609	87,501
Unrealised (losses)/gains on investments	3	(76,423)	67,410
Other Technical Income		-	3,759
		33,945	160,092
Claims incurred, net of reinsurance			
Claims paid - gross amount		(18,594)	(51,093)
- reinsurers' share		14,633	16,258
		(3,961)	(34,835)
Change in the provision for claims – gross amount	11	(3,534)	968
		(7,495)	(33,867)
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
- gross amount		(1,558)	11,089
- reinsurers' share		77	(3,768)
	11	(1,481)	7,321
Change in technical provision for linked liabilities, net of reinsurance	11	(1,366)	(60,885)
		(2,847)	(53,564)
Other charges			
Net operating expenses			
- Administrative expenses		(1,113)	(1,740)
- Change in deferred acquisition costs		-	(3,202)
Investment expenses and charges	3	(22,341)	(20,711)
Tax attributable to long term business	4	10,235	(34,116)
		(13,219)	(59,769)
Balance on the technical account - long term business		10,384	12,892

All of the amounts above are in respect of continuing operations.
The notes on pages 11 to 28 form an integral part of these financial statements.

PRUDENTIAL HOLBORN LIFE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

Non-Technical Account	Notes	2007 £000	2006 £000
Balance on the long term business technical account		**10,384**	**12,892**
Tax credit attributable to the long term business technical account	4	29	4,757
Balance on the long term business technical account before tax		10,413	17,649
Investment income	3	1,086	29
Unrealised loss on investment	3	(1,878)	
Profit on ordinary activities before tax		9,621	17,678
Tax charge on profit on ordinary activities	4	(355)	(4,766)
Profit for the financial year	11	9,266	12,912

The Company has no recognised gains or losses other than those reported in the profit and loss account.

In accordance with the amendment to FRS 3 published in June 1999 no note of historical cost profits has been prepared as the Company's only material gains and losses on assets relate to the holding and disposal of investments.

All of the amounts above are in respect of continuing operations.

The notes on pages 11 to 28 form an integral part of these financial statements.

PRUDENTIAL HOLBORN LIFE LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £000	2006 £000
Profit for the financial year	**9,266**	**12,912**
Shareholders' funds at beginning of year as originally reported	48,661	36,267
Effect of FRS 26 on opening balance sheet	-	(518)
Shareholders' finds at beginning of year as restated	48,661	35,749
Shareholders' funds at end of year	**57,927**	**48,661**

The notes on pages 11 to 28 form an integral part of these financial statements.

PRUDENTIAL HOLBORN LIFE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
Assets			
Investments			
Investments in group undertakings and participating interests	7	1,870	-
Other financial investments	7	118,291	100,235
Assets held to cover linked liabilities	9	2,047,332	1,942,080
Reinsurers' share of technical provisions			
Long term business provision	11	90	13
Technical provision for linked liabilities	11	152,759	174,208
		152,849	174,221
Debtors			
Other debtors	10	165	1,436
Other assets			
Cash at bank and in hand	17	499	8,615
Prepayments and accrued income			
Accrued interest		731	198
Total assets		2,321,737	2,226,785
LIABILITIES			
Capital and reserves			
Called up share capital	18	11,000	11,000
Profit and loss account	11,19	46,927	37,661
Total shareholders' funds attributable to equity interests		57,927	48,661
Technical provisions			
Long term business provision	11,12	2,491	933
Claims outstanding	11	5,341	1,807
		7,832	2,740
Technical provisions for linked liabilities	11,13	2,187,344	2,106,464
Provisions for other risks and charges			
Provision for deferred taxation	14	11,087	30,306
Other provisions	15	-	1,279
		11,087	31,585
Creditors			
Creditors arising out of reinsurance operations		3,935	4,544
Other creditors including taxation and social security	16	53,612	32,791
		57,547	37,335
Total liabilities		2,321,737	2,226,785

The accounts on pages 7 to 28 were approved by the Board of directors on 27 March 2008.

D J Belsham
Chairman

D J Bel

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

(a) Change in accounting policies

The Company has implemented the following accounting standards in preparing its results for the year ended 31 December 2007. These standards closely reflect the requirements of International Financial Reporting Standards (IFRS) and form part of the continuing implementation of IFRS in the UK.

FRS 29 "Financial instruments: disclosures"

FRS 29 "Financial instruments: disclosures" implements IFRS 7 "Financial instruments: disclosures" into UK GAAP and replaces the disclosure requirements of FRS 25, "Financial Instruments: Disclosure and Presentation". The latter, therefore, becomes a standard dealing wholly with presentation of financial instruments. FRS 29 is intended to complement the principles for recognising, measuring and presenting financial assets and financial liabilities in FRS 25 and FRS 26, 'Financial Instruments: Recognition and Measurement'. The objective of FRS 29 is to require entities to provide disclosures in their financial statements to enable the users of financial statements to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Additionally, under FRS 29, the Company is also required to explain its objectives, policies and processes for managing capital.

The disclosures required are shown in Note 7. The adoption of this standard represents a change in accounting policy and comparatives have been provided accordingly in the disclosures.

Amendment to FRS 26 "Financial Instruments: Recognition and measurement"

An amendment to FRS 26 "Financial Instruments: Recognition and measurement" was issued in April 2006 which brings the recognition and derecognition requirements of IAS 39 "Financial Instruments: Recognition and measurement" into FRS 26. The amendment applies only to financial assets and liabilities, the relevant requirements of FRS 5 "Reporting the Substance of Transactions" continue to apply to the recognition and derecognition of non-financial assets. The adoption of this amendment to FRS 26 did not have an impact on the balance sheet or profit and loss account of the Company.

(b) Basis of Preparation

The financial statements are prepared in accordance with part 1 of Schedule 9A to, the Companies Act 1985. The financial statements comply with applicable accounting standards and the ABI Statement of Recommended Practice on accounting for Insurance Business (SORP) December 2005 (as amended in December 2006) and have been prepared under the historical cost accounting rules, modified to include the revaluation of investments.

As the Company is a wholly owned subsidiary undertaking of another company registered in England and Wales, group financial statements are not prepared. Accordingly, the financial statements present information about the Company as an individual undertaking and are not consolidated.

The Company has taken advantage of the exemption under FRS1 (Revised) from preparing a cash flow statement. The Company has not presented a capital position statement with supporting disclosures under FRS 27 on the basis that the Company is more than 90 per cent owned within a group and the Company is included in the publicly available Prudential group financial statements which provide information on a group basis complying with this requirement.

1. Accounting policies (continued)

(c) Long-term Business

Following the adoption of FRS 26 in 2006, the measurement basis of assets and liabilities of long term business contracts is dependent upon the classification of the contracts as either insurance contracts, if the level of insurance risk is significant, or investment contracts if the risk is insignificant. A further distinction is made between investment contracts with and without discretionary participation features. Discretionary participation features represent the contractual right to receive additional benefits as a supplement to guaranteed benefits. The Company has no investment contracts with discretionary participation features. The Company's insurance contracts are protection type policies. The investment contract without discretionary participation features classification applies primarily to certain unit-linked and similar contracts written by the Company. Insurance contracts and investment contracts with discretionary participation features are accounted for under previously applied UK GAAP, as set out in the ABI SORP.

Investment contracts without discretionary participation features are accounted for as financial liabilities under FRS 26 and, where relevant the provisions of the ABI SORP in respect of the attaching investment management features of the contracts. FRS 26 applies a different accounting treatment to these contracts than the previously applied UK GAAP primarily in respect of deferred acquisition costs, deferred income reserves and provisions for future expenses commonly called "sterling reserves" (see below).

A further feature is that investment contracts without discretionary participation features are closer in nature to a deposit style arrangement between the investors and the Company. Premiums and withdrawals for these contracts are recorded within the balance sheet as a movement on the investors' liability and the long-term business technical account reflects the fee income, expenses and taxation on the contract. The provisions for investment contracts without discretionary participation features are included in Technical Provisions for Linked Liabilities in the balance sheet.

Technical account treatment

For unit linked business premiums are accounted for when the liabilities arising from the premiums are created. Premiums exclude any taxes or duties based on premiums. Pensions annuity contracts that vest during the year are included in claims incurred and premium income at the annuity purchase price.

Claims paid include maturities, annuities, surrenders and death. Maturity claims are accounted for on the policy maturity date. Annuity claims are accounted for when the annuity becomes due for payment. Surrenders are accounted for when paid and death claims when notified.

Following the adoption of FRS26 in 2006, the accounting treatment for investment contracts without discretionary participation features reflects the deposit nature of the arrangement with premiums and claims reflected as deposits and withdrawals taken directly to the balance sheet as a movement on the investors liability with the long-term technical account reflecting fee income, expense and taxation on these contracts.

Sterling reserves are not permitted to be recognised under FRS26 for investment contracts.

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

(d) Investments

Investment income and realised and unrealised gains in respect of long-term business are included in the long-term business technical account. Other investment income and realised gains and, except in respect of shareholder investments in subsidiaries, unrealised gains are included in the non-technical account.

Realised gains are determined as the difference between net proceeds on disposal and the purchase price. Movements in unrealised gains comprise the change in the value of investments held at the balance sheet date and the reversal of unrealised investment gains and losses recognised in earlier accounting periods in respect of investment disposals.

Following the adoption of FRS26 in 2006, upon initial recognition financial investments are recognised at fair value. Subsequently, the Company is permitted, subject to specific criteria, to designate its investments as either financial investments at fair value through profit and loss, financial investments held on an available-for-sale basis, financial investments held to maturity, or loans and receivables. The Company holds financial investments on the following bases:

(i) Financial investments at fair value through profit and loss – this comprises assets designated by management as fair value through profit and loss on inception. These investments (and including all derivatives) are valued at fair value with all changes thereon being recognised in the profit and loss account.

(ii) The Company uses bid prices to value its quoted financial investments. Actively traded investments without quoted prices are valued using external broker bid prices. If there is no active established market for an investment, the Company applies an appropriate valuation technique such as discounted cash flow technique.

(iii) Loans and receivables – this comprises investments that have fixed or determinable payments and are not designated as fair value through profit and loss or available-for-sale. These investments include loans secured by mortgages, deposits and loans to policyholders and other unsecured loans and receivables. These investments are carried at amortised cost using the effective interest method and subject to impairment reviews. The Company measures the amount of the impairment loss by comparing the amortised cost with the present value of its estimated future cash flows discounted at the original effective interest rate.

Properties are valued annually by professional external valuers at market value as defined in the Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors in particular Practice statement 3.2. In accordance with SSAP 19, no depreciation is provided on investment properties as the directors consider that to depreciate them would not give a true and fair view.

(e) Long term business provision

The long term business provision is determined by the Company's directors based on advice from the Company's actuarial function holder, who determined the provision using recognised actuarial methods, with due regard to the actuarial principles laid down in Directive 2002/83/EC. It is calculated initially on a statutory solvency basis to comply with the reporting requirements under the Financial Services and Markets Act 2000. The valuation is then modified to remove certain resilience, contingency and other reserves required by the Prudential Sourcebook issued by the Financial Services Authority. (See Note 12.)

1. Accounting policies (continued)

(f) Technical provision for linked liabilities

The technical provision for linked liabilities is based on the market value of the related assets.

(g) Allocation of surpluses

Surpluses arising from linked long term business, as a result of the annual investigation of the long term business, are carried forward to the profit and loss account.

(h) Tax

Tax is charged on all taxable profits arising in the accounting period. Except where otherwise required by accounting standards, full provision for deferred tax without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

(i) Cash flow Statement

The Company has taken advantage of the exemption under IFRS 1 (Revised) from preparing a cash flow statement.

(j) Foreign currencies

Foreign currency revenue transactions are translated at average exchange rates for the year. Foreign currency assets and liabilities are translated at year end exchange rates. Exchange differences on long-term business and on net investments in foreign enterprises less matching borrowings are taken to reserves. Other exchange differences are included in the profit and loss account.

2. Segmental analysis

(a) Gross Premiums

	2007 £000	2006 £000
Regular premiums - direct	906	896
Single premiums		
- intragroup reassurance accepted	-	-
- outwards reassurance	853	526
Net premiums	1,759	1,422

All premiums are in respect of individual life business where the investment risk is borne by policyholders, and transacted within the UK. All premiums are in respect of investment linked contracts. The annualised gross value of new premiums (other than single) is £Nil (2006: £Nil).

New business premiums include those contracts excluded from premium income in the technical account under FRS26 and the ABI SORP (as amended in December 2006). These are investment contracts without discretionary participation features and carry no significant insurance risk. New business premiums were all in respect of intragroup reassurance accepted, life and amounted to £283,581,000 (2006:£446,184,000).

(b) Assets attributable to the long term business fund

Of the total amount of assets shown on page 10, £2,279,410,000 (2006:£2,197,039,000) is attributable to the long-term business fund.

3. Investment return

	Long term business technical account		Non technical account	
	2007 £000	2006 £000	2007 £000	2006 £000
Investment Income				
Land and buildings	4,552	4,844	-	-
Loans and receivables	6,463	8,029	1,086	29
Shares and collective investment schemes	36,324	28,479		
Other Investments	15,516	14,605		
Gains on the realisation of investments	45,754	31,544	-	-
	108,609	87,501	1,086	29
Investment expenses and charges				
Investment managers' expenses	(22,259)	(20,590)		
Interest payable on death claims	(82)	(121)		
Unrealised (losses)/gains on investments				
Land and buildings	(12,762)	7,719		
Other Investments	(63,661)	59,691	(1,878)	
Total investment return	9,845	134,200	(792)	29

4. **Taxation**

	Long term business technical account		Non technical account	
	2007 £000	2006 £000	2007 £000	2006 £000
(a) Analysis of charge in the period				
Current tax				
UK Corporation tax on profits of the period	6,819	6,730	326	9
Shareholder tax attributable to the balance on the long term technical account			29	4,757
Adjustments in respect of prior years	2,165	537		
Total current tax	8,984	7,267	355	4,766
Deferred tax				
Origination and reversal of timing differences	(19,219)	27,291	-	-
Adjustments in respect of prior years		(442)	-	-
	(19,219)	26,849	-	-
Tax (credit)/charge on profit on ordinary activities	(10,235)	34,116	355	4,766

(b) Factors affecting tax charge for period

The tax assessed in the period is equal to the standard rate of Corporate Tax in the year. The standard tax rate of tax has been determined by using the UK rate of corporation tax enacted for the period for which the profits of the Company will be taxed.

	2007 £000	2006 £000
Profit on ordinary activities before tax	9,621	17,678
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 : 30%)	2,886	5,303
Effects of		
Permanent differences	(2,531)	(537)
Current tax charge for the period	355	4,766

5. **Auditors' remuneration**

The remuneration of the auditors in respect of the audit of the Company's accounts amounted to £24,572 (2006 total audit fee: £22,202). The remuneration of the auditors in respect of other services pursuant to legislation, including the audit of the regulatory return amounted to £8,000 (2006: £8,000). The remuneration of the auditor in respect of the audit of the subsidiary accounts amounted to £5,256.

NOTES TO THE ACCOUNTS (continued)

6. Directors' emoluments and staff costs

The directors of the Company received emoluments of £32,768 during the year in connection with services to the Company (2006: £25,044). Retirement benefits are accruing to all of the directors under the Group's defined benefit scheme. The Company has no employees. Included within net operating expenses are amounts paid in return for management services provided to the Company by other group companies.

7. Investments

Investments in group undertakings and participating interests

	Current Value		Cost	
	2007	2006	2007	2006
	£000	£000	£000	£000
Investments in group undertakings and participating interests	1,870	-	3,748	-

In 2007 the Company contributed USD 7,500,000 to the Prudential Vietnam Finance Company Limited, giving it 100% ownership of the subsidiary. This was the Company's only subsidiary undertaking at 31 December 2007. The subsidiary's principal activity is consumer finance and its country of incorporation is Vietnam.

Other financial investments

	Current Value		Cost	
	2007	2006	2007	2006
	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts	645	-	645	-
Debt securities and other fixed income securities	8,504	8,909	8,197	8,287
Loans secured by insurance policies	164	248	164	248
Deposits with credit institutions	108,978	91,078	108,978	91,078
	118,291	100,235	117,984	99,613

All debt securities and other fixed income securities are listed on a recognised UK investment exchange.

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

7. Investments (continued)

a. Financial instruments

(i) Designation and fair values

On application of FRS26 all financial assets of the Company are designated as either fair value through profit and loss or loans receivables. Financial liabilities are designated as either fair value through profit and loss, amortised cost or investment contracts with discretionary participation features accounted for under FRS26 and the ABI SORP as described in the Accounting Policies section.

2007	**Fair value through profit and loss**	**Loans and receivables**	**Total carrying value**	**Fair value**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Deposits with credit institutions	-	108,978	108,978	108,978
Shares and other variable yield securities and units in unit trusts	645	-	645	645
Debt securities	8,504	-	8,504	8,504
	9,149	108,978	118,127	118,127

2006	**Fair value through profit and loss**	**Loans and receivables**	**Total carrying value**	**Fair value**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Deposits with credit institutions	-	91,078	91,078	91,078
Shares and other variable yield securities and units in unit trusts	-	-	-	-
Debt securities	8,820	-	8,820	8,820
	8,820	91,078	99,898	99,898

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

7. **Investments (continued)**

2007	Fair value through profit and loss	Amortised cost	Total carrying value	Fair value
	£000	£000	£000	£000
Financial Liabilities				
Amounts due to group undertakings		28,276	28,276	28,276
Corporation tax payable		6,811	6,811	6,811
Sundry creditors		13,569	13,569	13,569
Amounts owed to credit institutions		4,956	4,956	4,956
	-	53,612	53,612	53,612

2006	Fair value through profit and loss	Amortised cost	Total carrying value	Fair value
	£000	£000	£000	£000
Financial Liabilities				
Amounts due to group undertakings		18,621	18,621	18,621
Corporation tax payable		4,196	4,196	4,196
Sundry creditors		9,974	9,974	9,974
Amounts owed to credit institutions		-	-	-
	-	32,791	32,791	32,791

All of these liabilities are payable within less than one year.

NOTES TO THE ACCOUNTS (continued)

7. Investments (continued)

(ii) Determination of fair value

The fair values of quoted investments are based on current bid prices, where appropriate. If the market for a financial asset is not active, fair value is established using quotations from independent third parties such as brokers or by using valuation techniques. The valuation techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option adjusted spread models and enterprise valuation and may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments.

The fair value estimates are made at a specific point in time, based upon available market information and judgements about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holding of a particular financial instrument, nor do they consider the tax impact of the realisation of unrealised gains or losses. In some cases the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realised in immediate settlement of the financial instrument.

The loans and receivables have been shown net of provisions for impairment where applicable. The fair value of loans has been estimated from discounted cash flows expected to be received. The rate of discount used was the market rate of interest.

The estimated fair value of derivative instruments reflects the estimated amount the Company would receive or pay in an arm's length transaction. The amount is determined using quotations from independent third parties or valued internally using standard market practices. In accordance with the Company's risk management framework, all internally generated valuations are subject to independent assessment against external counterparties' valuations.

The fair value of borrowings is based on quoted market prices, where available.

The fair value of other financial liabilities is determined using discounted cash flows of the amounts expected to be paid.

Use of valuation techniques
At 31 December 2007, the Company held investments with a fair value of £118.3m (2006: £100.2m) which were measured in full or in part using valuation techniques. The majority of these assets are debt securities, which are valued internally using standard practices. These practices are based on assessing the credit quality of the underlying borrower to derive a suitable discount rate relative to government securities. In accordance with the Company's risk management framework, all internally generated valuations are subject to independent assessment. Changing any one of the underlying assumptions used in determining the fair value would not have a significant impact on the value of the assets.

The total amount of the change in fair value estimated using valuation techniques, including valuation techniques based on assumptions not wholly supported by observable market prices or rates, recognised in the profit and loss account in 2007 was a loss of £0.3m.

Interest income and expense
The interest income on financial assets not at fair value through profit and loss was £5.9m for the year ended 31 December 2007.

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

7. **Investments (continued)**

The interest expense on financial liabilities not at fair value through profit and loss was nil for the year ended 31 December 2007.

b. Market Risk

(i) Interest rate risk

The following table shows an analysis of the classes of financial assets with direct exposure to interest rate risk. Each applicable class of the Company's assets or liabilities are analysed between those exposed to fair value interest rate risk, cash flow interest rate risk and those with no direct interest rate risk exposure. Interest rate risk is minimal for the shareholder assets as the deposits are all less than one month, whereas for the unit-linked assets the risk is born by the policyholders.

2007	**Fair value interest rate risk**	**Total**
	£000	**£000**
Financial Assets		
Deposits with credit institutions	108,978	108,978
Debt securities	8,504	8,504
	117,482	117,482

2006	**Fair value interest rate risk**	**Total**
	£000	**£000**
Financial Assets		
Deposits with credit institutions	91,078	91,078
Debt securities	8,820	8,820
	99,898	99,898

The following table details the effective interest rates for applicable classes of financial assets and liabilities not held at fair value through profit and loss, notably financial assets designated as loans and receivables and liabilities held at amortised cost.

2007	**Balance of financial instruments not at fair value through profit and loss**	**Range of effective interest rates applicable as at 31 Dec 2007**	
		Lower end	**Higher end**
Financial Assets	**£000**	**%**	**%**
Deposits with credit institutions	108,978	5.75	6.69
Debt securities	8,504	4.47	4.47
	117,482		

2006	**Balance of financial instruments not at fair value through profit and loss**	**Range of effective interest rates applicable as at 31 Dec 2006**	
		Lower end	**Higher end**
Financial Assets	**£000**	**%**	**%**
Deposits with credit institutions	91,078	5.11	5.25
Debt securities	8,820	4.01	4.01
	99,898		

7. **Investments (continued)**

In relation to interest rate exposure, the following table sets out the earlier of contractual maturities and repricing dates for applicable classes of financial instruments. Note that none is more than one year.

2007	1 year or less	Total carrying value
	£000	£000
Financial Assets		
Deposits with credit institutions	108,978	108,978
Debt securities	8,504	8,504
	117,482	117,482

2006	1 year or less	Total carrying value
	£000	£000
Financial Assets		
Deposits with credit institutions	91,078	91,078
Debt securities	8,820	8,820
	99,898	99,898

(ii) Maturity profile for investment contracts

The table below shows the maturity profile for investment contracts on an undiscounted basis. This maturity profile has been based on the cash flow projections of expected benefit payments as part of the determination of the value of in-force business when preparing the EEV basis results for the Prudential Group.

	Non Profit - Investment	
	2007	2006
	£000	£000
0-5 years	990,294	702,338
5-10 years	662,765	492,479
10-15 years	524,132	373,389
15-20 years	424,031	292,475
20-25 years	334,257	222,058
Over 25 years	426,678	278,316

(iii) Currency Risk

As at 31 December 2007, all of the financial assets and liabilities of the Company are held in sterling.

7. Investments (continued)

c. Derivatives

As at 31 December 2007, the Company held no derivatives (2006: Nil).

d. Concentration of credit risk

The financial assets held as at 31 December 2007 are all UK gilts or sterling denominated deposits with UK banks. The assets are analysed in the table below using Standard & Poors (S&P) rating (or equivalent when not available from S&P).

	2007 £000	2006 £000
AAA	8,504	8,909
AA	47,000	38,000
A	61,978	53,078
BBB	-	-
Below BBB or not rated	809	248
	118,291	100,235
Unit-linked	2,047,332	1,942,080
Total assets bearing credit risk	**2,165,623**	**2,042,315**

There is minimal credit risk for the Company on Unit linked contracts as the risks are borne by the policyholders.

e. Impairment of financial assets

During the year no significant amounts have been recognised for impairment losses.

f. Risk Management

The Company's business involves the acceptance and management of risk. The Company has in place a risk management process, which is undertaken in accordance with the Group Risk Framework adopted by the Prudential Group in 1999.
A number of risk factors affect the Company's operating results and financial condition. The financial risk factors affecting the Company include the effects of market risk, credit risk and liquidity risk on the financial instruments of the Company.

The Company's investment guidelines allow the use of derivatives to facilitate efficient portfolio management or to reduce investment risk. The Company has not used derivative contracts during the year.

It is the Company's policy that cash or corresponding assets cover amounts at risk through derivative transactions. Derivative financial instruments used to facilitate efficient portfolio management and for investment purposes are carried at fair value with changes in fair value included in the profit and loss account. The Company does not apply hedge accounting to its derivatives.

For unit-linked insurance and investment contracts, the liability to policyholders is determined by the value of the assets in the unit-linked portfolios. There is therefore minimal net equity price, currency, interest rate or credit risk exposure to the Company for these contracts as the risks are borne by the policyholders.

7. Investments (continued)

(i) Market risk

Market risk is the risk that future changes in market prices may make a financial instrument less valuable. Due to the matching of policyholder liabilities to attaching asset value movements the UK unit-linked business is not directly affected by market or credit risk.

Sensitivity analysis has not been performed because interest rate risk is minimal for the shareholder assets as the deposits are all less than 1 month whereas for the unit-linked assets the risk is borne by the policyholder.

(ii) Credit risk

Credit risk is the risk that a counterparty or an issuer of securities, which the Company holds in its asset portfolio, defaults or another party fails to perform according to the terms of the contract. Due to the matching of policyholder liabilities to attaching asset value movements the UK unit-linked business is not directly affected by credit risk. The Company is also exposed to credit-related losses in the event of non-performance by counterparties.

(iii) Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet payment of obligations in a timely manner at a reasonable cost or the risk of unexpected increases in the cost of funding the portfolio at appropriate maturities or rates. Liquidity management in the Company seeks to ensure that, even under adverse conditions, the Company has access to the funds necessary to cover surrenders, withdrawals and maturing liabilities.

For the unit-linked funds, there is a risk that significant policyholder outflows could exceed the short-term liquidity within the funds. The Company has the power to defer settlement to policyholders in certain circumstances by between one and six months, depending on the fund.

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

8. Capital Requirements and Management

The available capital of £44.7m (2006: £36.5m) reflects the excess of regulatory basis assets over liabilities of the Company before deduction of the regulatory capital resources requirement of £9.9m (2006: £11.2m). This excess of available capital over capital resources requirement is monitored during the year. In addition, a realistic assessment of available capital and capital requirements sufficient to cover a 1 in 200 year event is undertaken. Additional capital is sought from the parent company as necessary.

	2007 £000	2006 £000
Shareholders' equity		
Held outside long-term funds	38,628	29,746
Held in long-term funds	19,299	18,915
Total shareholders' equity	57,927	48,661
Adjustments to regulatory basis		
Other adjustments to restate these amounts to a regulatory basis	13,260	12,196
Total available capital resources on FSA regulatory basis	**44,667**	**36,465**

9. Assets held to cover linked liabilities - at current value

	2007 £000	2006 £000
Land and buildings	80,469	93,187
Shares and units in unit trusts	1,590,660	1,487,534
British government securities - fixed income	1,410	71,603
Debentures and loan stocks	206,706	174,216
Deposits with credit institutions	46,815	25,142
Tax recoverable	2	96
Other assets held to cover linked liabilities	121,270	90,302
	2,047,332	1,942,080
Assets held to cover linked liabilities - at cost	1,906,621	1,703,670

Included in the carrying values above are amounts in respect of listed investments as follows:

	2007 £000	2006 £000
Shares and other variable yield securities and units in unit trusts	1,590,660	1,487,534
British government securities - fixed income	1,410	71,603
Debentures and loan stocks	206,706	174,216
	1,798,776	1,733,353

Linked assets are stated gross of accounting liabilities of £12.7m giving rise to the surplus assets over liabilities.

10. Other debtors

	2007 £000	2006 £000
Tax recoverable	165	180
Sundry debtors	-	1,256
	165	1,436

11. Reserves and Policyholder Liabilities, net of reinsurance

	Long-term business provision net of reinsurance £000	Claims outstanding £000	Provision for linked liabilities net of reinsurance £000	Profit and Loss Account £000
Balance at 1st January 2007	920	1,807	1,932,256	37,661
Deposits received from policyholders under investment contracts	-	-	282,294	-
Payments made to policyholders of investment contracts	-	-	(181,331)	-
Movement in technical provisions for the year	1,481	3,534	1,366	-
Movement in profit and loss account	-	-	-	9,266
Effect of FRS 26 on opening balances	-	-	-	-
Net balance at 31st December 2007	2,401	5,341	2,034,585	46,927

Of the reinsurer's share of technical provisions of £152.8 million at 31 December 2007, all of the balance relates to companies outside of the Prudential Group and were from reinsurers with S&P's rating of AA-. Similar conditions existed at 31 December 2006.

12. Long term business provision

The long term business provision has been calculated by the Company's Actuarial Function Holder. For unit linked business the long term business provision primarily relates to timing differences in tax paid by the Company and tax included in the calculation of unit prices.

The provision for future expenses is calculated using a discounted cash-flow method. In addition, an explicit allowance has been made for the effect of regular income withdrawals.

Valuation interest rates and other economic assumptions reflect current market yields.

There have been no other significant changes in the bases or assumptions adopted for the calculation of the long term business provision during the year.

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

12. Long term business provision (continued)

The unit-linked provisions have been calculated on the following bases:

	2007	2006
Discount Rate	3.20% net	3.20% net
Fund Growth	4.20% net	4.20% net
Expense Inflation	3.75% pa	3.75% pa
Mortality	AM/AF92-3	AM/AF92-3
Expenses - Single Premium	£47.86 gross	£42.41 gross
Expenses - Regular Premium - per policy	£81.82 gross	£72.49 gross

13. Technical provision for linked liabilities

The technical provision for linked liabilities comprises provision for the value of units attributed to policyholders.

14. Provision for deferred taxation

	2007 £000	2006 £000
Provision for deferred tax		
Capital allowances	1,554	1,743
Deferred acquisition costs	(2)	(2)
Policy reserves	1,376	1,936
Unrealised gains	8,159	26,629
Undiscounted provision for deferred tax liability	11,087	30,306
Deferred tax at start of period	30,306	2,983
Cumulative effect of changes in accounting policy on adoption of FRS26 and applicable taxes at 1 January 2007	-	474
Deferred tax charged/(credited) to technical account for the period	(19,219)	26,849
Deferred tax liability at the end of the period	11,087	30,306

15. Other provisions

During 2006 the Company instigated two review of pricing issues underlying unit trust charges in the linked funds and set up reasonable and prudent provisions to cover the cost of performing the reviews and the cost of any contingent loss. The pricing issues have now been resolved and the provisions have been released in 2007.

	2007 £000	2006 £000
Balance at 1 January	1,279	2,762
Provided in year	(540)	835
Paid in year	(739)	(2,318)
Balance at 31 December	-	**1,279**

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

16. Other creditors including taxation and social security

	2007 £000	2006 £000
Amounts due to group undertakings	28,276	18,621
Corporation tax payable	6,811	4,196
Sundry creditors	13,569	9,974
Amounts owed to credit institutions	4,956	-
	53,612	32,791

17. Bank accounts

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) and all overdrawn balances of those Group undertakings with similar arrangements.

18. Share capital

The authorised, issued and fully paid up share capital of the Company amounts to eleven million ordinary shares of £1 each.

19. Transfer to the Profit and Loss account

	2007 £000	2006 £000
Distributable profit		
Balance at beginning of year	18,746	8,726
Transfer for the year	8,882	10,020
Balance at end of year	27,628	18,746
Non-distributable profit		
Balance at beginning of year	18,915	16,541
Transfer for the year	384	2,374
Balance at end of year	19,299	18,915
	46,927	37,661

Distributable profit relates to surplus allocated out of the long term fund by the Directors on advice from the Company's Actuarial Function holder as a result of an actuarial investigation whereas non-distributable profit relates to surplus which has not yet been allocated out of the long-term fund.

20. Related party transactions

The Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the Prudential group. There are no other transactions with related parties.

21. Immediate and ultimate parent company

The immediate parent company is Prudential Assurance Company Limited. The ultimate parent company is Prudential plc, which is the only parent company which prepares group accounts. Copies of these accounts can be obtained from the Company Secretary, Laurence Pountney Hill, London, EC4R OHH.