Registered No. 793051

PRUDENTIAL HOLBORN LIFE LIMITED

Annual Report and Accounts for the year ended 31st December 2008

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 2008

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PRUDENTIAL HOLBORN LIFE LIMITED

Directors

D J Belsham (Chairman)
A S E Allen
F A O'Dwyer

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 2008

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 2009.

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 and protection products. The profits from the Company’s business accrue solely to shareholders.

The Company has 100% ownership of a subsidiary, Prudential Vietnam Finance Company Limited. The subsidiary's principal activity is consumer finance and its country of incorporation is Vietnam. During the year the Company made a capital contribution of US$15.6m to this subsidiary.

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 2008, 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 of 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 managed acceptance of risk. The Group has a Risk Governance 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 8 and in the financial statements of the parent company, Prudential Assurance Company Limited, and the ultimate parent company, Prudential plc.

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 £19,623,000 (2007:£9,621,000).

The shareholders’ funds of the Company total £73,638,000 (2007:£57,927,000).

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 Prudential plc and corporate responsibility (CR) is a philosophy that is firmly embedded in Prudential's operations around the world and has become a fundamental and integral part of how the Company does business. Strong commitment to CR reflects the recognition that stakeholders including customers, employees, shareholders and communities increasingly favour companies that embrace and exhibit sound values around trust, ethics and environmental responsibility. As the Company strives to meet this need, it is helped by the fact that these values have been fundamental to Prudential throughout the past 160 years, underpinning the long-established brand values of reliability and stability. At the same time, it is recognised that performance in key areas of CR such as corporate governance, environmental management and employment practices can have a significant and positive impact on 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. The Company remains committed to providing a high level of customer service, communicating openly with customers, providing clear information and to monitoring levels of satisfaction.

There is a responsibility Committee which is a specialist Group-wide committee and has responsibility for reviewing Prudential's business conduct and social and environmental policy, and ensures consistency of approach across the Group's international businesses. The CR team develops Prudential's CR strategy and works closely with individual business units to provide advice. The team also assists with the development and adaptation of Group-wide initiatives so that they not only fit with overall Group principles but are also adapted 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 2008 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 2008.

Dividends

No dividend is proposed for the year (2007: 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 resigned as a director of the Company on 31 March 2008.
Mr G Shaughnessy was appointed a director of the Company on 21 February 2008 and resigned on 25 September 2008.
Mr A S E Allen was appointed a director of the Company on 29 February 2008.
Mr F A O'Dwyer was appointed as director of the Company on 5 January 2009.
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.

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 8.

The Company 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 permit the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office.

On behalf of the board of directors

On behalf of Prudential Group Secretarial Services
Secretary

27 March 2009

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 they 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;
- 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 its 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.

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

D J Belsham
Chairman

27 March 2009

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 2008 which comprise the Profit and Loss Account, Reconciliation of Movement in Shareholders' fund, the Balance Sheet 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 2008 and of its profit for the year then ended; and
- the financial statements 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
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

27 March 2009

PRUDENTIAL HOLBORN LIFE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

Technical Account - Long Term Business	**Note**	**2008 £000**	**2007 £000**
Earned premiums, net of reinsurance			
Gross premiums written	2	37,352	906
Outwards reinsurance premiums	2	692	853
		38,044	1,759
Investment income	3	134,985	108,609
		173,029	**110,368**
Claims incurred, net of reinsurance			
Claims paid - gross amount		(27,265)	(18,594)
- reinsurers' share		11,097	14,633
		(16,168)	(3,961)
Change in the provision for claims – gross amount	12	2,491	(3,534)
		(13,677)	**(7,495)**
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
- gross amount		(34,830)	(1,558)
- reinsurers' share		(77)	77
	12	(34,907)	(1,481)
Change in technical provision for linked liabilities, net of reinsurance	12	319,262	(1,366)
		284,355	**(2,847)**
Other charges			
Net operating expenses			
- Administrative expenses		(1,044)	(1,113)
Investment expenses and charges	3	(59,852)	(22,341)
Unrealised losses on investments	3	(372,270)	(76,423)
Tax attributable to long term business	4	3,489	10,235
		(429,677)	**(89,642)**
Balance on the technical account - long term business		**14,030**	**10,384**

All of the amounts above are in respect of continuing operations.
The notes on pages 11 to 27 form an integral part of these financial statements.

PRUDENTIAL HOLBORN LIFE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

Non-Technical Account	**Notes**	**2008 £000**	**2007 £000**
Balance on the long term business technical account		**14,030**	**10,384**
Tax credit attributable to the long term business technical account	4	3,557	29
Balance on the long term business technical account before tax		17,587	10,413
Investment income	3	1,324	1,086
Unrealised gains/(losses) on investment	3	712	(1,878)
Profit on ordinary activities before tax		19,623	9,621
Tax charge on profit on ordinary activities	4	(3,912)	(355)
Profit for the financial year	12	**15,711**	**9,266**

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 27 form an integral part of these financial statements.

PRUDENTIAL HOLBORN LIFE LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £000	2007 £000
Profit for the financial year	**15,711**	**9,266**
Shareholders' finds at beginning of year	57,927	48,661
Shareholders' funds at end of year	**73,638**	**57,927**

The notes on pages 11 to 27 form an integral part of these financial statements.

PRUDENTIAL HOLBORN LIFE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 £000	2007 £000
Assets			
Investments			
Investments in group undertakings and participating interests	7	10,542	1,870
Other financial investments	7	99,577	118,291
Assets held to cover linked liabilities	10	1,620,116	2,047,332
Reinsurers' share of technical provisions			
Long term business provision	12	13	90
Technical provision for linked liabilities	12	117,879	152,759
		117,892	152,849
Debtors			
Other debtors	11	14,998	165
Other assets			
Cash at bank and in hand	17	8,645	499
Prepayments and accrued income			
Accrued interest		62	731
Total assets		1,871,832	2,321,737
LIABILITIES			
Capital and reserves			
Called up share capital	18	11,000	11,000
Profit and loss account		62,638	46,927
Total shareholders' funds attributable to equity interests		73,638	57,927
Technical provisions			
Long term business provision	12,13	37,321	2,491
Claims outstanding	12	2,850	5,341
		40,171	7,832
Technical provisions for linked liabilities	12,14	1,727,331	2,187,344
Provisions for other risks and charges			
Provision for deferred taxation	15	-	11,087
Creditors			
Creditors arising out of reinsurance operations		7,789	3,935
Other creditors including taxation and social security	16	22,903	53,612
		30,692	57,547
Total liabilities		1,871,832	2,321,737

The accounts on pages 7 to 27 were approved by the Board of directors on 27 March 2009.

D J Belsham
Chairman

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

(a) Change in accounting policies

Amendments to FRS 26 (IAS 39) and FRS 29 (IFRS 7): Reclassification of Financial Assets

In October 2008, the Accounting Standards Board (ASB) approved the 'Amendments to FRS 26 (IAS 39) and FRS 29 (IFRS 7): Reclassification of Financial Assets' that permit the reclassification of certain 'held for trading' and 'available-for-sale' financial assets into the 'loans and receivables' category carried at amortised cost if specific conditions are met and additional disclosures are made regarding any assets so reclassified. The adoption of these amendments to FRS 26 and FRS 29 did not have an impact on the balance sheet or profit and loss account of the Company as the Company has not made any such reclassification of financial assets as permitted by the amendments.

(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.

(c) Long-term Business

Under FRS 26, 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.

1. Accounting policies (continued)

(c) Long-term Business (continued)

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.

Under FRS26, 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.

(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.

Under FRS26, 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 of assets designated by management as fair value through profit and loss on inception. These investments (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.

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

(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 13.)

(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 rates ruling at the transaction dates, except for accrued revenue items that are translated at year end exchange rates.

(k) Investment in group undertakings

Investment in group undertakings are valued at the lower of cost and net realisable value.

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

2. Segmental analysis

(a) Gross Premiums

	2008 £000	2007 £000
Regular premiums - direct	742	906
Single premiums		
- intragroup reassurance accepted	36,610	-
- outwards reassurance	692	853
Net premiums	**38,044**	**1,759**

Regular premiums and outwards reassurance are in respect of individual life business where the investment risk is borne by policyholders and transacted within the UK. Regular premiums and outwards reassurance are in respect of investment linked contracts. The annualised gross value of new premiums (other than single) is £Nil (2007: £Nil).

Intragroup reassurance accepted represents permanent health insurance reassured from the Company's parent company, The Prudential Assurance Company Limited.

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 protection amounted to £158,960,000 (2007:£283,581,000).

(b) Assets attributable to the long term business fund

Of the total amount of assets shown on page 10, £1,827,767,000 (2007:£2,279,410,000) is attributable to the long-term business fund.

3. Investment return

	Long term business technical account		Non technical account	
	2008 £000	2007 £000	2008 £000	2007 £000
Investment Income				
Land and buildings	5,390	4,552	-	-
Loans and receivables	4,301	6,463	1,324	1,086
Shares and collective investment schemes	111,314	36,324	-	-
Other Investments	13,980	15,516	-	-
Gains on the realisation of investments	-	45,754	-	-
	134,985	108,609	1,324	1,086
Investment expenses and charges				
Investment managers' expenses	(21,154)	(22,259)	-	-
Interest payable on death claims	(1)	(82)	-	-
Losses on the realisation of investments	(38,697)	-	-	-
Unrealised (losses)/gains on investments				
Land and buildings	(15,369)	(12,762)	-	-
Other Investments	(356,901)	(63,661)	712	(1,878)
Total investment return	**(297,137)**	**9,845**	**2,036**	**(792)**

4. Taxation

	Long term business technical account		Non technical account	
	2008 £000	**2007 £000**	**2008 £000**	**2007 £000**
(a) Analysis of charge in the period				
Current tax				
UK Corporation tax on profits of the period	10,367	6,819	355	326
Adjustments in respect of prior years	(2,769)	2,165	-	-
Total current tax	7,598	8,984	355	326
Deferred tax				
Origination and reversal of timing differences	(10,873)	(19,219)	-	-
Adjustments in respect of prior years	(214)		-	-
	(11,087)	(19,219)	-	-
Shareholder tax attributable to the balance on the long term technical account				
Current tax	-	-	4,729	29
Deferred tax	-	-	(1,172)	-
	-	-	3,557	29
Tax (credit)/charge on profit on ordinary activities	**(3,489)**	**(10,235)**	**3,912**	**355**

(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.

	2008 £000	**2007 £000**
Profit on ordinary activities before tax	19,623	9,621
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 28.5% (2007 : 30%)	5,593	2,886
Effects of		
Permanent differences	(5,238)	(2,531)
Adjustments in respect of prior years	4,729	-
Current tax charge for the period	**5,084**	**355**

The rate of corporation tax in the UK fell to 28% with effect from 1 April 2008. The effective rate applying for the year to 31 December 2008 is therefore 28.5%.

5. Auditors' remuneration

The remuneration of the auditors in respect of the audit of the Company's accounts amounted to £27,800 (2007 total audit fee: £24,572). The remuneration of the auditors in respect of other services pursuant to legislation, including the audit of the regulatory return amounted to £8,000 (2007: £8,000). The remuneration of the auditor in respect of the audit of the subsidiary accounts amounted to £11,094 (2007: £5,256).

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

6. Directors' emoluments and staff costs

The directors of the Company received emoluments of £4,385 during the year in connection with services to the Company (2007: £32,768). There was no compensation for loss of office (2007: £Nil).

Retirement benefits are accruing to one of the directors under the Group's defined benefit scheme and two of the directors under the Group's defined contribution 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	
	2008	**2007**	**2008**	**2007**
	£000	**£000**	**£000**	**£000**
Investments in group undertakings and participating interests	10,542	1,870	11,710	3,748

In 2008 the Company contributed USD 15,625,000 to the Prudential Vietnam Finance Company Limited. This was the Company's only subsidiary undertaking at 31 December 2008 and this subsidiary was 100% owned by the Company. The subsidiary's principal activity is consumer finance and its country of incorporation is Vietnam.

Other financial investments

	Current Value		Cost	
	2008	**2007**	**2008**	**2007**
	£000	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	507	645	507	645
Debt securities and other fixed income securities	9,322	8,504	8,198	8,197
Loans secured by insurance policies	164	164	164	164
Deposits with credit institutions	89,584	108,978	89,584	108,978
	99,577	**118,291**	**98,453**	**117,984**

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)

8. Financial assets and liabilities

a. Financial instruments

(i) Designation and fair values

Under 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.

2008	**Fair value through profit and loss**	**Loans and receivables**	**Total carrying value**	**Fair value**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Deposits with credit institutions	-	89,584	89,584	89,584
Shares and other variable yield securities and units in unit trusts	507	-	507	507
Debt securities	9,322	-	9,322	9,322
Other Debtors	-	4,092	4,092	4,092
Cash at bank and in hand	-	8,645	8,645	8,645
	9,829	**102,321**	**112,150**	**112,150**

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
Accrued investment income	-	731	731	731
Other Debtors	-	-	-	-
Cash at bank and in hand	-	499	499	499
	9,149	**110,208**	**119,357**	**119,357**

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

8. Financial assets and liabilities (continued)

2008	**Amortised cost**	**Total carrying value**	**Fair value**
	£000	**£000**	**£000**
Financial Liabilities			
Creditors arising out of reinsurance operations	7,789	7,789	7,789
Other creditors	22,903	22,903	22,903
	30,692	**30,692**	**30,692**

2007	**Amortised cost**	**Total carrying value**	**Fair value**
	£000	**£000**	**£000**
Financial Liabilities			
Amounts owed to credit institutions	4,956	4,956	4,956
Creditors arising out of reinsurance operations	3,935	3,935	3,935
Other creditors	41,845	41,845	41,845
	50,736	**50,736**	**50,736**

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

8. Financial assets and liabilities (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 2008, the Company held investments with a fair value of £99.6m (2007: £118.3m) which were measured as follows. 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 2008 was a profit of £0.8m.

Interest income and expense

The interest income on financial assets not at fair value through profit and loss was £5.0m for the year ended 31 December 2008.

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

8. Financial assets and liabilities (continued)

The interest expense on financial liabilities not at fair value through profit and loss was nil for the year ended 31 December 2008.

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.

2008	Fair value interest rate risk	Cash flow interest rate risk	Not directly exposed to interest rate	Total
	£000	£000	£000	£000
Financial Assets				
Deposits with credit institutions	-	89,584	-	89,584
Debt securities	9,322	-	-	9,322
Cash at bank and in hand	-	-	8,645	8,645
	9,322	89,584	8,645	107,551

2007	Fair value interest rate risk	Cash flow interest rate risk	Not directly exposed to interest rate	Total
	£000	£000	£000	£000
Financial Assets				
Deposits with credit institutions	-	108,978	-	108,978
Debt securities	8,504	-	-	8,504
Cash at bank and in hand	-	-	499	499
	8,504	108,978	499	117,981

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.

2008	Balance of financial instruments not at fair value through profit and loss	Range of effective interest rates applicable as at 31 Dec 2008	
		Lower end	Higher end
Financial Assets	£000	%	%
Deposits with credit institutions	89,584	1.54	3.05
Cash at bank and in hand	8,645	1.70	1.70

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
Cash at bank and in hand	499	5.50	5.50

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS (continued)

8. Financial assets and liabilities (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.

2008	**1 year or less**	**After 5 to 10 years**	**Over 20 years**	**Total carrying value**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Deposits with credit institutions	89,584	-	-	89,584
Debt securities	-	877	8,445	9,322
	89,584	**877**	**8,445**	**98,906**

2007	**1 year or less**	**After 5 to 10 years**	**Over 20 years**	**Total carrying value**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Deposits with credit institutions	108,978	-	-	108,978
Debt securities	-	801	7,703	8,504
	108,978	**801**	**7,703**	**117,482**

(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. Projected claims have fallen between 2007 and 2008 due to falls in unit-linked fund values.

	Non Profit - Investment	
	2008	**2007**
	£000	**£000**
0-5 years	802,574	990,294
5-10 years	473,601	662,765
10-15 years	332,273	524,132
15-20 years	240,524	424,031
20-25 years	170,848	334,257
Over 25 years	188,668	426,678

(iii) Currency Risk

As at 31 December 2008, all of the financial assets and liabilities of the Company are held in sterling.

8. Financial assets and liabilities (continued)

c. Derivatives

As at 31 December 2008, the Company held no derivatives (2007: Nil).

d. Concentration of credit risk

The financial assets held as at 31 December 2008 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).

	2008 £000	2007 £000
AAA	9,322	8,504
AA	30,000	47,000
A	59,584	61,978
Below BBB or not rated	671	809
	99,577	118,291
Linked Assets	1,620,116	2,047,332
Total assets bearing credit risk	**1,719,693**	**2,165,623**

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.

8. Financial assets and liabilities (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.

NOTES TO THE ACCOUNTS (continued)

9. Capital Requirements and Management

The available capital of £50.2m (2007: £44.7m) reflects the excess of regulatory basis assets over liabilities of the Company before deduction of the regulatory capital resources requirement of £17.1m (2007: £9.9m). 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.

	2008 £000	2007 £000
Shareholders' equity		
Held outside long-term funds	33,489	38,628
Held in long-term funds	40,149	19,299
Total shareholders' equity	73,638	57,927
Adjustments to regulatory basis		
Other adjustments to restate these amounts to a regulatory basis	23,439	13,260
Total available capital resources on FSA regulatory basis	**50,199**	**44,667**

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

	2008 £000	2007 £000
Land and buildings	61,971	80,469
Shares and units in unit trusts	1,268,450	1,590,660
British government securities - fixed income	5,419	1,410
Debentures and loan stocks	157,755	206,706
Deposits with credit institutions	49,092	46,815
Tax recoverable	-	2
Other assets held to cover linked liabilities	77,429	121,270
	1,620,116	**2,047,332**
Assets held to cover linked liabilities - at cost	1,826,454	1,906,621

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

	2008 £000	2007 £000
Shares and other variable yield securities and units in unit trusts	1,268,450	1,590,660
British government securities - fixed income	5,419	1,410
Debentures and loan stocks	157,755	206,706
	1,431,624	**1,798,776**

Linked assets are stated gross of accounting liabilities of £9.3m giving rise to the surplus assets over liabilities.

11. Other debtors

All debtors are due within a period of five years

	2008 £000	2007 £000
Tax recoverable	10,304	165
Intragroup debtors	4,694	-
	14,998	**165**

Included within Intragroup debtors at 31 December 2008 was an amount of £4.1m (2007: Nil), which represents one commercial loan (including interest) repayable by The Prudential Assurance Company. The loan and interest on the loan are repayable at any time at the request of either party.

12. 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 2008	2,401	5,341	2,034,585	46,927
Deposits received from policyholders under investment contracts	-	-	121,141	-
Payments made to policyholders of investment contracts	-	-	(227,012)	-
Movement in technical provisions for the year	34,907	(2,491)	(319,262)	-
Movement in profit and loss account	-	-	-	15,711
Net balance at 31st December 2008	**37,308**	**2,850**	**1,609,452**	**62,638**

Of the reinsurer's share of technical provisions of £117.9 million at 31 December 2008, all of the balance relates to a reinsurer outside of the Prudential Group with S&P's rating of AA- (2007: AA-).

Of the balance on the profit and loss account at 31 December 2008 the amount required not to be treated as realised profits in determining the company's profits available for distribution is £29.8m (2007: £12.1m)

13. Long term business provision

The long term business provision has been calculated by the Company's Actuarial Function Holder. The provision for PHI claims in payment is calculated as a multiple of the annual claim amount.

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.

13. Long term business provision (continued)

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

	2008	2007
Discount Rate	2.60% net	3.20% net
Fund Growth	4.00% net	4.20% net
Expense Inflation	3.50% pa	3.75% pa
Mortality	AM/AF92-3	AM/AF92-3
Expenses - Single Premium	£43.07 gross	£47.86 gross
Expenses - Regular Premium - per policy	£73.63 gross	£81.82 gross

14. Technical provision for linked liabilities

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

15. Provision for deferred taxation

	2008 £000	2007 £000
Provision for deferred tax		
Capital allowances	1,726	1,554
Deferred acquisition costs	-	(2)
Policy reserves	155	1,376
Unrealised (losses)/gains	(1,881)	8,159
Undiscounted provision for deferred tax liability	-	11,087
Deferred tax at start of period	11,087	30,306
Deferred tax credited to technical account for the period	(11,087)	(19,219)
Deferred tax liability at the end of the period	-	11,087

Deferred tax assets have been recognised to the extent that they can be recovered against the reversal of deferred tax liabilities. A deferred tax asset of £56m relating to unrelieved capital losses has not been recognised due to the uncertainty of suitable taxable profits in the future from which the capital losses can be recovered.

16. Other creditors including taxation and social security

All creditors are payable within a period of five years.

	2008 £000	2007 £000
Amounts due to group undertakings	13,508	28,276
Corporation tax payable	-	6,811
Sundry creditors	9,395	13,569
Amounts owed to credit institutions	-	4,956
	22,903	**53,612**

Included within amounts owed to group undertakings at 31 December 2008 was an amount of £3.9m (2007: £3.7m), which represents one commercial loan (including interest) repayable to The Prudential plc. The loan and interest on the loan are repayable at any time at the request of either party.

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. 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.

20. Immediate and ultimate parent company

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