

# **Prudential Holborn Life Limited**

**Incorporated in England and Wales Registered No. 793051**

**Laurence Pountney Hill, London, EC4R 0HH**

**Annual FSA Insurance Returns for the year ended**

**31 December 2007**

**(Appendices 9.1, 9.3, 9.4, 9.6)**

# Prudential Holborn Life Limited

31 December 2007

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**Statement of solvency - long-term insurance business**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	<b>R2</b>	<b>793051</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>
				<b>As at end of this financial year</b>		<b>As at end of the previous year</b>	
				<b>1</b>		<b>2</b>	

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	7042	6719
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	37625	29746
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	44667	36465

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	2625	2618
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	42042	33847

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	7876	7853
Resilience capital requirement	<b>32</b>	2000	3298
Base capital resources requirement	<b>33</b>	2231	2139
Individual minimum capital requirement	<b>34</b>	9876	11151
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	9876	11151
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	39729	30890
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	37260	28102

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>		
Enhanced capital requirement	<b>40</b>	9876	11151

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	9876	11151
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	34791	25314

**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	<b>51</b>		
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**Covering Sheet to Form 2**

**Form 2**

Name of insurer      **Prudential Holborn Life Limited**

Global business

Financial year ended      **31 December 2007**

\_\_\_\_\_ **A M Crossley**      **For and on behalf  
of N Prettejohn,  
Chief Executive**

\_\_\_\_\_ **D J Belsham**      **Director**

\_\_\_\_\_ **G Shaughnessy**      **Director**

**Date 27 March 2007**

**Components of capital resources**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	<b>R3</b>	<b>793051</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>		11000	11000	11000
Profit and loss account and other reserves	<b>12</b>		46927	46927	37661
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>				
Fund for future appropriations	<b>15</b>				
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		57927	57927	48661

**Tier one waivers**

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	<b>21</b>				
Implicit Items	<b>22</b>				
Tier one waivers in related undertakings	<b>23</b>				
Total tier one waivers as restricted (21+22+23)	<b>24</b>				

**Other tier one capital**

Perpetual non-cumulative preference shares as restricted	<b>25</b>				
Perpetual non-cumulative preference shares in related undertakings	<b>26</b>				
Innovative tier one capital as restricted	<b>27</b>				
Innovative tier one capital in related undertakings	<b>28</b>				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		57927	57927	48661
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>		12257	12257	12196
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>		12257	12257	12196
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		45670	45670	36465

**Components of capital resources**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	793051	GL	31	12	2007	£000
		General insurance business  1	Long-term insurance business  2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

**Tier two capital**

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

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

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

**Components of capital resources**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	793051	GL	31	12	2007	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	71				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		45670	45670	36465
Inadmissible assets other than intangibles and own shares	73				
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76		1003	1003	
Deductions of ineligible surplus capital	77				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		44667	44667	36465

**Available capital resources for GENPRU/INSRU tests**

Available capital resources for guarantee fund requirement	81		44667	44667	36465
Available capital resources for 50% MCR requirement	82		44667	44667	36465
Available capital resources for 75% MCR requirement	83		44667	44667	36465

**Financial engineering adjustments**

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

**Analysis of admissible assets**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	<b>R13</b>	<b>793051</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>1</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
						<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>					

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	867	
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>		
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>		
Rights under derivative contracts	<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	39859
	More than one month withdrawal	<b>55</b>	4900
Other financial investments	<b>56</b>		
Deposits with ceding undertakings	<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	
	Property linked	<b>59</b>	



**Analysis of admissible assets**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>793051</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>		
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	499	2562
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	99	
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	41324	29746
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**Analysis of admissible assets**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>793051</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	41324	29746
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>	558	
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>	445	
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	42327	29746
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	<b>R13</b>	<b>793051</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>10</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
						<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>					

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>		
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>			
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	645	89	
Rights under derivative contracts	<b>44</b>			
Fixed interest securities	Approved	<b>45</b>	8504	8820
	Other	<b>46</b>		
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>	164	248	
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	61119	46394
	More than one month withdrawal	<b>55</b>	8000	17500
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>	2047332	1942080

**Analysis of admissible assets**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>793051</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	165	1436
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>		6053
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	632	198
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	2126561	2022818
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**Analysis of admissible assets**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>793051</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	2126561	2022818
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	152849	174221
Other asset adjustments (may be negative)	<b>101</b>		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	2279410	2197039
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Long term insurance business liabilities and margins**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**Total business/Sub fund **10 Ordinary Long Term**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	2050308	1946727	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	7042	6719	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	2057350	1953446	
Claims outstanding	Gross	<b>15</b>	5341	1807
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	5341	1807
Provisions	Taxation	<b>21</b>	10022	28951
	Other risks and charges	<b>22</b>		1279
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>		
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	3935	4544
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>	6811	4196
	Other	<b>38</b>	43102	28595
Accruals and deferred income	<b>39</b>			
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	69211	69372	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	2126561	2022818	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	1650	2171
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	2047332	1942080

Total liabilities (11+12+49)	<b>71</b>	2119519	2016099
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	152849	174221
Other adjustments to liabilities (may be negative)	<b>74</b>	(12257)	(12196)
Capital and reserves and fund for future appropriations	<b>75</b>	19299	18915
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>	2279410	2197039

**Liabilities (other than long term insurance business)**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R15</b>	<b>793051</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2007</b>	<b>£000</b>
			As at end of this financial year 1			As at end of the previous year 2

**Technical provisions (gross amount)**

Provisions for unearned premiums	<b>11</b>		
Claims outstanding	<b>12</b>		
Provision for unexpired risks	<b>13</b>		
Equalisation provisions	Credit business	<b>14</b>	
	Other than credit business	<b>15</b>	
Other technical provisions	<b>16</b>		
Total gross technical provisions (11 to 16)	<b>19</b>		

**Provisions and creditors**

Provisions	Taxation	<b>21</b>	
	Other risks and charges	<b>22</b>	
Deposits received from reinsurers	<b>31</b>		
Creditors	Direct insurance business	<b>41</b>	
	Reinsurance accepted	<b>42</b>	
	Reinsurance ceded	<b>43</b>	
Debenture loans	Secured	<b>44</b>	
	Unsecured	<b>45</b>	
Amounts owed to credit institutions	<b>46</b>		
Creditors	Taxation	<b>47</b>	
	Foreseeable dividend	<b>48</b>	
	Other	<b>49</b>	3699
Accruals and deferred income	<b>51</b>		
Total (19 to 51)	<b>59</b>	3699	
Provision for "reasonably foreseeable adverse variations"	<b>61</b>		
Cumulative preference share capital	<b>62</b>		
Subordinated loan capital	<b>63</b>		
Total (59 to 63)	<b>69</b>	3699	

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>		
Capital and reserves	<b>84</b>	38628	29746
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	<b>85</b>	42327	29746

**Profit and loss account (non-technical account)**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	793051	GL	31	12	2007	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			10000		10000
Investment income	Income		14			1086		29
	Value re-adjustments on investments		15					
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17					
	Value re-adjustments on investments		18			1878		
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			9208		10029
Tax on profit or loss on ordinary activities			31			326		9
Profit or loss on ordinary activities after tax (29-31)			39			8882		10020
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49			8882		10020
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59			8882		10020



**Long-term insurance business : Revenue account**

Name of insurer **Prudential Holborn Life Limited**  
 Total business / subfund **10 Ordinary Long Term**  
 Financial year ended **31 December 2007**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	284053	446473
Investment income receivable before deduction of tax	12	66228	58693
Increase (decrease) in the value of non-linked assets brought into account	13	(313)	(415)
Increase (decrease) in the value of linked assets	14	(30356)	98553
Other income	15		
<b>Total income</b>	<b>19</b>	<b>319612</b>	<b>603304</b>

**Expenditure**

Claims incurred	21	188733	326659
Expenses payable	22	26838	25066
Interest payable before the deduction of tax	23	82	121
Taxation	24	(9945)	34379
Other expenditure	25		
Transfer to (from) non technical account	26	10000	10000
<b>Total expenditure</b>	<b>29</b>	<b>215708</b>	<b>396225</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	103904	207079
Fund brought forward	49	1953446	1746367
Fund carried forward (39+49)	59	2057350	1953446

**Long-term insurance business : Analysis of premiums**

Name of insurer **Prudential Holborn Life Limited**  
 Total business / subfund **10 Ordinary Long Term**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

**Gross**

Regular premiums	11	906			906	896
Single premiums	12	283581			283581	446184

**Reinsurance - external**

Regular premiums	13					
Single premiums	14	434			434	607

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	906			906	896
Single premiums	18	283147			283147	445577

**Total**

Gross	19	284487			284487	447080
Reinsurance	20	434			434	607
Net	21	284053			284053	446473

**Long-term insurance business : Analysis of claims**

Name of insurer **Prudential Holborn Life Limited**  
 Total business / subfund **10 Ordinary Long Term**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	25462		25462	31521
Disability periodic payments	12				
Surrender or partial surrender	13	176740		176740	309434
Annuity payments	14				
Lump sums on maturity	15	1164		1164	1962
<b>Total</b>	<b>16</b>	<b>203366</b>		<b>203366</b>	<b>342917</b>

**Reinsurance - external**

Death or disability lump sums	21	5843		5843	5234
Disability periodic payments	22				
Surrender or partial surrender	23	8782		8782	10966
Annuity payments	24				
Lump sums on maturity	25	8		8	58
<b>Total</b>	<b>26</b>	<b>14633</b>		<b>14633</b>	<b>16258</b>

**Reinsurance - intra-group**

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34				
Lump sums on maturity	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Death or disability lump sums	41	19619		19619	26287
Disability periodic payments	42				
Surrender or partial surrender	43	167958		167958	298468
Annuity payments	44				
Lump sums on maturity	45	1156		1156	1904
<b>Total</b>	<b>46</b>	<b>188733</b>		<b>188733</b>	<b>326659</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Prudential Holborn Life Limited**  
 Total business / subfund **10 Ordinary Long Term**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	26756		26756	24617
Management - other	15	82		82	449
<b>Total</b>	<b>16</b>	<b>26838</b>		<b>26838</b>	<b>25066</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
<b>Total</b>	<b>26</b>				

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	26756		26756	24617
Management - other	45	82		82	449
<b>Total</b>	<b>46</b>	<b>26838</b>		<b>26838</b>	<b>25066</b>

## Long-term insurance business : Linked funds balance sheet

Name of insurer **Prudential Holborn Life Limited**  
 Total business  
 Financial year ended **31 December 2007**  
 Units **£000**

Financial year	Previous year
1	2

## Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	1118915	1074389
Directly held assets in collective investment schemes of connected companies	12	852759	820145
Directly held assets in other collective investment schemes	13	75658	47546
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>2047332</b>	<b>1942080</b>
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	12747	9824
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>2034585</b>	<b>1932256</b>

## Directly held linked assets

Value of directly held linked assets	21		
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## Total

Value of directly held linked assets and units held (18+21)	31	2034585	1932256
Surplus units	32		
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>2034585</b>	<b>1932256</b>

**Long-term insurance business : Revenue account for internal linked funds**

Name of insurer **Prudential Holborn Life Limited**  
 Total business  
 Financial year ended **31 December 2007**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Value of total creation of units	11	282463	444920
Investment income attributable to the funds before deduction of tax	12	57943	52115
Increase (decrease) in the value of investments in the financial year	13	(30356)	98553
Other income	14		
<b>Total income</b>	<b>19</b>	<b>310050</b>	<b>595588</b>

**Expenditure**

Value of total cancellation of units	21	188733	326659
Charges for management	22	26030	22275
Charges in respect of tax on investment income	23	5151	6233
Taxation on realised capital gains	24	3052	28093
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	(15245)	
Other expenditure	26		
<b>Total expenditure</b>	<b>29</b>	<b>207721</b>	<b>383260</b>

Increase (decrease) in funds in financial year (19-29)	39	102329	212328
Internal linked fund brought forward	49	1932256	1719928
Internal linked funds carried forward (39+49)	59	2034585	1932256

**Long-term insurance business : Summary of new business**

Name of insurer **Prudential Holborn Life Limited**  
 Total business  
 Financial year ended **31 December 2007**  
 Units **£000**

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

**Number of new policyholders/  
scheme members for direct  
insurance business**

Regular premium business	11					
Single premium business	12					
<b>Total</b>	<b>13</b>					

**Amount of new regular  
premiums**

Direct insurance business	21					
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>					

**Amount of new single  
premiums**

Direct insurance business	25					
External reinsurance	26					
Intra-group reinsurance	27	283581			283581	446184
<b>Total</b>	<b>28</b>	283581			283581	446184

**Long-term insurance business : Analysis of new business**

Name of insurer **Prudential Holborn Life Limited**  
 Total business  
 Financial year ended **31 December 2007**  
 Units **£000**  
 UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
700	Life property linked single premium				283581



**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **Prudential Holborn Life Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2007**  
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

**Assets backing non-profit liabilities and non-profit capital requirements**

Land and buildings	11					
Approved fixed interest securities	12	8728	8728	395	4.47%	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15		91			
Non-UK listed equity shares	16		554			
Unlisted equity shares	17					
Other assets	18	70501	69856	4641	6.64%	
<b>Total</b>	<b>19</b>	<b>79229</b>	<b>79229</b>	<b>5036</b>	<b>6.35%</b>	

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

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

**Overall return on with-profits assets**

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

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Prudential Holborn Life Limited**Total business / subfund **10 Ordinary Long Term**Financial year ended **31 December 2007**Units **£000**

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

**Gross**

Form 51 - with-profits	11				
Form 51 - non-profit	12	41		41	28
Form 52	13				
Form 53 - linked	14	2187344		2187344	2106465
Form 53 - non-linked	15	15772		15772	14442
Form 54 - linked	16				
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>	<b>2203157</b>		<b>2203157</b>	<b>2120935</b>

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22	13		13	
Form 52	23				
Form 53 - linked	24	152759		152759	174208
Form 53 - non-linked	25	77		77	
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>	<b>152849</b>		<b>152849</b>	<b>174208</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>				

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42	28		28	28
Form 52	43				
Form 53 - linked	44	2034585		2034585	1932257
Form 53 - non-linked	45	15695		15695	14442
Form 54 - linked	46				
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>	<b>2050308</b>		<b>2050308</b>	<b>1946727</b>

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Prudential Holborn Life Limited**  
 Total business / subfund **10 Ordinary Long Term**  
 Financial year ended **31 December 2007**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	1	1					1
390	Deferred annuity non-profit	8						1
395	Annuity non profit (PLA)	5	3					39

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Prudential Holborn Life Limited**  
 Total business / subfund **10 Ordinary Long Term**  
 Financial year ended **31 December 2007**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
395	Annuity non profit (PLA)							13

**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Prudential Holborn Life Limited**  
 Total business / subfund **10 Ordinary Long Term**  
 Financial year ended **31 December 2007**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	58881	2062197		2023838	2023838	207	2024045
710	Life property linked whole life regular premium	3085	128001	655	127981	127981	17	127998
715	Life property linked endowment regular premium - savings	2999	35539	142	35525	35525	29	35554
800	Additional reserves property linked						15519	15519

**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Prudential Holborn Life Limited**  
 Total business / subfund **10 Ordinary Long Term**  
 Financial year ended **31 December 2007**  
 Units **£000**  
 UK Life / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
700	Life property linked single premium		78277		76821	76821		76821
710	Life property linked whole life regular premium		60593	310	60584	60584		60584
715	Life property linked endowment regular premium - savings		15360	62	15354	15354		15354
800	Additional reserves property linked						77	77

**Long-term insurance business : Unit prices for internal linked funds**

Name of insurer **Prudential Holborn Life Limited**  
 Total business  
 Financial year ended **31 December 2007**  
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Distribution	04 - life - other managed fund	742534	2	1.00	1.3173	1.2700	(3.59)
European Tracker	06 - life - overseas equity	276	5	1.55	1.5140	1.6830	11.16
Fixed Interest	04 - life - other managed fund	31126	1	0.50	11.0065	11.4020	3.59
Managed	02 - life - balanced managed fund	222816	2	1.00	15.3726	16.2430	5.66
Property	07 - life - property	418559	5	1.55	1.3857	1.2960	(6.47)
UK Tracker	01 - life - stock market managed fund	1392	5	1.55	1.4880	1.5150	1.81
Managed Defensive	03 - life - defensive managed fund	112109	5	1.55	1.1031	1.1510	4.34

**Long-term insurance business : Distribution of surplus**

Name of insurer **Prudential Holborn Life Limited**  
 Total business / subfund **10 Ordinary Long Term**  
 Financial year ended **31 December 2007**  
 Units **£000**

Financial year 1	Previous year 2
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**Valuation result**

Fund carried forward	11	2057350	1953446
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	10000	10000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2067350	1963446
Mathematical reserves	21	2050308	1946727
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	17042	16719

**Composition of surplus**

Balance brought forward	31	6719	6240
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	10323	10479
Total	39	17042	16719

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	10000	10000
Total distributed surplus (46+47)	48	10000	10000
Surplus carried forward	49	7042	6719
Total (48+49)	59	17042	16719

**Percentage of distributed surplus allocated to policyholders**

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		



**Long-term insurance capital requirement**Name of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2007**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%			1.00		
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	1	1		0	0
Classes III, VII and VIII	15	0.3%	84	84	1.00	0	0
<b>Total</b>	<b>16</b>		85	85		0	0

**Insurance health risk and life protection reinsurance capital component**

Class IV supplementary classes 1 and 2 and life protection reinsurance	21						
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	41	28	0.85	0	0
Classes III, VII and VIII (investment risk)	33	1%	21011	20934	1.00	209	194
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	161310	55920	0.85	1371	1453
Classes III, VII and VIII (other)	35	25%				5666	5623
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					7247	7270

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	41	28	0.85	1	1
Classes III, VII and VIII (investment risk)	43	3%	21011	20934	1.00	628	582
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	161310	55920			
Classes III, VII and VIII (other)	45	0%	2020795	1973426			
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		2203157	2050308		629	583

<b>Long term insurance capital requirement</b>	<b>51</b>					7876	7853
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## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **Appendix 9.4**

#### **VALUATION REPORT ON PRUDENTIAL HOLBORN LIFE LIMITED**

##### **INTRODUCTION**

1. (1) The investigation relates to 31 December 2007.
- (2) The previous investigation related to 31 December 2006.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2006.

##### **PRODUCT RANGE**

2. There have been no significant changes in products during the financial year.

##### **DISCRETIONARY CHARGES AND BENEFITS**

3. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) There have been no changes to service charges on linked policies.
- (5) There have been no changes to benefit charges on linked policies.
- (6) Not applicable.
- (7) A smoothed equity approach is taken to unit pricing. Current practice is as follows.
  - (a) While the trend in the number of units in a unit fund is believed to be upward, the bid price is the creation price. While the trend in the number of units is believed to be downward, the bid price is the cancellation price. Where the trend is unclear or changing the bid price may be between the creation price and the cancellation price. The offer price is then set equal to the bid price plus the initial charge plus a rounding adjustment not exceeding 0.1p.

The creation price is the cash cost of purchasing an identical portfolio of assets to that in the unit fund including all the costs that would be incurred in purchasing such assets, divided by the number of units in existence. The cancellation price is the cash amount for which the assets of the unit fund can be sold net of all costs that would be incurred in disposing of the assets, divided by the number of units in existence.

Unit prices are calculated and allocations to policies made daily. The associated cash is invested or withdrawn from the unit fund two days following the allocation.

Units are allocated to and deallocated from policies using a forward pricing basis.

Units are created using the creation price and cancelled at the cancellation price.

- (b) Unit pricing bases are determined at fund level, so all policies invested in the same fund have the same basis applied.
- (c) The price used for collective investment schemes and similar assets is the latest valuation at mid-day; deals are placed before mid-day and receive that following price.

## PRUDENTIAL HOLBORN LIFE LIMITED

### Appendix 9.4 (continued)

- (8) Realised gains were taxed at 20% on crystallisation and the tax is due immediately from the linked funds to the trading account. The instalment of tax arising on the deemed disposal of unit trust holdings is deducted quarterly from the fund at a similar rate. No credit is taken for tax relief on realised losses in a fund until they are covered by gains in the same fund.
- (9) Provisions for tax on unrealised gains and outstanding instalments of deemed disposals, reduced as necessary to allow for realised losses in accordance with the above approach, have been made within the funds. These provisions are calculated as the net present value of future tax liabilities using a suitable discount rate and are currently between 18.48% to 19.45% of the corresponding liabilities.
- (10) Where investments are in Prudential Unit Trusts the purchase price is the underlying creation price. In the case of disinvestments the sale price is the underlying cancellation price. The unit trusts are single priced so that the creation and cancellation prices are the same. The M&G Authorised Property Unit Trust is dual priced with purchases being made at the creation price and sales at the cancellation price. In some cases Prudential Unit Trusts include a fund management charge in the price of the fund. In such cases Prudential Unit Trusts rebate the fund management charge deducted from the unit trusts. The full rebate is credited to the respective linked funds with the deduction for investment management expenses being met by non linked funds.

#### VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

4. At 31 December 2007 the total gross mathematical reserves amounted to £2,203m. The lesser of £10m and 1% of the total gross mathematical reserves was therefore equal to £10m.

#### (1) Linked policy reinsurance accepted from Prudential Assurance Company Limited (PACL)

For linked policy reinsurance accepted from PACL, units have been attributed to policies to cover benefits payable on surrender or switch. No reserve for future expenses is necessary.

#### Other linked policies

The mathematical reserve for property-linked contracts is the unit liability together with a non-unit reserve (a "sterling reserve") to cover expenses and mortality.

The non-unit reserve is calculated as the value of future attributable expenses and renewal commission less the value of future management charges, allowing for regular withdrawals at the current level, and the value of that portion of future premiums not allocated to units.

In the case of regular premium contracts, premiums are assumed to continue in payment for the remaining term of the contract unless a higher reserve is obtained by assuming immediate cessation of premiums in which case per policy expenses are assumed to be the same as the expenses for paid up policies.

Where necessary, the reserve is adjusted to ensure that for an individual policy both currently and at any future date is at least equal to the value of attributed units less surrender penalties.

The additional reserve for non-attributable expenses is calculated as described in section 6.(6).

- (2) The valuation interest rate used for linked policies is as follows:

	2007	2006
Valuation interest rate	3.20% p.a. net	3.20% p.a. net

## PRUDENTIAL HOLBORN LIFE LIMITED

### Appendix 9.4 (continued)

(3) Not applicable.

(4) For linked policies, the mortality basis is as follows:

For 2007 and 2006: AM92/AF92-3.

(5) Not applicable.

(6)

Product group	31 December 2007	31 December 2006
Linked policies (700)	Renewal expenses (net of tax relief at 20%):- - life single premium business £6.94 p.a. per policy	Renewal expenses (net of tax relief at 20%):- - life single premium business £8.91 p.a. per policy
Linked policies (710 and 715)	- life regular premium business (premium paying) £11.86 p.a. per policy - life regular premium business (non premium paying) £6.94 p.a. per policy	- life regular premium business (premium paying) £15.22 p.a. per policy - life regular premium business (non premium paying) £8.91 p.a. per policy
	There is no specific loading for claim expenses.	There is no specific loading for claim expenses.
	Investment expenses: 0.25% p.a. in respect of direct written business.	Investment expenses: 0.25% p.a. in respect of direct written business.

Expense figures are per policy attributable expenses only.

(7) The unit growth rates (before management charges) and the inflation rates assumed for future expenses and future increases in policy charges are as follows:

Unit growth rate	4.20%
Expense inflation rate	3.75%
Policy charge inflation rate	Nil

(8) Not applicable.

(9)

		Average lapse/surrender/paidup rates for the policy years			
		1-5	6-10	11-15	16-20
UL savings endowment	PUP	9.0%	6.8%	4.8%	4.2%
UL savings endowment	Surrender	2.2%	2.2%	2.2%	2.2%

(10) There were no other material assumptions not stated elsewhere.

## PRUDENTIAL HOLBORN LIFE LIMITED

### Appendix 9.4 (continued)

(11) Not applicable.

(12) There have been no changes made to the mathematical reserves at the current valuation date as a result of the changes to the INSPRU rules at 31 December 2006.

### OPTIONS AND GUARANTEES

5. (1) Not applicable.

(2) Not applicable.

(3) Not applicable.

(4) For Maximum Investment Plan (Mark 4), at maturity, the policyholder has the option to convert the policy to a whole of life contract or to extend the term by a minimum of 10 years subject to the maximum age next birthday at entry being 80 less the term, except for a 10 year term where it is 76. No additional reserves are held for this option.

### EXPENSE RESERVES

6. (1)

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
Unit linked regular premium	-	£393,743	£51,722	£282,364	£727,829
Unit linked single premium	-	£356,504	£114,479	£675,030	£1,146,013
Total	-	£750,247	£166,200	£957,395	£1,873,842

(2) Not applicable.

(3) The amount of maintenance expenses shown in line 14 of Form 43 is different to that shown in paragraph 6.(1) above. This is because the loadings mentioned in 6.(1) exclude the annual management charge rebated to PACL, where the amount due to PACL is that arising from the associated linked funds. In 2007 this amounted to £24,957,000, which is included in line 14 of Form 43.

(4) The only new business expected in the twelve months following the valuation date is reinsurance accepted from PACL. As this is expected to be written on terms which do not result in new business strain in the Company, no new business expense overrun reserve is required.

(5) In the first instance, expense reserves are calculated on the assumption that Prudential's UK insurance operations will continue to write new business indefinitely and hence that there will be no loss of economies of scale. In this scenario, the expense loadings over the remaining lifetime of the contracts in force at the valuation date are included in the reserves reported in Form 50.

In order to allow for the possibility that the firm will cease to transact new business twelve months after the valuation date, the expense loading is recalculated on the assumption that, over a two year period, unit costs would be reduced by 20% and thereafter loss of economies of scale would result in overall expenses being cut more slowly than the rate at which policies run off. If this revised calculation results in a higher reserve than described in the paragraph above, then the difference is held as an additional reserve. In addition the costs associated with closing to new business, such as redundancy costs or the costs of terminating management agreements, are estimated. To the extent that these costs exceed the projected surplus on prudent assumptions from existing business a further additional reserve is held. At 31 December 2007 an additional reserve of £1.1m was held.

## PRUDENTIAL HOLBORN LIFE LIMITED

### Appendix 9.4 (continued)

- (6) The additional reserve for non-attributable expenses at a homogenous risk group level is calculated as the present value of all future expenses less charges, subject to a maximum of the non-attributable expenses for policies in that risk group. All future charges and expenses are projected allowing for lapses on a prudent basis. Any future valuation strain is removed at the homogenous risk group level. An additional reserve for non-attributable expenses was not required at 31 December 2007.

### MISMATCHING RESERVES

7. (1) and (2) All assets and liabilities are denominated in sterling. There is no currency mismatching.
- (3) There is no reserve for currency mismatching.
- (4) For the purpose of calculating the resilience capital requirement under INSPRU 3.1.10R, the most onerous scenario is a combination of a fall in unit prices of 25% and an immediate rise of 91 basis points in the annual yield obtainable on fixed interest securities.
- (5) Not applicable.
- (6) A Resilience Capital Requirement of £2,000,000 has been established.

There was a £985,000 increase in the aggregate amount of the long term liabilities.

The assets allocated to match such liabilities including the resilience capital requirement decreased in value by £992,360.

- (7) No reserve is required for cashflow mismatching under INSPRU 1.1.34R(2).

### OTHER SPECIAL RESERVES

8. At 31 December 2007 the total gross mathematical reserves amounted to £2,203m. The lesser of £10m and 0.1% of the total gross mathematical reserves was therefore equal to £2.2m. The nature and amount of other special reserves exceeding £2.2m are listed below:

Reserve for unpaid profit share	£9.2m
---------------------------------	-------

### REINSURANCE

9. (1) No premiums were paid in 2007 in respect of reinsurance business ceded on a facultative basis to reinsurers not authorised to carry on business in the United Kingdom.
- (2) The reinsurance treaties shown in the table below meet the FSA criteria for being reported in this section and were in force as at 31 December 2007.

## PRUDENTIAL HOLBORN LIFE LIMITED

### Appendix 9.4 (continued)

Reinsurance treaties:

<b>(d) Reinsurer</b>	<b>(e) Nature of cover</b>	<b>(f) Premiums £'000</b>	<b>(h) Open / Closed</b>	<b>(j) Reserves Ceded £'000</b>	<b>(k) Retention</b>
Swiss Re Life & Health Limited	Reinsurance of all direct linked business written by Prudential Holborn Life, excluding benefits linked to real property assets, on a 50% quota share basis. The liability reassured is covered by a pari passu charge on assets.	796	Closed	152,849	50% of first £25,000

- (g) There were no deposit back arrangements under the above treaty.
- (i) There are no “undischarged obligations of the insurer”. Premiums are only payable if the gross business remains in force.
- (l) The above reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The reinsurer is not a connected company.
- (n) In general the treaty is exposed to the credit risk of the reinsurer, against which a reserve is held.
- (o) The net liability includes no allowance for the refund of any reinsurance commission.

### REVERSIONARY BONUS

10. Not applicable.

## PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2007

### Notes to the returns

#### Form 2

\*0201\* Waivers issued disapplying or modifying any of the provisions of the Accounts and Statements Rules in respect of long-term insurance business

The FSA, on the application of the firms, issued to the firms in November 2005 a direction under section 148 of FSMA 2000. The effect of the direction is to enable the Prudential Assurance Company and Prudential Holborn Life Limited to contract to pay benefits under linked long term contracts related to the PHL Prudential Property (Unit Linked) Life Fund which are themselves determined, either wholly or partly, by reference to units in the M&G Property Portfolio. This direction ended on 15 November 2007.

#### Form 3

\*0301\* Reconciliation of net admissible assets to total capital resources after deductions

	<b>2007</b>
	<b>£000</b>
Form 13 Line 89 (Long term) Grand total of admissible assets	2,126,561
Form 14 Line 11 Mathematical reserves, after distribution of surplus	(2,050,308)
Form 14 Line 49 Total other insurance and non-insurance liabilities	(69,211)
Form 13 Line 89 (Other than long term) Grand total of admissible assets	41,324
Form 15 Line 69 Total	(3,699)
	<hr/>
	44,667
Form 3 Line 79 Capital resources after deductions	44,667
Difference	<hr/> <hr/> 0

\*0310\* Details of positive and negative valuation differences

	<b>2007</b>
	<b>£'000</b>
Additional reserves held in the long term fund	13,322
Deferred tax on additional reserves held in the long term fund	(1,065)
Form 3 Line 35 Other negative valuation differences	<hr/> <hr/> 12,257



## PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2007

### Notes to the returns (continued)

\*0313\* Reconciliation of profit and loss account change

	<b>2007</b>
	<b>£000</b>
Profit and loss account and reserves b/fwd	37,661
Profit and loss account and reserves c/fwd	46,927
Movement	<u>9,266</u>
Movement in additional reserves held for FSA	229
Movement in deferred tax	(290)
Movement in unallocated surplus	(323)
Form 16 Line 59 Loss retained for the financial year	<u><u>8,882</u></u>

### **Form 13**

Notes 1301 to 1319 apply to the other than long term business fund.

\*1301\* Assets specified in instructions 5

The Company held no unlisted investments, listed investments that are not readily realisable, or any other investments specified in instruction 5.

\*1304\* Statement on set-off

Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

\*1305\* Maximum Counterparty Limits

The Company's investment guidelines set maximum counterparty limits in order to maintain the admissibility of assets in accordance with Rule 4.14. The limits were not breached throughout the financial year. In respect of the Company's main working capital bank accounts within both the other than long-term and long-term funds, the balances are reviewed daily and compared to expected cashflows to ensure the Company is technically solvent. The balances did not exceed the Rule 4.14 limit during the year.

## **PRUDENTIAL HOLBORN LIFE LIMITED**

**Financial Year ended 31 December 2007**

### **Notes to the returns (continued)**

#### **\*1306\* Counterparty exposures at year end**

Counterparty exposures were held at year end that were greater than five percent of the sum of the base capital resources requirement and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. These were held as cash on deposit and were: Fortis Bank £2.0m, ABN Amro £9.0m, Bank of Scotland £1.0m, Banko Populare Di Verona £10.0m and Close Brothers Ltd £4.9m.

Notes 1308 to 1320 apply to the long term business fund.

#### **\*1308\* Assets specified in instruction 5**

The Company held no unlisted investments, listed investments that are not readily realisable, or any other investments specified in instruction 5.

#### **\*1310\* Statement on set-off**

Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

#### **\*1319\* Maximum Counterparty Limits**

The Company's investment guidelines set maximum counterparty limits in order to maintain the admissibility of assets in accordance with Rule 4.14. The limits were not breached throughout the financial year.

#### **\*1312\* Counterparty Exposures at Year End**

Counterparty exposures were held at year end that were greater than five percent of the sum of the base capital resources requirement and long term insurance liabilities, excluding property linked liabilities and net of insurance ceded. These were Abbey National £5.0m, Bank of Ireland £10.0m, Bank of Scotland £9.0m, Britannia Building society £6.0m, Close Brothers Ltd £2.0m, Deutsche Postbank AG £6.0m, Fortis Bank £6.0m, IIB Bank £10.0m, Intesabci (IBCI) £5.0m, Landesbank Hessen-Thüringen £8.0m, Nationwide Building Society £10.0m, Nordea £10.0m.

# PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2007

Notes to the returns (continued)

## Form 14

\*1401\* Provision for Adverse Changes

The long-term business fund does not hold derivatives and does not require a provision for adverse changes.

\*1402\* Details of charges over assets, etc.

- (a) In the normal course of business certain reinsurance liabilities were secured by a floating charge, ranking these liabilities equally with amounts due under unsecured direct (non-reassurance) policies, over the long term insurance assets of the company. The amount secured by a charge of this nature and included in Form 14 Line 11 was £1,876.4m. The whole of the amount at Form 13 Line 101 is subject to the charge.
- (b) The long-term business fund held a provision of £8,158,853 (2006: £26,628,855) for potential tax on capital gains in respect of linked business in the long term business fund, in line 21 of Form 14 in 2007 and line 11 of Form 14 in 2006. If properties on which capital allowances have been claimed were disposed of, tax of not more than £1,570,666 (2006: £1,766,308) would be payable in respect of balancing charges. This amount has been provided in line 21 of Form 14.
- (c) There were no contingent liabilities at the year end.
- (d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business in respect of related companies.
- (e) There were no fundamental uncertainties.

\*1403\* Provision for deficits

No provision for deficit in any regulated undertaking is included in line 22 of Form 14.

\*1405\* Other adjustments to liabilities

	£'000
Negative valuation differences (see note 0310)	12,257
Form 14 Line 74	<u>12,257</u>

## **PRUDENTIAL HOLBORN LIFE LIMITED**

**Financial Year ended 31 December 2007**

**Notes to the returns (continued)**

### **Form 15**

\*1501\* Provision for Adverse Changes

No derivatives were held by the other than long term fund at any time during the year and therefore no provision for adverse changes is required.

\*1502\* Details of charges over assets, etc.

- (a) There were no charges attributable to the other than long term business assets.
- (b) There was no potential tax liability arising in the other than long-term fund.
- (c) There were no contingent liabilities at the year end.
- (d) 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 and all overdrawn balances of those group undertakings with similar arrangements. Total debit balances relating to this arrangement amount to £4.5m
- (e) There were no fundamental uncertainties.

### **Form 16**

\*1601\* Foreign Currencies

Foreign currency revenue transactions, assets and liabilities are translated at year end exchange rates, except that certain revenue transactions are translated at rates ruling at the transaction dates.

### **Form 17**

\*1700\* Form 17 has been omitted, as no such contracts were used.

### **Form 40**

\*4008\* Provision of Management Services

The Company was provided throughout the year with management services by M&G Investment Management Limited, Prudential Property Investment Managers Limited, Prudential Unit Trusts Limited, Prudential UK Services Limited, Prudential Distribution Limited, Prudential Services Limited and The Prudential Assurance Company Limited. The Company was further assisted during the year with day to day management services by Mellon European Fund Services, a third party.

## **PRUDENTIAL HOLBORN LIFE LIMITED**

**Financial Year ended 31 December 2007**

**Notes to Appendices 9.1 and 9.3 (continued)**

\*4009\* Details of material connected party transactions

The Company has a reinsurance agreement with a related Company, The Prudential Assurance Company Limited. Included in earned premiums for the year is an amount of £282.3m received under this reinsurance agreement. Also included within claims incurred is an amount of £181.3m arising from claims under this reinsurance agreement. The reinsurance agreement was drawn up under normal commercial terms which reflect the level of business transacted with the Company. There were no amounts written off in the period in respect of debts due to or from connected parties.

The rebate of fund management charge to The Prudential Assurance Company Limited for the year amounted to £24,957,000 (2006: £21,190,916). In addition, The Prudential Assurance Company Limited met the expenses associated with this business.

### **Form 44**

\*4401\* Valuation of Linked Assets

These assets are included at market value or, in the case of properties, on the basis of an annual external professional valuation by Allsop & Co, Chartered Surveyors. Securities are valued at a market bid price.

### **Form 48**

\*4804\* Line 18, column 1 includes assets not producing income of £1.4m

**PRUDENTIAL HOLBORN LIFE LIMITED**

**Financial year ended 31 December 2007**

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

Financial year ended 31 December 2007

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU, and INSPRU as modified by a waiver dated 1 November 2005 issued under section 148 of the Financial Services and Markets Act 2000; and:
  - (b) we are satisfied that:
    - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU, INSPRU and
    - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
  - (b) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
  - (c) that we have, in preparing the return, taken and paid due regard to advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

.....

A M Crossley  
For and on behalf of  
N Prettejohn  
Chief Executive

.....

D J Belsham  
Director

.....

G Shaughnessy  
Director

27 March 2008

**Report of the auditor to the Directors pursuant to the Interim Prudential Sourcebook IPRU (INS) rule 9.35**

**PRUDENTIAL HOLBORN LIFE LIMITED**

Financial year ended 31 December 2007

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance Prudential Sourcebook, (“the Rules”) made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 16, 40 to 45, 48, 58 and 60, (including the supplementary notes) on pages 1 to 31 (‘the Forms’) and pages 38 to 43;
- the statement required by IPRU(INS) rule 9.29 on page 47 (‘the Statement’); and
- the valuation report required by rule IPRU(INS) 9.31(a) (‘the valuation report’).

We are not required to examine and do not express an opinion on:

- Forms 46, 47, 50 to 55 (including the supplementary notes) on pages 21 to 29;
- the statement required by IPRU(INS) rule 9.30 on page 48; and
- the certificate required by IPRU(INS) rule 9.34 on page 44 (‘the certificate’).

This report is made solely to the company’s directors, as a body, in accordance with the requirements of IPRU(INS) rule 9.35. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor’s report has been commissioned by the company’s directors and issued in accordance with the requirements of IPRU(INS) rule 9.35 and to facilitate the discharge by the FSA of its regulatory functions in respect of the company, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the company’s directors those matters we are required to state to them in an auditor’s report issued pursuant to IPRU(INS) rule 9.35 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s directors as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the company and its auditors**

The company is responsible for the preparation of an annual return (including the Forms, the Statement and the valuation report, the forms and statement not examined by us and the certificate) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver issued under section 148 of the Financial Services and Markets Act 2000 on 1 November 2005. Under IPRU(INS) rule 9.11 the Forms, the Statement, valuation report, the forms and statement not examined by us and the certificate are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the company and used to perform the actuarial investigation as set out in the valuation report, prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, the valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination.

### **Basis of opinion**

We conducted our work in accordance with Practice Note 20 “The audit of insurers in the United Kingdom (revised)” issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the Statement and the valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with rule IPRU(INS) 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the company.

### **Opinion**

In our opinion:

- i) the Forms, the Statement and the valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the company and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2.

KPMG Audit Plc  
Registered Auditor

London

Date



## **PRUDENTIAL HOLBORN LIFE LIMITED**

**Financial Year ended 31 December 2007**

### **Rule 9.29 Statement on Derivative Contracts**

a. **Investment Guidelines**

During 2007, investment guidelines allowed the use of derivative contracts in the Distribution, Fixed Interest, Managed and Constant Proportion Portfolio Insurance internal linked funds. The derivatives and use thereof was restricted to that permitted by Appendix 3.2. The use of derivatives was not permitted in the non-linked funds.

Derivatives are limited to: exchange traded warrants; exchange traded index or stock futures; over the counter put options; forward currency contracts; hedging of overseas holdings into £ sterling; partly paid shares; and convertible bonds. Derivatives must be listed or with an approved counterparty and must be capable of being readily closed out at a price the basis of which is pre-determined. Exchange traded index and stock futures must be based on underlying assets which are themselves permitted links.

b. **Derivatives where exercise is unlikely**

The Company was not subject to any counterparty derivative exposure during the financial year.

c. **Quantification of derivatives in (b) above**

The Company was not subject to any counterparty derivative exposure during the financial year.

d. **Effect on Form 13 of exercising derivatives where it would be prudent to assume options would be exercised**

The Company was not subject to any counterparty derivative exposure during the financial year.

e. **Effect on Form 13 of exercising all derivatives**

The Company was not subject to any counterparty derivative exposure during the financial year.

f. **Effect on Form 13 during the financial year**

The Company was not subject to any counterparty derivative exposure during the financial year.

g. **Maximum loss which would be incurred by the Company**

The Company was not subject to any counterparty derivative exposure during the financial year.

h. **Provisions for reasonably foreseeable variations arising from derivative contracts, rule INSPRU 3.2.17R**

The Company was not subject to any counterparty derivative exposure during the financial year.

i. **Consideration received for granting rights under derivative contracts**

The investment guidelines did not allow the writing of options.

## **PRUDENTIAL HOLBORN LIFE LIMITED**

**Financial Year ended 31 December 2007**

### **Rule 9.30 Statement on Shareholder Controllers**

The following companies were shareholder controllers of Prudential Holborn Life Limited for the year: Prudential Assurance Company Limited holding 100% of its issued share capital and voting power throughout the year; and Prudential plc, being the ultimate holding company, holding 100% of the issued share capital and voting power of Prudential Assurance Company Limited throughout the year.